

City of Cleveland, Mississippi
Financial Statements
September 30, 2010

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Clarksdale, Mississippi

CITY OF CLEVELAND, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Cleveland
Cleveland, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cleveland, Mississippi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011, on our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information and corresponding notes on pages 41 through 49 are not a required part of the basic financial statements but are supplementary information required by the *Government Accounting Standards Board*. We have

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However we did not audit the information and express no opinion on it.

The schedules in the statistical section on pages 62 through 71, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cleveland, Mississippi. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Mississippi's basic financial statements. The accompanying schedules in the other supplemental information section on pages 51 through 58, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cleveland, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Cleveland, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ellis T Idersberg

May 16, 2011

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010**

Our discussion and analysis of the City of Cleveland's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2010. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cleveland exceeded its liabilities at the close of the most recent fiscal year by \$37,171,165 (net assets). Of this amount \$7,547,829 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The remaining net assets of the City include: \$22,541,921 invested in capital assets, net of related debt; and \$7,081,415 restricted (for capital improvements, debt service, economic development, and other).
- Total assets increased \$921,232 or 1.71% over 2009. The increase was due in part to improvement in cash position due to favorable operations during the year.
- Total liabilities increased \$464,136 or 2.68% over 2009. The increase is due to public improvement bond issuance of \$1,370,000 during the year.
- The City's total net assets increased \$457,096 over 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cleveland, Mississippi's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements, presented on pages 11 through 12 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Cleveland, Mississippi is improving or deteriorating.

The statement of activities presents information showing the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City of Cleveland, Mississippi that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities).

The government activities of the City include general government, public safety, public works, highways and streets, health and sanitation, shop department, education and recreation and economic and community development.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cleveland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cleveland maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Economic Development and Tourism fund, General Bond and Interest fund, Baxter Bond fund, Economic Development Revolving fund and Special Industrial Project fund, all of which are considered to be major funds. All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 13 through 17.

The City of Cleveland adopts an annual budget. A budgetary comparison schedule has been provided for the General fund and the major special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. The City maintains two types of proprietary funds – an enterprise fund and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for water and sewer operations. The fund is financed primarily through user fees. The internal service fund accounts for the accumulation of amounts used to pay health insurance claims and life insurance premiums for City employees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 18 through 21.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund consists of the payroll clearing fund. Its financial statement can be found on page 22.

Notes to the financial statements. The notes, presented on pages 23 through 39, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Cleveland’s budgetary control on pages 41 through 49.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At the end of the most recent fiscal year, the assets of the City of Cleveland exceeded its liabilities by \$37,171,165.

By far the largest portion of the City of Cleveland’s net assets, \$22,541,921, (61%) reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

(Table 1)
City of Cleveland’s Net Assets

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)	Percentage Change
	2010	2009	2010	2009	2010	2009		
Current and other assets	\$ 17,893,063	16,259,353	1,934,808	2,458,093	19,827,871	18,717,446	1,110,425	5.93%
Capital assets, net	24,724,430	24,517,306	10,377,243	10,773,560	35,101,673	35,290,866	(189,193)	-0.54%
Total Assets	42,617,493	40,776,659	12,312,051	13,231,653	54,929,544	54,008,312	921,232	1.71%
Long-term debt	5,720,027	5,410,623	5,775,440	6,129,921	11,495,467	11,540,544	(45,077)	-0.39%
Other liabilities	5,615,374	5,158,379	647,538	595,320	6,262,912	5,753,699	509,213	8.85%
Total Liabilities	11,335,401	10,569,002	6,422,978	6,725,241	17,758,379	17,294,243	464,136	2.68%
Net Assets:								
Invested in capital assets, net of related debt	18,275,144	18,456,483	4,266,777	4,328,183	22,541,921	22,784,666	(242,745)	-1.07%
Restricted	7,081,415	7,506,858			7,081,415	7,506,858	(425,443)	-5.67%
Unrestricted	5,925,533	4,244,316	1,622,296	2,178,229	7,547,829	6,422,545	1,125,284	17.52%
Total Net Assets	\$ 31,282,092	30,207,657	5,889,073	6,506,412	37,171,165	36,714,069	457,096	1.25%

The City’s total assets increased \$921,232 during 2010 with business-type activities showing an increase of approximately \$80,398 and governmental activities showing an increase of approximately \$1,840,834. The major changes were approximately \$1,539,000 increase in cash and cash equivalents. The cash increase stems from the issuance of \$1,370,000 of public improvement bonds during the year.

The City’s total liabilities increased approximately \$464,000. The increase in liabilities is due to the issuance of the public improvement bonds in the amount of \$1,370,000. Payments against long-term obligations helped to lessen the increase in total liabilities to \$464,000.

The City’s net assets increased approximately \$457,000 which resulted from less expenditures on highways and streets in the current year and improvement in sales and tourism tax revenue and franchise revenue.

(Table 2)
City of Cleveland Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2010	2009	2010	2009	2010	2009		
Program Revenues:								
Charges for services	\$ 1,825,170	1,737,822	2,475,438	2,358,213	4,300,608	4,096,035	204,573	4.99%
Grants and contributions	1,232,271	2,469,767	53,488	83,579	1,285,759	2,553,346	(1,267,587)	-49.64%
General Revenues:								
Property taxes	3,536,195	3,500,519			3,536,195	3,500,519	35,676	1.02%
Sales and tourism taxes	4,070,963	3,964,324			4,070,963	3,964,324	106,639	2.69%
Other taxes and other	2,125,146	1,826,395	89,394	29,578	2,214,540	1,855,973	358,567	19.32%
Total Revenues	12,789,745	13,498,827	2,618,320	2,471,370	15,408,065	15,970,197	(562,132)	-3.52%
Program Expenses:								
General government	1,057,891	1,171,472			1,057,891	1,171,472	(113,581)	-9.70%
Public safety	4,509,478	4,038,834			4,509,478	4,038,834	470,644	11.65%
Public works	1,192,673	666,573			1,192,673	666,573	526,100	78.93%
Highways and streets	1,690,696	2,379,182			1,690,696	2,379,182	(688,486)	-28.94%
Health and sanitation	1,440,307	1,421,507			1,440,307	1,421,507	18,800	1.32%
Shop department	117,556	114,839			117,556	114,839	2,717	2.37%
Education and recreation	637,621	877,522			637,621	877,522	(239,901)	-27.34%
Economic and community dev.	809,978	1,937,488			809,978	1,937,488	(1,127,510)	-58.19%
Interest on long-term debt	259,110	259,450			259,110	259,450	(340)	-0.13%
Water and sewer			3,235,659	3,152,076	3,235,659	3,152,076	83,583	2.65%
Total Expenses	11,715,310	12,866,867	3,235,659	3,152,076	14,950,969	16,018,943	(1,067,974)	-6.67%
Increase (Decrease) in Net Assets	\$ 1,074,435	631,960	(617,339)	(680,706)	457,096	(48,746)	505,842	-1037.71%

The City's governmental activities continue to be funded by sources other than property taxes, which made up only 23% of the total revenues. The other major revenue sources were sales and tourism taxes 26%, charges for services 28%, and grants and contributions 8%. The major expense activities were public safety, highways and streets, and health and sanitation, and economic and community development which comprise 30%, 11%, 10% and 5% of total expenses, respectively. The City remains totally committed to providing the services our residents expect and need.

Business-type activities are accounted for similar to businesses and are primarily supported by user fees. The City makes every effort to keep these fees as low as possible.

FUND FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental fund reporting is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the year ended, the City's governmental funds reported a combined fund balance of \$10,069,860 which is \$1,404,672 above last year's total of \$8,665,188. The primary reason for the increase was issuance of long-term debt in combination with a reduction in expenditures during the year.

Governmental funds meeting the requirements for being reported as major funds include the General Fund, Economic Development and Tourism Fund, General Bond and Interest Fund, Baxter Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund. Remaining governmental funds were combined and reported as non-major governmental funds. The General fund reflected a net change in fund balance of \$220,287. The previous year saw a net change in fund balance of (\$6,729).

The Economic Development and Tourism Fund had a net change in fund balance of (\$122,007) compared to (\$80,684) in the prior year. The General Bond and Interest Fund had a net change in fund balance of (\$31,730) compared to (\$929,112) in the prior year. The Baxter Bond Fund had a net change in fund balance of \$592 compared to \$497 the prior year. The Economic Development Revolving Fund had a net change in fund balance of \$26,874 compared to \$16,080 in the previous year. The Special Industrial Project fund had a net change in fund balance of \$102,136 compared to \$101,974 in the prior year.

Major Fund Budgeting Highlights

The City’s budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2010, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. Revisions in the general fund increased budgeted expenditures by \$194,200.

Budget revisions were minor in the Economic Development and Tourism Fund, Economic Development Revolving Fund and Special Industrial Project Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had \$35,101,673 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. (See Table 3 following.) This amount represents a net decrease (including additions and deductions) of approximately \$189,193 or less than one percent under the prior year.

(Table 3)
CAPITAL ASSETS AT YEAR-END
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2010	2009	2010	2009	2010	2009		
Land	\$ 4,605,367	1,939,669	1,259,935	1,259,935	5,865,302	3,199,604	2,665,698	83.31%
Buildings and improvements	10,371,615	4,922,985	142,610	148,650	10,514,225	5,071,635	5,442,590	107.31%
Equipment and fixtures	2,133,842	2,352,096	267,745	300,691	2,401,587	2,652,787	(251,200)	-9.47%
Infrastructure	6,708,553	7,058,853	8,706,953	7,792,330	15,415,506	14,851,183	564,323	3.80%
Construction in progress	905,053	8,243,703		1,271,954	905,053	9,515,657	(8,610,604)	-90.49%
	<u>\$ 24,724,430</u>	<u>24,517,306</u>	<u>10,377,243</u>	<u>10,773,560</u>	<u>35,101,673</u>	<u>35,290,866</u>	<u>(189,193)</u>	<u>-0.54%</u>

The City of Cleveland continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The following highlights summarize the major projects for the fiscal year of 2009-2010:

- 1) Phase II of the Downtown Sidewalk Project began with expenditures totaling \$682,831 through year-end. The major portion of the project is financed through a federal grant.
- 2) A portion of the Airport/Runway extension project was completed and the cost moved from construction in progress to primarily land cost. Another phase involving relocating utilities, fencing and road construction began. The proposed project will cost \$815,000 with the major portion financed through a federal grant.
- 3) Work on Baxter project was completed and the cost was moved from construction in progress to buildings and improvements. The amount totaled approximately \$5,710,000.
- 4) The Green Acres Sewer Rehabilitation project and Martin Luther King Pumping Station projects were closed in the Enterprise Funds. These costs were moved from construction in progress to infrastructure cost. These projects totaled \$1,353,400.

Long-term Debt

At year-end, the City had \$12,559,752 in bonds and notes outstanding compared to \$12,506,200 last year, an increase of \$53,552. Of the total debt outstanding \$5,410,000 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes. The other major components are notes payable to the State of Mississippi for building in the industrial park of \$946,304 (supported by annual capital lease-sale payments of \$225,650), and notes payable to the State of Mississippi for water and sewer capital improvements of \$6,110,466 and are payable by sales tax revenue.

The following table illustrates the total Long-term Debt of the City of Cleveland as of September 30, 2010:

(Table 4)
LONG-TERM DEBT
 Outstanding at Year-end

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2010	2009	2010	2009	2010	2009		
General Obligation Bonds	\$ 5,410,000	4,900,000			5,410,000	4,900,000	510,000	10.41%
Notes Payable	1,039,286	1,160,823	6,110,466	6,445,377	7,149,752	7,606,200	(456,448)	-6.00%
	<u>\$ 6,449,286</u>	<u>6,060,823</u>	<u>6,110,466</u>	<u>6,445,377</u>	<u>12,559,752</u>	<u>12,506,200</u>	<u>53,552</u>	<u>0.43%</u>

New debt issue consisted of \$1,370,000 public improvement bond issued. More detailed information about the City's long-term liabilities is presented in Note 7 of the Notes to Financial Statements.

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 37 mills is expected to be increased to 38.5 mills in the following year.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Chief Administrative Officer or City Clerk, at 100 North Street or P. O. Box 1439, Cleveland, MS 38732.

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET ASSETS
September 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,684,158	1,354,093	5,038,251
Accounts receivable	112,915	208,607	321,522
Current portion of lease receivable	308,674		308,674
Intergovernmental receivable	1,177,666		1,177,666
Other receivables	283,114		283,114
Property taxes receivable	3,782,621		3,782,621
Franchise taxes receivable	132,808		132,808
Interest receivable	21,312		21,312
Inventory	141,222	146,846	288,068
Restricted assets:			
Cash and cash equivalents	5,375,284	225,262	5,600,546
Lease receivable, non-current	2,803,289		2,803,289
Loans receivable, non-current	70,000		70,000
Capital assets,			
Land	4,605,367	1,259,935	5,865,302
Construction in progress	905,053		905,053
Other capital assets, net	19,214,010	9,117,308	28,331,318
<u>Total Assets</u>	<u>42,617,493</u>	<u>12,312,051</u>	<u>54,929,544</u>
<u>LIABILITIES</u>			
Bank overdraft	38,568		38,568
Accounts payable and accrued expenses	309,588	62,810	372,398
Claims and judgments payable	39,511		39,511
Deferred revenue	3,782,621		3,782,621
Unearned revenue	387,675		387,675
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,052,411	359,466	1,411,877
Liabilities payable from restricted assets:			
Customer deposits		225,262	225,262
Due in more than one year:			
Capital related debt	5,396,875	5,751,000	11,147,875
Non-capital related debt	323,152	24,440	347,592
<u>Total Liabilities</u>	<u>11,335,401</u>	<u>6,422,978</u>	<u>17,758,379</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	18,275,144	4,266,777	22,541,921
Restricted for:			
Crime prevention	79,031		79,031
Home Program	42,672		42,672
Capital improvements	1,014,918		1,014,918
Debt service	1,165,737		1,165,737
Unemployment	61,985		61,985
Economic development	4,717,072		4,717,072
Unrestricted	5,925,533	1,622,296	7,547,829
<u>Total Net Assets</u>	<u>\$ 31,282,092</u>	<u>5,889,073</u>	<u>37,171,165</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
September 30, 2010

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expense) Revenue and		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Change in Net Assets		
					Governmental Activities		Business-type Activities
Governmental activities:							
General government	\$ 1,057,891				(1,057,891)	(1,057,891)	
Public safety	4,509,478		183,693		(4,325,785)	(4,325,785)	
Public works	1,192,673	585,750	335,522		(271,401)	(271,401)	
Highways and streets	1,690,696				(1,690,696)	(1,690,696)	
Health and sanitation	1,440,307	1,237,468			(202,839)	(202,839)	
Shop department	117,556				(117,556)	(117,556)	
Education and recreation	637,621	1,952		713,056	(635,669)	(635,669)	
Economic and community development	809,978				(96,922)	(96,922)	
Interest on long-term debt	259,110				(259,110)	(259,110)	
Total governmental activities	11,715,310	1,825,170	0	1,232,271	(8,657,869)	(8,657,869)	
Business-type activities:							
Water and sewer	3,235,659	2,475,438		53,488		(706,733)	
Total business-type activities	3,235,659	2,475,438	0	53,488	0	(706,733)	
Total primary government	\$ 14,950,969	4,300,608	0	1,285,759	(8,657,869)	(9,364,602)	
General revenues:							
Property taxes				\$ 3,536,195		3,536,195	
Sales and tourism taxes				4,070,963		4,070,963	
Franchise taxes				577,729		577,729	
Other taxes and other				1,345,062	48,964	1,394,026	
Unrestricted interest income				152,521	40,430	192,951	
Interest income on capital lease-sale of building				49,834		49,834	
Total general revenues and transfers				9,732,304	89,394	9,821,698	
Change in net assets				1,074,435	(617,339)	457,096	
Net assets, beginning				30,207,657	6,506,412	36,714,069	
Net assets, ending				\$ 31,282,092	5,889,073	37,171,165	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,933,714						1,188,229	3,121,943
Receivables:								
Accounts	36,099						66,657	102,756
Property taxes	2,309,974		1,129,177				343,470	3,782,621
Franchise fee	132,808							132,808
Intergovernmental	494,564	399,108	9,620				274,374	1,177,666
Other						225,650		225,650
Advances to other funds	127,464	348,120			725,304			1,200,888
Lease receivable, current				83,024		225,650		308,674
Inventory	141,222							141,222
Restricted cash and cash equivalents		1,280,892	316,238	2,803	1,404,070		2,371,281	5,375,284
Lease receivable, non-current				998,089		1,805,200		2,803,289
Loan receivable, non-current							70,000	70,000
Total Assets	\$ 5,175,845	2,028,120	1,455,035	1,083,916	2,129,374	2,256,500	4,314,011	18,442,801
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Bank overdraft	\$					38,568		38,568
Accounts payable	19,852	218,985			30,225		22,303	291,365
Advances from other funds						1,073,424	70,000	1,143,424
Deferred revenue	2,309,974		1,129,177	842,076		1,882,212	343,470	6,506,909
Unearned revenue				239,037		148,638		387,675
Due to bondholders			5,000					5,000
Total Liabilities	2,329,826	218,985	1,134,177	1,081,113	30,225	3,142,842	435,773	8,372,941
FUND BALANCES								
Reserved for advances	127,464	348,120			725,304			1,200,888
Reserved for crime prevention							79,031	79,031
Reserved for inventory	141,222							141,222
Reserved for Home Program							42,672	42,672
Reserved for capital improvements							1,014,918	1,014,918
Reserved for debt service			320,858	2,803				323,661
Reserved for unemployment							61,985	61,985
Reserved for economic development		1,461,015			1,373,845			2,834,860
Unreserved, reported in:								
General fund	2,577,333							2,577,333
Special revenue funds						(886,342)	2,679,632	1,793,290
Total Fund Balances	2,846,019	1,809,135	320,858	2,803	2,099,149	(886,342)	3,878,238	10,069,860
Total Liabilities and Fund Balances	\$ 5,175,845	2,028,120	1,455,035	1,083,916	2,129,374	2,256,500	4,314,011	18,442,801

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2010

Total fund balance - total governmental funds	\$ 10,069,860
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,811,936	24,724,430
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.	2,724,288
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,772,438)
Interest accrued on capital leases receivable not reported on governmental fund financial statements	21,312
Interest accrued on long-term liabilities not reported on governmental fund financial statements	(18,223)
Internal service fund is used by management to administer health care coverage for employees. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.	532,863
Net assets of governmental activities	\$ 31,282,092

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>								
Taxes	\$ 2,011,514		878,731				278,300	3,168,545
Licenses and permits	81,171							81,171
Intergovernmental								
Federal grants		682,831			30,225		416,074	1,129,130
State of Mississippi								
Grants							103,141	103,141
General sales tax	3,401,194							3,401,194
Tourism tax		669,769						669,769
Liquor licenses	16,304							16,304
Amusement licenses	1,260							1,260
Fire protection							75,383	75,383
Gasoline tax	19,122							19,122
Homestead reimbursement	102,394		44,661				14,160	161,215
Grand gulf	127,733							127,733
Bolivar County								
Road maintenance	340,418							340,418
Privilege tax	27,232							27,232
Animal shelter							74,686	74,686
Charges for services	1,007,081						818,089	1,825,170
Franchise tax	543,064						34,665	577,729
Fines and forfeits	319,462						11,052	330,514
Interest income	39,480	24,041	9,702	17,725	26,874	32,916	51,750	202,488
Plant and airport rentals							29,030	29,030
Miscellaneous	233,254	2,013					193,377	428,644
Total revenues:	<u>8,270,683</u>	<u>1,378,654</u>	<u>933,094</u>	<u>17,725</u>	<u>57,099</u>	<u>32,916</u>	<u>2,099,707</u>	<u>12,789,878</u>

EXPENDITURES:

Current:

General government	1,151,503						4,315	1,155,818
Public safety	4,054,105						371,775	4,425,880
Public works	615,729						354,258	969,987
Highways and streets	1,027,599						204,555	1,232,154
Health and sanitation	516,993						912,984	1,429,977

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Shop department	117,916							117,916
Education and recreation							564,985	564,985
Economic and community development		784,830			30,225			815,055
Capital projects	1,259	682,831					354,258	1,038,348
Debt service:								
Principal	38,403		810,000	50,000		83,134		981,537
Interest and fees			154,824	62,515		41,170		258,509
Total expenditures	7,523,507	1,467,661	964,824	112,515	30,225	124,304	2,767,130	12,990,166
Excess (deficiency) of revenues over (under) expenditures	747,176	(89,007)	(31,730)	(94,790)	26,874	(91,388)	(667,423)	(200,288)
<u>OTHER FINANCING SOURCES (USES):</u>								
Transfers in from other funds	435,118			33,000			523,000	991,118
Proceeds of long-term debt							1,370,000	1,370,000
Lease principal payments				62,382		193,524		255,906
Transfers out to other funds	(962,007)	(33,000)					(45,075)	(1,040,082)
Net other financing sources (uses)	(526,889)	(33,000)	0	95,382	0	193,524	1,847,925	1,576,942
Net change in fund balances	220,287	(122,007)	(31,730)	592	26,874	102,136	1,180,502	1,376,654
Fund balances, beginning	2,597,714	1,931,142	352,588	2,211	2,072,275	(988,478)	2,697,736	8,665,188
Increase (decrease) in reserve for inventory	28,018							28,018
Fund balances, ending	\$ 2,846,019	1,809,135	320,858	2,803	2,099,149	(886,342)	3,878,238	10,069,860

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2010

Net changes in fund balances - total governmental funds	\$	1,376,654
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,336,651 exceeded depreciation of \$1,129,527.		207,124
The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$1,370,000 exceeded debt repayments \$981,537 .		(388,463)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:		
Compensated absences		19,767
Change in accrued interest on long-term debt		(601)
Principal payments received on capital lease receivable in not considered revenue on the statement of activities.		(255,906)
Change in interest income accrual adjustment on statement of activities.		(133)
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.		87,975
Inventory adjustment included in statement of activities for government-wide financial statements.		28,018
Change in net assets of governmental activities	\$	1,074,435

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,354,093	562,215
Accounts receivable	208,607	10,159
Inventory	146,846	
Total Current Assets	1,709,546	572,374
Restricted assets:		
Cash and cash equivalents	225,262	
Total Restricted Assets	225,262	
Non-current assets:		
Capital assets		
Land	1,259,935	
Other capital assets, net	9,117,308	
Total Non-Current Assets	10,377,243	
Total Assets	12,312,051	572,374
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	62,810	
Claims and judgments		39,511
Current portion of long-term debt	359,466	
Total Current Liabilities	422,276	39,511
Liabilities payable from restricted assets:		
Customer deposits	225,262	
Total Liabilities Payable from Restricted Assets	225,262	
Non-current liabilities:		
Notes payable	5,751,000	
Compensated absences	24,440	
Total Non-Current Liabilities	5,775,440	
Total liabilities	6,422,978	39,511
NET ASSETS		
Invested in capital assets, net of related debt	4,266,777	
Unrestricted	1,622,296	532,863
Total Net Assets	\$ 5,889,073	532,863

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water sales	\$ 1,414,409	
Sewer sales	935,236	
Premiums		735,211
Other	125,793	12,954
Total Operating Revenues	2,475,438	748,165
<u>OPERATING EXPENSES:</u>		
Personal services	536,486	
Contractual services	1,947,470	
Consumable supplies	123,559	
Depreciation expense	511,869	
Health claim payments		464,370
Administrative fees		35,793
Reinsurance premiums		151,805
Life insurance premiums		15,758
Total Operating Expenses	3,119,384	667,726
Operating Income (Loss)	(643,946)	80,439
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	40,430	7,536
Grant	53,488	
Interest expenses	(116,275)	
Total Nonoperating Revenues (Expenses)	(22,357)	7,536
Net Income (Loss) Before Operating Transfers	(666,303)	87,975
<u>OPERATING TRANSFERS:</u>		
Operating transfers in	439,007	
Operating transfers out	(390,043)	
Net Operating Transfers	48,964	
Net Income (Loss)	(617,339)	87,975
Total net assets, beginning	6,506,412	444,888
Total net assets, ending	\$ 5,889,073	532,863

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 2,483,857	
Receipts for premiums		735,211
Other receipts		9,136
Payments to suppliers for goods and services	(2,577,850)	
Payments for health claims		(476,693)
Payments for administrative fees		(35,793)
Payments for premiums		(167,563)
Net Cash Provided (Used) by Operating Activities	(93,993)	64,298
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers in	439,007	
Operating transfers out	(390,043)	
Net Cash Provided (Used) by Noncapital Financing Activities	48,964	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of property and equipment	(115,552)	
Capital grants received	398,610	
Principal payments on long-term debt	(334,911)	
Interest paid on State of Mississippi loans	(116,274)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(168,127)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received on invested funds	40,430	7,536
Net Cash Provided (Used) by Investing Activities	40,430	7,536
Net Increase (Decrease) in Cash and Cash Equivalents	(172,726)	71,834
Cash and Cash Equivalents, October 1	1,752,081	490,381
Cash and Cash Equivalents, September 30	\$ 1,579,355	562,215

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (643,946)	80,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	511,869	
CDBG grant accrued in receivables		
(Increase) decrease in accounts receivable	(3,234)	(3,818)
(Increase) decrease in inventories	8,670	
Increase (decrease) in water deposits	9,720	
Increase (decrease) in accounts payable	17,942	
Increase (decrease) in claims and judgments		(12,323)
Increase (decrease) in compensated absences	4,986	
Total adjustments	549,953	(16,141)
Net Cash Provided (Used) by Operating Activities	\$ (93,993)	64,298
Reconciliation of Cash		
Unrestricted	\$ 1,354,093	562,215
Restricted	225,262	
Total	\$ 1,579,355	562,215

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	\$ <u>57,464</u>
Total Assets	\$ <u><u>57,464</u></u>
<u>LIABILITIES</u>	
Advances from other funds	\$ <u>57,464</u>
Total Liabilities	\$ <u><u>57,464</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cleveland, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City of Cleveland is located in Bolivar County, Mississippi, and operates under an elected Mayor-Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; police and fire protection; street repair; economic and community development; water, sanitary sewer, and garbage disposal; parks and library services. The primary sources of revenues are property taxes, sales taxes, and utility billings. For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As required by generally accepted accounting principles, various criteria are applied in order to determine any component units that should be reported as part of the City. Such criteria include management oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and financial responsibility, and inter-agency relationships. Based upon the application of these criteria, there are no component units required by GAAP to be reported as part of the reporting entity of the City. The following represents an entity to which the City has a combined interest in conjunction with another government:

Robinson Carpenter Memorial Library - The City has a joint interest with Bolivar County, which is the primary oversight agency of the library. The City currently levies a 2.75 mill tax to support the library. This tax levy is remitted to the library monthly as it is collected.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges

provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes, and intergovernmental revenues. In general, revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The new model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Economic Development and Tourism Fund – The fund accounts for activities used for economic development within the area and the promotion of tourism.

General Bond and Interest Fund – This fund is a debt service fund used to account for the accumulation of resources for the payment of principal, interest, and related costs of general long-term debt.

Baxter Bond Fund – This fund is a debt service fund used to account for the accumulation of resources for the payment of principal, interest, and related costs of bonds issued to finance major capital improvements for Baxter Healthcare Corporation.

Economic Development Revolving Fund – The fund accounts for resources in the construction of economic development projects.

Special Industrial Project Fund – The fund accounts for activities associated with a particular plant in the area.

The City reports the following proprietary funds.

Water & Sewer Fund – This fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Internal Service Fund – The fund accounts for the accumulation of amounts used to pay health insurance claims and life insurance premiums for City employees.

The agency fund accounts for the assets held by the City in a fiduciary capacity.

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Fund – This fund accounts for risk financing activities for medical and life insurance benefits.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Cash and Cash Equivalents

Cash of all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. The City deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts and savings accounts. Cash Equivalents consist of certificates of deposit with an original maturity of three months or less. Cash and cash equivalents are valued at cost which approximates their fair value.

E. Inventories

Inventories in the governmental and enterprise funds consist of expendable supplies held for consumption. These inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) basis. The costs of these governmental fund type inventories are recorded as expenditures when purchased.

F. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The following are the estimated useful lives used for computing depreciation:

Building and improvements	10 - 50 years
Equipment and fixtures	5 - 10 years
Infrastructure	20 - 40 years
Water and sewerage plant	20 - 40 years

G. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term debt of governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds report the liability as it is incurred.

H. Fund Equity

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation or other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

I. Compensated Employee Absences

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. Employees are completely vested in vacation days up to the maximum that they can take or be paid for upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

J. Risk Management

The City carries commercial insurance with respect to risks including, but not limited to, property damage and personal injury. Insurance coverage remains relatively constant, and settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

K. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expense, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

L. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The City bills and collects its own property taxes except for the personal auto taxes that are billed, collected, and remitted to the City by the Bolivar County Tax Collector. The millage rate for the City for the 2010 taxes was 37 mills as: 23.50 mills for the general fund, 10.25 mills for the debt service fund, 1.25 mills for library maintenance, and 2.00 mills for park maintenance.

NOTE 2 BUDGET POLICY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to August 1st, the City Clerk and Chief Administrative Officer submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the City's budget meetings being open to the public, so that public hearings are conducted at City Hall to obtain taxpayer comments.
- C. Prior to September 15th, the budget is legally enacted through adoption by the Mayor and Board of Aldermen.
- D. The budget is formally revised during the year and properly amended by the Mayor and Board of Aldermen.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash

The carrying amount of the City's total deposits with financial institutions at September 30, 2010 was \$1,433,761 and the bank balance was \$1,608,393. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

Cash Equivalents

Cash equivalents consist of investments in the following certificates of deposit at September 30, 2010:

Investment Type	Maturity	Fair Value
Certificate of Deposit	October 31, 2010	\$ 4,800,000
Certificate of Deposit	November 30, 2010	3,165,000
Certificate of Deposit	December 31, 2010	<u>1,297,500</u>
Totals		<u>\$ 9,262,500</u>

Interest rate risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy is limited to complying with the State's investment statutes. Currently, the City holds the above certificates of deposit which have short-term maturities. The City plans to hold the certificates until maturity. Interest rate risk appears to be minimal under these circumstances.

Credit risk – State law limits the types of investments in which the City may invest its excess funds. The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risks.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE 4 RECEIVABLES, UNCOLLECTIBLES, AND DEFERRED REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectibles. Customer deposits are obtained to assist in the collection of such receivables. Accounts receivable at September 30, 2010 were \$208,607.

Governmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of fiscal year-end. Intergovernmental receivables at September 30, 2010 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 472,508
	Tourism Tax	108,864
<u>Bolivar County:</u>	Auto Ad Valorem	34,714
	Mobile Home	13
<u>Federal Grants:</u>		
	Transportation Enhancement Funds	290,244
	Airport Improvement Project	211,206
	Justice Assistance Grant	54,560
<u>State Grants:</u>		
	Airport Improvement Project	<u>5,557</u>
	Total Intergovernmental Receivables	\$ <u>1,177,666</u>

Loans and lease receivable

Faurecia Automotive Seating, Inc.

On June 4, 2004, the City entered into a capital lease-sale with Faurecia Automotive Seating, Inc. for land and building located in the industrial park. The City purchased this building for the purpose of leasing it to Faurecia Automotive Seating, Inc. The purchase of the building was financed as follows: City \$750,000 CAP Loan from Mississippi Development Authority, County \$750,000 CAP Loan from Mississippi Development Authority, Town of Renova \$250,000 grant, with the remainder of the approximately \$3,175,000 purchase price paid by the City. The City is responsible for the repayment of both of the \$750,000 CAP loans (City and County) with the annual lease payments of \$225,650 payable from June 15, 2005 through June 15, 2019. The lessee has the option to purchase the land and building on or after the seventh anniversary date of the lease for the purchase price of \$3,000,000, plus interest at the rate of 1.548% per annum from the date of closing, less all sums paid as rent under the preceding lease. Minimum lease payments receivable at September 30, 2010 were:

Year Ending <u>September 30,</u>	Principal Portion	Interest Portion	Total Lease
2011	\$ 196,519	29,131	225,650
2012	199,560	26,090	225,650
2013	202,649	23,001	225,650
2014	205,785	19,865	225,650
2015	208,970	16,680	225,650
2016-2020	868,729	33,871	902,600
Totals	\$ 1,882,212	148,638	2,030,850

Baxter Healthcare Corporation

In the previous year, the City of Cleveland entered into an agreement with Baxter Healthcare Corporation (Baxter), the Mississippi Major Economic Impact Authority (MMEIA), and the Bolivar County Board of Supervisors. The agreement provides for major capital improvements to Baxter's manufacturing facilities located within the City of Cleveland. MMEIA was authorized by the Legislature of the State of Mississippi to issue Impact Bonds totaling twenty-four million dollars (\$24,000,000). Of this amount eighteen million dollars (\$18,000,000) was to be loaned directly to Baxter from MMEIA. The remainder of six million dollars (\$6,000,000) was provided in the form of a grant from MMEIA to the City of Cleveland for use in Baxter's improvements. In addition, the City of Cleveland issued bonds for one million thirty-five thousand dollars (\$1,035,000) and Bolivar County issued bonds for one million thirty-five thousand dollars (\$1,035,000) for the construction project.

Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County's bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2010 were:

Year Ending <u>September 30,</u>	Principal Portion	Interest Portion	Total Lease
2011	\$ 64,667	18,357	83,024
2012	62,993	17,882	80,875
2013	65,167	18,499	83,666
2014	67,229	19,084	86,313
2015	65,529	18,601	84,130
2016-2020	359,876	102,156	462,032
2021-2025	156,615	44,457	201,072
Totals	\$ 842,076	239,036	1,081,112

NOTE 5 RESTRICTED ASSETS

Certain assets are restricted for construction funded through long-term debt, federal grants and debt service. In addition, certain assets are held as deposits and are only potentially available for City use.

The bond resolutions have several requirements of the City concerning such items as the maintenance and segregation of accounts. The resolution stipulated the accumulation of certain funds for the protection of the bondholder, and in 2010 the City had the following restricted cash:

	Economic Development	Debt Service	Baxter Bond Fund	Economic Development Capital	Water and Sewer	Other
Capital improvements	\$					2,242,153
Crime prevention						24,471
Customer deposits					225,262	
Debt service		316,238	2,803			
Economic development	1,280,892			1,404,070		
Home Program						42,672
Unemployment						61,985
Totals	\$ 1,280,892	316,238	2,803	1,404,070	225,262	2,371,281

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction in Progress	Buildings and Improvements	Equipment and Fixtures	Infrastructure	
Governmental Activities:						
Capital Assets						
Balance, 10/01/09	\$ 1,939,669	8,243,703	6,474,183	7,044,190	11,497,970	35,199,715
Additions		1,037,089	1,259	298,303		1,336,651
Deletions						0
Adjustments	2,665,698	(8,375,739)	5,710,041			0
Balance, 09/30/10	4,605,367	905,053	12,185,483	7,342,493	11,497,970	36,536,366
Accumulated Depreciation						
Balance 10/01/09	0	0	1,551,198	4,692,094	4,439,117	10,682,409
Additions			262,670	516,557	350,300	1,129,527
Deletions						0
Adjustments						0
Balance, 09/30/10	0	0	1,813,868	5,208,651	4,789,417	11,811,936
Governmental Activities Assets, Net	4,605,367	905,053	10,371,615	2,133,842	6,708,553	24,724,430

Business-type Activities:

Capital Assets						
Balance, 10/01/09	1,259,935	1,271,954	301,983	820,449	28,073,024	31,727,345
Additions		81,496		34,056		115,552
Deletions						0
Adjustments		(1,353,450)			1,353,450	0
Balance, 09/30/10	<u>1,259,935</u>	<u>0</u>	<u>301,983</u>	<u>854,505</u>	<u>29,426,474</u>	<u>31,842,897</u>
Accumulated Depreciation						
Balance, 10/01/09	0	0	153,333	519,758	20,280,694	20,953,785
Additions			6,040	67,002	438,827	511,869
Deletions						0
Adjustments						0
Balance, 09/30/10	<u>0</u>	<u>0</u>	<u>159,373</u>	<u>586,760</u>	<u>20,719,521</u>	<u>21,465,654</u>
Business-type Activities Assets, Net	<u>1,259,935</u>	<u>0</u>	<u>142,610</u>	<u>267,745</u>	<u>8,706,953</u>	<u>10,377,243</u>
Total Capital Assets, Net	<u>\$ 5,865,302</u>	<u>905,053</u>	<u>10,514,225</u>	<u>2,401,587</u>	<u>15,415,506</u>	<u>35,101,673</u>

Construction in Progress is composed of the follows:

	Spent through <u>9/30/2010</u>	Estimated To Complete
Governmental Activities:		
Airport Improvement	\$ 222,222	592,860
Downtown Sidewalk Phase II	<u>682,831</u>	<u>154,190</u>
Totals	<u>\$ 905,053</u>	<u>747,050</u>

The airport improvement project is financed by a grant through the U.S. Department of Transportation Federal Aviation Administration. This agency will finance ninety-five percent (95%) of the cost of extending this phase of extending the runway. Cost will involve design, utility relocation, obstruction removal and installation of perimeter fencing. The City of Cleveland and the State of Mississippi will share in the remaining five percent of the cost. The overall cost estimate is \$815,082.

The sidewalk project is financed with American Recovery and Reinvestment Act of 2009 (ARRA) funds. The project involves reconstructing downtown sidewalks with stamped reinforced concrete, high mast street lighting and replacement of two signalized intersections. The total project cost is estimated to be \$833,305.

Depreciation expense was charged to City functions as follows:

Governmental Activities:	
General government	\$ 11,081
Public safety	287,188
Public works	261,639
Highways and streets	483,153
Health and sanitation	10,330
Education and recreation	<u>76,136</u>
 Total	 \$ <u>1,129,527</u>
 Business-type Activities:	
Water and Sewer	\$ <u>511,869</u>

NOTE 7 LONG-TERM DEBT

The City's long-term debt is made up of general obligation bonds, industrial revenue bonds, and notes payable. General obligation bonds are direct obligations, and are backed by the full faith and credit of the City. Industrial revenue bonds are payable solely from the revenues of the underlying facilities. The City also incurs debt in the form of various notes payable which are to be repaid through daily operations.

The City is subject to a general statutory debt limitation under which no City in the State may incur general obligation bonded indebtedness in the amount which will exceed 15 percent of the assessed value of the taxable property within the City according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water, and sewerage systems, gas and light and power purposes and for construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a City's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a City contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such City.

In arriving at the limitations set forth, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, Annotated, Revised 1989 and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, Annotated, Revised 1990, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits as of September 30, 2010 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$8,509,799	\$13,149,732

The following is a summary of changes in long-term debt for the year ended September 30, 2010.

	Balance 10/1/2009	Additions	Reductions	Balance 9/30/2010	Due within one year
Governmental Activities:					
General Obligation Bonds	\$ 4,900,000	1,370,000	860,000	5,410,000	915,000
Notes Payable - State of MS	1,029,438		83,134	946,304	97,244
Lease Payable - Cleveland State Bank	131,385		38,403	92,982	40,167
Compensated absences	342,919		19,767	323,152	
Total Governmental Activities	<u>6,403,742</u>	<u>1,370,000</u>	<u>1,001,304</u>	<u>6,772,438</u>	<u>1,052,411</u>
Business-type Activities:					
Notes Payable - State of MS	6,445,377		334,911	6,110,466	359,466
Compensated absences	19,454	4,986		24,440	
Total Business-type Activities	<u>6,464,831</u>	<u>4,986</u>	<u>334,911</u>	<u>6,134,906</u>	<u>359,466</u>
Total Long-term debt	<u>\$ 12,868,573</u>	<u>1,374,986</u>	<u>1,336,215</u>	<u>12,907,344</u>	<u>1,411,877</u>

At September 30, 2010 bonds and notes payable consisted of the following individual issues:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Governmental Activities:					
A. General obligation bonds					
Public Improvement	6/1/01	3.00 - 4.30%	3/1/11	640,000 \$	65,000
Public Improvement	6/1/02	3.25 - 4.60%	3/1/12	790,000	160,000
Public Improvement	5/1/03	2.50 - 3.50%	3/1/13	1,060,000	330,000
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	570,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	550,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	670,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	800,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	895,000
Public Improvement	5/1/10	2.50 - 3.50%	3/1/20	1,370,000	1,370,000
Total General obligation bonds					<u>5,410,000</u>
B. Other Loans					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	473,152
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	473,152
Cleveland State Bank (Street Sweeper Lease)	7/1/08	4.50%	1/1/13	177,025	92,982
Total Other Loans					<u>1,039,286</u>
Total Governmental Activities					<u>\$ 6,449,286</u>

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Business-type Activities:					
A. Other loans					
State of Mississippi (MDA)	6/4/96	3.70%	8/1/13	158,000	\$ 35,593
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,304,097
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	1,158,338
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	985,500
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,462,494
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	1,164,444
Total Other Loans					\$ <u>6,110,466</u>

The annual debt service requirements of long-term debt as of September 30, 2010 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 915,000	200,440	137,411	30,422
2012	855,000	165,388	142,215	25,619
2013	785,000	133,460	114,051	21,135
2014	680,000	105,180	106,390	17,914
2015	540,000	81,829	109,626	14,678
2016-2020	1,440,000	191,180	429,590	24,508
2021-2025	195,000	11,850		
Total	\$ <u>5,410,000</u>	<u>889,327</u>	<u>1,039,283</u>	<u>134,276</u>

Business-type Activities:

2011	\$ 359,466	117,764
2012	366,753	110,476
2013	370,430	103,051
2014	367,674	95,815
2015	374,904	88,586
2016-2020	1,988,178	329,269
2021-2025	1,836,140	131,032
2026-2030	446,921	11,870
Total	\$ <u>6,110,466</u>	<u>987,863</u>

NOTE 8 INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The governmental and business-type funds financial statements reflect such transactions as transfers.

Balances at September 30, 2010 were as follows:

Transfers In	Transfers Out		
General Fund	Enterprise Fund	\$	390,043
General Fund	Nonmajor Fund		45,075
Baxter Bond Fund	Economic Development and Tourism Fund		33,000
Enterprise Fund	General Fund		439,007
Nonmajor Fund	General Fund		<u>523,000</u>
 Total		 \$	 <u><u>1,430,125</u></u>

Individual fund interfund advance balances at September 30, 2010 arising from these transactions were as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor governmental fund	\$	70,000
General Fund	Agency Fund		57,464
Economic Development and Tourism Fund	Special Industrial Project Fund		348,120
Economic Development Revolving Fund	Special Industrial Project Fund		<u>725,304</u>
 Totals		 \$	 <u><u>1,200,888</u></u>

Advances represent amounts due to another fund not expected to be repaid within one year. The advances above occurred in previous years.

NOTE 9 DEFINED BENEFIT PENSION PLAN

Plan Description. The City of Cleveland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$521,072, \$483,136, and \$448,147, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City, after consultation with counsel, that the resolution of the matters will not have a material adverse effect on the financial condition of the government.

In the normal course of operations, the City receives grant funds from various federal and state awarding agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability of reimbursement which may arise as the result of these audits is not believed to be material.

The City occasionally enters into long-term construction contracts for capital projects as well as long-term contracts for various utility services. As of September 30, 2010, the City has two commitments, which consist of the residential garbage collection contract and a contract for water utility services through September 30, 2012.

The City's construction contracts using federal grants are disclosed in note 6 for capital assets. In addition, the City has a commitment for curb and gutter replacement with a contractor. The contract amount was \$120,000 with \$48,530 of the work completed at September 30, 2010.

NOTE 11 SOLID WASTE DISPOSAL

On September 15, 2008, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$15.00 per month per residence. The agreement will continue until September 30, 2012. The agreement can be automatically renewed until September 30, 2015. The City adopted the Solid Waste Management Plan for Bolivar County on September 27, 1993.

NOTE 12 RISK MANAGEMENT

The City of Cleveland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City established an internal service fund, the health insurance trust fund, to account for and finance employee medical benefit claims. The plan is funded by transfers from the general fund to cover claims, administrative fees, reinsurance premiums and group life insurance premiums. Administrative fees and reinsurance premiums are billed to the City once a month by the plan administrator. Weekly claim amounts are billed to the City based upon the claims processed by the administrator. The City has purchased a reinsurance policy which pays claims in excess of \$25,000 for an individual participant. Based on current rates and enrollment the City is anticipated to have funds available to pay claims of approximately \$600,000 per year.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008-2009	\$ 41,630	319,937	309,733	51,834
2009-2010	51,834	464,370	476,693	39,511

NOTE 13 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Special Industrial Project Fund reported a deficit in fund balances of \$886,342 at September 30, 2010.

NOTE 14 ARRA AUDIT

In July 2010, the City had ARRA audits covering two grants – CFDA # 20.205 Highway Planning and Construction and CFDA # 16.807 Edward Byrne Memorial Justice Assistance Grant Program. The summarized findings of the audit are as follows. The contract under the Highway Planning and Construction project did not contain the appropriate “Buy-American” language.

Findings related to the Edward Byrne Memorial Justice Assistance Grant Program are as follows. The City did not document open competition for project bidding in its minutes nor have any documentation that indicated open competition was utilized in the bid award process. Internal control for the project was not documented. The City did not document how compliance with the debarment requirement was met. Information contained in the City’s Section 1512 report was incorrect for two quarters.

At the completion of this audit report, the City has not formally responded to the findings of the ARRA audit. The impact of this action could affect future funding for the City.

NOTE 15 SUBSEQUENT EVENTS

Events that occurred after the statement of assets, liabilities and net assets, modified cash basis, date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the City of Cleveland evaluated the activity of the City through May 16, 2011, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Licenses and Permits	\$ 552,700	552,700	507,927	(44,773)
Fines and forfeits	321,500	321,500	319,462	(2,038)
Grants & Intergovernmental	3,496,500	3,496,500	3,468,645	(27,855)
Charges for Services	523,200	523,200	526,889	3,689
Miscellaneous Revenues	840,300	840,300	783,652	(56,648)
Ad Valorem Taxes	2,203,950	2,203,950	2,115,659	(88,291)
Miscellaneous Taxes	27,700	27,700	28,492	792
Interfund Transfers	435,118	435,118	435,118	-
Total revenues	8,400,968	8,400,968	8,185,844	(215,124)
<u>EXPENDITURES:</u>				
General government				
Personal services	346,400	346,400	345,346	1,054
Other services and charges	450,000	483,850	452,383	31,467
Supplies	21,200	21,200	17,256	3,944
Capital outlay	6,000	6,000	5,950	50
Grants & Subsidies	355,953	362,803	354,170	8,633
Total general government	<u>1,179,553</u>	<u>1,220,253</u>	<u>1,175,105</u>	<u>45,148</u>
Public Safety				
Municipal Court				
Personal services	116,200	129,200	128,468	732
Other services and charges	228,300	228,300	208,981	19,319
Supplies	11,500	11,500	5,171	6,329
Total municipal court	<u>356,000</u>	<u>369,000</u>	<u>342,620</u>	<u>26,380</u>
Police Department				
Personal services	3,063,172	3,050,172	2,995,065	55,107
Other services and charges	124,350	131,850	105,876	25,974
Supplies	183,800	226,800	188,011	38,789
Capital outlay	83,000	83,000	82,843	157
Total Police Department	<u>3,454,322</u>	<u>3,491,822</u>	<u>3,371,795</u>	<u>120,027</u>

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
	Original	Final	Basis	(Unfavorable)
Fire Department				
Personal services	171,800	171,800	169,696	2,104
Other services and charges	106,350	106,350	92,161	14,189
Supplies	103,450	103,450	76,048	27,402
Capital outlay	4,000	4,000	3,619	381
Total Fire Department	<u>385,600</u>	<u>385,600</u>	<u>341,524</u>	<u>44,076</u>
Total Public Safety	<u>4,195,922</u>	<u>4,246,422</u>	<u>4,055,939</u>	<u>190,483</u>
Public Works				
Code Compliance				
Personal services	269,500	269,500	263,965	5,535
Other services and charges	80,450	75,450	43,000	32,450
Supplies	17,400	17,400	12,138	5,262
Capital outlay	2,700	7,700	6,342	1,358
Total Code Compliance	<u>370,050</u>	<u>370,050</u>	<u>325,445</u>	<u>44,605</u>
Cemetery				
Personal services	116,498	116,498	116,958	(460)
Other services and charges	2,300	2,300	1,039	1,261
Supplies	31,625	31,625	17,685	13,940
Capital outlay	21,700	21,700	20,928	772
Total Cemetery	<u>172,123</u>	<u>172,123</u>	<u>156,610</u>	<u>15,513</u>
Airport				
Personal services	83,203	83,203	56,580	26,623
Other services and charges	36,800	36,800	29,608	7,192
Supplies	59,500	59,500	49,081	10,419
Capital outlay			2,500	(2,500)
Total Airport	<u>179,503</u>	<u>179,503</u>	<u>137,769</u>	<u>41,734</u>
Total public works	<u>721,676</u>	<u>721,676</u>	<u>619,824</u>	<u>101,852</u>
Highways and Streets				
Personal services	693,224	693,224	633,372	59,852
Other services and charges	177,100	182,100	141,907	40,193
Supplies	335,250	330,250	246,436	83,814
Capital outlay	106,000	206,000	55,320	150,680
Total Highways and Streets	<u>1,311,574</u>	<u>1,411,574</u>	<u>1,077,035</u>	<u>334,539</u>

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Health and sanitation				
Mosquito Control				
Personal services	141,704	151,704	151,838	(134)
Other services and charges	42,050	35,050	26,895	8,155
Supplies	338,900	338,900	330,658	8,242
Capital outlay	11,000	11,000	9,142	1,858
Total Mosquito Control	<u>533,654</u>	<u>536,654</u>	<u>518,533</u>	<u>18,121</u>
Shop Department				
Personal services	108,850	108,850	106,935	1,915
Other services and charges	3,000	3,000	1,187	1,813
Supplies	13,000	13,000	8,690	4,310
Capital outlay	700	700	360	340
Total Shop Department	<u>125,550</u>	<u>125,550</u>	<u>117,172</u>	<u>8,378</u>
Total Expenditures	<u>8,067,929</u>	<u>8,262,129</u>	<u>7,563,608</u>	<u>698,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>333,039</u>	<u>138,839</u>	<u>622,236</u>	<u>(913,645)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	<u>(523,000)</u>	<u>(523,000)</u>	<u>(523,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>(523,000)</u>	<u>(523,000)</u>	<u>(523,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (189,961)</u>	<u>(384,161)</u>	99,236	<u>(483,397)</u>

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			519,957	
Expenditures charged to designated funds			<u>(398,906)</u>	
Net change in Fund Balances - GAAP Basis			220,287	
Fund balances, October 1			2,597,714	
Increase (decrease) in reserve for inventory			<u>28,018</u>	
Fund balances, September 30			<u><u>\$ 2,846,019</u></u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 ECONOMIC DEVELOPMENT AND TOURISM FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL (NON-GAAP BASIS)
 For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
REVENUES:				
Tourism Taxes	\$ 614,000	614,000	671,158	57,158
Total taxes	614,000	614,000	671,158	57,158
Intergovernmental				
State of Mississippi - Dept. of Transportation				
Federal grants	1,870,770	1,870,770	461,030	(1,409,740)
Interest income	43,837	43,837	24,041	(19,796)
Other revenues			2,013	2,013
Total revenues	2,528,607	2,528,607	1,158,242	(1,370,365)
EXPENDITURES:				
All departments				
Contractual services	10,000	10,000		10,000
Consumable supplies	10,000	10,000	7,965	2,035
Appropriation	540,137	575,137	551,090	24,047
Capital outlay	21,000	21,000	42,710	(21,710)
	581,137	616,137	601,765	14,372
Street Department				
Contractual services	20,000	20,000		20,000
Capital Outlay	1,380,000	1,280,000	465,122	814,878
	1,400,000	1,300,000	465,122	834,878
Railroad Heritage Museum				
Personal services	48,350	48,350	47,361	989
Contractual services	64,800	63,375	49,433	13,942
Consumable supplies	7,000	8,425	2,243	6,182
Capital outlay	44,000	44,000	38,475	5,525
	164,150	164,150	137,512	26,638

CITY OF CLEVELAND, MISSISSIPPI
 ECONOMIC DEVELOPMENT AND TOURISM FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL (NON-GAAP BASIS)
 For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
TE Grant - Bicycle Path				
Capital Outlay	1,123,693	1,201,693	46,661	1,155,032
Total expenditures	<u>3,268,980</u>	<u>3,281,980</u>	<u>1,251,060</u>	<u>2,030,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(740,373)</u>	<u>(753,373)</u>	<u>(92,818)</u>	<u>660,555</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Total other financing sources (uses):	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (773,373)</u>	<u>(786,373)</u>	<u>(125,818)</u>	<u>660,555</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			220,412	
Expenditures charged to designated funds			<u>(216,601)</u>	
Net change in Fund Balances - GAAP Basis			(122,007)	
Fund balances, October 1			<u>1,931,142</u>	
Fund balances, September 30			<u><u>1,809,135</u></u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 ECONOMIC DEVELOPMENT REVOLVING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL (NON-GAAP BASIS)
 For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES:				
Interest Income	\$ 12,720	12,720	26,875	14,155
Intergovernmental Federal Grants			213,329	213,329
Total revenues	12,720	12,720	240,204	227,484
EXPENDITURES:				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	12,720	12,720	240,204	227,484
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	68,409	68,409		(68,409)
Total other financing sources (uses):	68,409	68,409	0	(68,409)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 81,129	81,129	240,204	159,075
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(183,105)	
Expenditures charged to designated funds			(30,225)	
Net change in Fund Balances - GAAP Basis			26,874	
Fund balances, October 1			2,072,275	
Fund balances, September 30			2,099,149	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SPECIAL INDUSTRIAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
REVENUES:				
Interest Income	\$ 450	450	506	56
Lease payment	225,650	225,650		(225,650)
Total revenues	<u>226,100</u>	<u>226,100</u>	<u>506</u>	<u>(225,594)</u>
EXPENDITURES:				
Other services and charges	124,304	124,304	124,304	0
Total expenditures	<u>124,304</u>	<u>124,304</u>	<u>124,304</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,796</u>	<u>101,796</u>	<u>(123,798)</u>	<u>(225,594)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(101,346)	(101,346)		(101,346)
Total other financing sources (uses):	<u>(101,346)</u>	<u>(101,346)</u>	<u>0</u>	<u>(101,346)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 450</u>	<u>450</u>	<u>(123,798)</u>	<u>(124,248)</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			<u>225,934</u>	
Net change in Fund Balances - GAAP Basis			102,136	
Fund balances, October 1			<u>(988,478)</u>	
Fund balances, September 30			<u>(886,342)</u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2010

Notes to the Required Supplemental Information

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the City Clerk or chief administrative officer prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the originally legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

These differences have been reconciled at the end of each fund's comparison.

D. Excess of Actual Expenditures Over Budget in Individual Funds.

No funds with actual expenditures over budgeted amounts were identified.

E. Unbudgeted Funds.

There were no unbudgeted funds.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
 RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS- 2009 TAX ROLLS
 For the Fiscal Year Ended September 30, 2010

	Assessed Valuation	<u>Tax</u> <u>Ad Valorem</u>	
<u>Assessments - 2009 Tax Rolls</u>			
Realty	\$ 64,902,556		
Personalty	12,162,372		
Auto and Mobile Home	12,630,842		
Public Utility	<u>3,102,890</u>		
 Total Assessed Valuation	 \$ <u>92,798,660</u>		
 Total Ad Valorem Tax @ 37 Mills		 \$ 3,433,550	
 Less: Homestead Exemption Credit		 <u>223,597</u>	
 Net Ad Valorem Taxes		 \$ 3,209,953	
 Other Collections:			
Actual Homestead Reimbursements		161,216	
Prior Year Tax Collections		78,440	
Penalties and Interest on Delinquent Taxes		45,415	
 Deductions:			
Bolivar County Tax Collector's Commission		<u>(23,097)</u>	
 Total Ad Valorem Taxes to be Accounted For		 \$ <u>3,471,927</u>	
 Collections:			
Allocated to:	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
General Fund	\$ 2,089,954	102,394	\$ 2,192,348
Park Fund	171,169	8,714	179,883
Library Fund	107,132	5,446	112,578
Debt Service Fund	878,731	44,661	923,392
Totals	<u>\$ 3,246,986</u>	<u>\$ 161,215</u>	<u>3,408,201</u>
 Balance Represented by:			
Unpaid Realty		63,422	
Unaccounted for - Under (Over) Collected		<u>304</u>	
 Total Ad Valorem Taxes Accounted For		 \$ <u>3,471,927</u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2009 TAX ROLLS
 For the Fiscal Year Ended September 30, 2010

Tax millage levies for the current fiscal year (tax year 2009) were as follows:

Fund	Millage	
General	23.50	General
Parks	2.00	Park maintenance
Library	1.25	Library maintenance
Bond & Interest	10.25	Debt service
Total	37.00	

Ad valorem tax collections were found to be in excess of the limitations of Sections 27-39-320 to 27-39-329, Miss. Code Ann. (1972), as follows:

\$ 3,374,107	Base 2008 - 2009	\$ 3,246,986	Taxes collected 2009 - 2010
		13,831	Less: Exempted Amounts (New Value)
938,991	Less: Applicable to Debt Service	878,731	Less: Applicable to Debt Service
2,435,116		2,354,424	
243,512	10% Increase	161,215	Homestead Exemption 2008 - 2009
		44,661	Less: Applicable to Debt Service
		116,554	
		207,650	Under (Over) Limitation
\$ 2,678,628		\$ 2,678,628	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULES OF CERTIFICATES OF DEPOSIT
September 30, 2010

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

<u>Institution</u>	<u>Date Purchased</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>
Planters Bank & Trust	7/31/2010	10/31/2010	2.050%	\$ 4,800,000
Planters Bank & Trust	8/31/2010	11/30/2010	2.050%	3,165,000
Planters Bank & Trust	9/30/2010	12/31/2010	2.050%	1,297,500
Totals				\$ <u>9,262,500</u>

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT BY FUND:

GENERAL FUNDS:

General Fund \$ 1,775,000

SPECIAL REVENUE FUNDS:

Economic Development Fund 950,000
 Fire Protection Fund 395,000
 Housing Fund 40,000
 Park Commission Fund 230,000
 Public Improvement Bond Fund 100,000
 Sanitation Fund 465,000

PROPRIETARY FUNDS

Water & Sewer Utility Fund 1,675,000

DEBT SERVICE FUNDS

General Obligation Bond and Interest Fund 225,000

CAPITAL PROJECTS FUNDS:

Economic Development Capital Fund 1,475,000
 General Capital Fund 75,000
 Infrastructure Capital Fund 1,375,000
 Restricted Fund 425,000

TRUST & AGENCY FUNDS

Unemployment Compensation Fund 57,500
 \$ 9,262,500

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS
 September 30, 2010

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund
 For the Year Ended September 30, 2011

<u>Date of Issue</u>	<u>Description</u>	<u>Average Rate</u>	<u>Due Date</u>	<u>Where Payable</u>	<u>Total Payable</u>	<u>Total Principal</u>	<u>Total Interest</u>
<u>February - 2011</u>							
06/01/01	Public Improvement Bond	3.775%	03/01/10	Trustmark National Bank	\$ 66,398	65,000	1,398
06/01/02	Public Improvement Bond	3.775%	03/01/10	Trustmark National Bank	83,660	80,000	3,660
05/01/03	Public Improvement Bond	3.122%	03/01/10	Trustmark National Bank	115,775	110,000	5,775
03/01/04	Public Improvement Bond	2.834%	03/01/10	Trustmark National Bank	148,410	140,000	8,410
05/01/05	Public Improvement Bond	3.750%	03/01/10	Trustmark National Bank	120,313	110,000	10,313
05/01/06	Public Improvement Bond	4.173%	03/01/10	Trustmark National Bank	123,675	110,000	13,675
03/01/07	Public Improvement Bond	3.797%	03/01/10	Trustmark National Bank	125,174	110,000	15,174
12/28/06	General Obligation, Series 2006	6.344%	11/01/09	First National Bank	84,256	55,000	29,256
05/01/10	Public Improvement Bond	3.181%	03/01/10	Trustmark National Bank	156,678	135,000	21,678
Total - February - 2011					<u>1,024,339</u>	<u>915,000</u>	<u>109,339</u>
<u>August - 2011</u>							
06/01/01	Public Improvement Bond	3.775%	09/01/10	Trustmark National Bank	0		0
06/01/02	Public Improvement Bond	3.775%	09/01/10	Trustmark National Bank	1,840		1,840
05/01/03	Public Improvement Bond	3.122%	09/01/10	Trustmark National Bank	3,850		3,850
03/01/04	Public Improvement Bond	2.834%	09/01/10	Trustmark National Bank	6,380		6,380
05/01/05	Public Improvement Bond	3.750%	09/01/10	Trustmark National Bank	8,250		8,250
05/01/06	Public Improvement Bond	4.173%	09/01/10	Trustmark National Bank	11,338		11,338
03/01/07	Public Improvement Bond	3.797%	09/01/10	Trustmark National Bank	13,139		13,139
12/28/06	General Obligation, Series 2006	6.344%	05/01/10	First National Bank	26,988		26,988
05/01/10	Public Improvement Bond	3.181%	09/01/10	Trustmark National Bank	19,316		19,316
Total - August - 2011					<u>91,101</u>	<u>0</u>	<u>91,101</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,115,440</u>	<u>915,000</u>	<u>200,440</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2010

Date of Issue	Description	Balance Outstanding 10/01/09	Issued	Redeemed	Balance Outstanding 09/30/10
<u>GENERAL OBLIGATION BONDS</u>					
06/01/01	Public Improvement Bond	\$ 130,000		65,000	65,000
06/01/02	Public Improvement Bond	240,000		80,000	160,000
05/01/03	Public Improvement Bond	440,000		110,000	330,000
03/01/04	Public Improvement Bond	710,000		140,000	570,000
05/01/05	Public Improvement Bond	660,000		110,000	550,000
05/01/06	Public Improvement Bond	780,000		110,000	670,000
12/28/06	General Obligation, Series 2006	910,000		110,000	800,000
03/01/07	Public Improvement Bond	945,000		50,000	895,000
05/01/10	Public Improvement Bond	0	1,370,000		1,370,000
	Total General Obligation Bonds	<u>4,815,000</u>	<u>1,370,000</u>	<u>775,000</u>	<u>5,410,000</u>
<u>OTHER DEBT ISSUED</u>					
08/01/98	MDA - Capital Improvements	47,772		12,179	35,593
08/01/03	MDEQ - Capital Improvements	1,394,607		90,510	1,304,097
08/01/03	MDA - RLF Financing (City Faurecia)	514,719		41,567	473,152
08/01/03	MDA - RLF Financing (County Faurecia)	514,719		41,567	473,152
09/25/03	MDEQ - Capital Improvements	1,230,726		72,388	1,158,338
04/21/06	MDEQ - Capital Improvements	1,039,882		54,382	985,500
10/14/05	MDEQ - Capital Improvements	1,532,798		70,304	1,462,494
08/25/06	MDEQ - Capital Improvements	1,199,592		35,148	1,164,444
07/01/08	Cleveland State Bank (Street Sweeper Lease)	131,385		38,403	92,982
	Total State of Mississippi Notes	<u>7,606,200</u>	<u>0</u>	<u>456,448</u>	<u>7,149,752</u>
	Grand Total	<u>\$ 12,421,200</u>	<u>1,370,000</u>	<u>1,231,448</u>	<u>12,559,752</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2010

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Alton Vance	\$ 25,000	1	Aug-10	St. Paul	Airport Manager
Barbara Robinson	25,000	1	Aug-10	St. Paul	Secretary - Parks/Rec.
Betha Watson	25,000	1	Jul-10	St. Paul	Payroll Clerk
Billy Trotter	25,000	1	Mar-10	St. Paul	Public Works Clerk
Brandy Murphy	25,000	1	Aug-10	St. Paul	Public Works Clerk
Brett Moorman	25,000	1	Aug-10	St. Paul	Public Works Director
Charles Bingham	25,000	1	Aug-10	St. Paul	Police Chief
Cynthia Petersen	50,000	1	Mar-10	St. Paul	Administrative Assistant
Gene Bishop	25,000	1	Aug-10	St. Paul	Fire Inspector
Greg Korb	25,000	1	Aug-10	St. Paul	Engineer
Hope Johnson	25,000	1	Mar-10	St. Paul	Water Clerk
Jamie Jacks	25,000	1	Jul-10	St. Paul	Attorney
Kimberly Hudson	25,000	1	Aug-10	St. Paul	Public Works Clerk
Loretta Ford	25,000	1	Aug-10	St. Paul	Director - Animal Shelter
Marilyn D. Cox	25,000	1	Aug-10	St. Paul	Water Dept. Supervisor
Mark Ponder	25,000	1	Aug-10	St. Paul	Mosquito Control
Michele Hamilton	25,000	1	Mar-10	St. Paul	Court Clerk
Misty Wilson	25,000	1	Aug-10	St. Paul	Court Clerk
Patsy Lawson	25,000	1	Aug-10	St. Paul	Court Clerk
Samantha Milum	25,000	1	Aug-10	St. Paul	Water Dept. Clerk
Steven Glorioso	25,000	1	Aug-10	St. Paul	Superintendent - Parks/Rec.
Billy Nowell	65,000	4	Jul-10	Brierfield	Mayor
John Lindsey	65,000	1	Feb-10	St. Paul	Chief Administrative Officer
Linda Brown	65,000	1	Aug-10	St. Paul	Deputy Clerk
Wendy McClain	75,000	1	Aug-10	St. Paul	City Clerk
Danny Abraham	100,000	4	Jul-10	Brierfield	Alderman - Ward 3
Gary Gainspoletti	100,000	4	Jul-10	Brierfield	Alderman - At - Large
Maurice Smith	100,000	4	Jul-10	Brierfield	Alderman - Ward 1
Robert Sanders	100,000	4	Jul-10	Brierfield	Alderman - Ward 2
Paul Janoush	100,000	4	Jul-10	Brierfield	Alderman - Ward 5
Theodore R. Campbell	100,000	4	Jul-10	Brierfield	Alderman - Ward 6
Willard R. Samuels, Jr.	100,000	4	Jul-10	Brierfield	Alderman - Ward 4

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2010

Federal Agency / Pass-Through Entity / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766	1121-04-146-ED-01	\$ 53,488
Community Facilities Loans and Grants	10.766	07-146-PF-01	30,225
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0103	24,968
ARRA Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-SB-B9-2982	54,560
U. S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0015-014-2008	1,425
Airport Improvement Program	20.106	3-28-0015-015-2009	123,915
Airport Improvement Program	20.106	3-28-0015-016-2010	211,206
ARRA - Highway Planning and Construction	20.205	STP-8024-00- 001	<u>682,831</u>
Grand Total			<u>\$ 1,182,618</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2010

NOTE A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Cleveland, Mississippi and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the governmental fund financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 GENERAL BOND AND INTEREST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL (NON-GAAP BASIS)
 For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Taxes	\$ 961,593	961,593	924,409	(37,184)
Interest Income	11,660	11,660	9,702	(1,958)
Total revenues	973,253	973,253	934,111	(39,142)
<u>EXPENDITURES:</u>				
Debt service	983,900	983,900	964,824	19,076
Total debt service	983,900	983,900	964,824	19,076
Total Expenditures	983,900	983,900	964,824	19,076
Excess (deficiency) of revenues over (under) expenditures	(10,647)	(10,647)	(30,713)	(58,218)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (10,647)	(10,647)	(30,713)	(58,218)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(1,017)	
Net change in Fund Balances - GAAP Basis			(31,730)	
Fund balances, October 1			352,588	
Fund balances, September 30			320,858	

CITY OF CLEVELAND, MISSISSIPPI
BAXTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2010

	9/30/2010			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Lease payment	\$ 160,181	160,181	160,181	0
Interest Income	7	7	17	10
Total revenues	160,188	160,188	160,198	10
EXPENDITURES:				
Debt service	192,666	192,666	192,606	60
Total debt service	192,666	192,666	192,606	60
Total Expenditures	192,666	192,666	192,606	60
Excess (deficiency) of revenues over (under) expenditures	(32,478)	(32,478)	(32,408)	(50)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	33,000	33,000	33,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 522	522	592	(50)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(80,091)	
Expenditures charged to designated funds			80,091	
Net change in Fund Balances - GAAP Basis			592	
Fund balances, October 1			2,211	
Fund balances, September 30			2,803	

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Licenses and Permits		Intergovernmental	(1)		Fines and Forfeits	Miscellaneous		Total
	Taxes	Permits		Charges for Services	Services		Operating	Non-Operating	
2001 \$	1,903,708	419,724	4,411,796	717,011	363,909	888,134	504,375	9,208,657	
2002	1,989,911	453,522	4,950,801	703,979	321,652	657,248	482,985	9,560,098	
2003	2,168,325	505,145	5,200,230	718,753	317,065	895,975	463,645	10,269,138	
2004	2,219,717	523,869	5,079,542	826,867	275,207	805,094	451,945	10,182,241	
2005	2,276,915	562,176	6,493,928	696,663	347,019	701,224	666,385	11,744,310	
2006	2,390,655	628,911	5,446,777	542,489	526,676	811,559	645,925	10,992,992	
2007	3,044,352	551,935	10,119,304	1,380,278	443,128	454,349	1,088,964	17,082,310	
2008	3,072,979	576,794	6,592,328	1,597,921	367,369	428,186	852,864	13,488,441	
2009	3,136,119	423,952	7,212,995	1,737,822	331,428	216,569	630,619	13,689,504	
2010	3,168,545	658,900	6,146,587	1,825,170	330,514	29,030	631,132	12,789,878	

(1) Water and sewer was converted to an enterprise fund beginning with fiscal year 2001.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic			Debt Service	Total
								Development	and Community	Projects		
2001 \$	1,203,947	2,520,993	432,167	751,526	804,654	80,758	746,556	105,000	1,148,637	1,341,960	9,136,198	
2002	1,319,154	2,703,114	486,087	826,044	869,673	77,358	768,996	190,000	1,097,837	1,329,355	9,667,618	
2003	1,209,800	3,848,277	428,366	857,369	871,175	122,480	696,528	354,891	1,530,179	2,798,347	12,717,412	
2004	1,174,147	3,073,973	467,530	835,476	852,129	93,806	761,842	3,713,950	2,933,693	1,260,308	15,166,854	
2005	1,042,967	3,519,226	478,712	819,215	929,580	111,704	796,719	1,335,002	3,500,318	1,394,186	13,927,629	
2006	1,078,977	3,813,984	808,449	1,346,786	1,141,386	98,806	843,848	373,609	1,645,002	1,472,010	12,622,857	
2007	1,305,441	3,329,556	623,039	1,816,697	1,151,741	102,973	940,943	393,205	6,585,219	1,620,539	17,869,353	
2008	1,189,489	3,761,879	709,770	1,690,601	1,292,494	109,574	1,105,603	452,682	1,953,008	2,700,166	14,965,266	
2009	1,352,733	3,965,360	589,833	1,969,169	1,418,983	116,234	863,474	1,937,488	1,784,719	2,180,873	16,178,866	
2010	1,155,818	4,425,880	969,987	1,232,154	1,429,977	117,916	564,985	815,055	1,038,348	1,240,046	12,990,166	

(1) Water and sewer was converted to an enterprise fund beginning with fiscal year 2001.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Tax Levied	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collected	Total Tax Collected	Ratio of Total Tax Collected to Total Tax Levied
2001	\$ 2,061,468	2,026,943	98.33%	14,645	2,041,588	99.04%
2002	2,136,616	2,079,380	97.32%	16,270	2,095,650	98.08%
2003	2,328,854	2,232,456	95.86%	40,832	2,273,288	97.61%
2004	2,379,027	2,316,692	97.38%	45,014	2,361,706	99.27%
2005	2,443,410	2,360,006	96.59%	36,527	2,396,533	98.08%
2006	2,701,179	2,613,734	96.76%	41,319	2,655,053	98.29%
2007	3,311,431	3,167,821	95.66%	51,800	3,219,621	97.23%
2008	3,326,236	3,206,836	96.41%	63,189	3,270,025	98.31%
2009	3,373,958	3,273,406	97.02%	37,515	3,310,921	98.13%
2010	3,433,550	3,284,346	95.65%	78,440	3,362,786	97.94%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 ASSESSED VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Motor Vehicle Assessed Value	Public Utilities Assessed Value	Total Assessed Value
2001 \$	36,136,294	8,591,721	12,793,460	3,109,928	60,631,403
2002	37,347,252	9,147,628	13,220,429	3,126,328	62,841,637
2003	42,880,270	9,107,581	13,331,019	3,176,839	68,495,709
2004	44,597,437	8,890,593	13,251,108	3,232,232	69,971,370
2005	45,701,906	8,996,003	13,554,479	3,318,498	71,570,886
2006	47,821,369	8,970,980	12,702,865	3,509,612	73,004,826
2007	63,032,452	10,392,286	12,674,700	3,398,694	89,498,132
2008	63,572,390	9,705,900	13,289,295	3,300,677	89,868,262
2009	64,414,331	10,852,788	12,731,735	3,189,205	91,188,059
2010	64,902,556	12,162,372	12,630,842	3,102,890	92,798,660

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Year	General Fund Millage	Library Fund Millage	Park Fund Millage	Debt Service Millage	Total Millage
2001	15.00	3.00	2.00	14.00	34.00
2002	17.00	3.00	2.00	12.00	34.00
2003	17.00	3.00	2.00	12.00	34.00
2004	19.00	3.00	2.00	10.00	34.00
2005	19.00	3.00	2.00	10.00	34.00
2006	22.00	3.00	2.00	10.00	37.00
2007	20.00	2.75	1.75	12.50	37.00
2008	20.00	2.75	1.75	12.50	37.00
2009	23.50	1.25	1.75	10.50	37.00
2010	23.50	1.25	2.00	10.25	37.00

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
2001	0	2,436
2002	4,595	4,595
2003	105	105
2004	0	0
2005	0	0
2006	26,354	13,303
2007	61,076	23,379
2008	44,753	3,414
2009	52,560	17,305
2010	51,748	7,803

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 COMPUTATION OF LEGAL DEBT MARGIN
 For the Fiscal Year Ended September 30, 2010

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>				
06/01/01	Public Improvement Bond	\$ 65,000	65,000	65,000
06/01/02	Public Improvement Bond	160,000	160,000	160,000
05/01/03	Public Improvement Bond	330,000	330,000	330,000
03/01/04	Public Improvement Bond	570,000	570,000	570,000
05/01/05	Public Improvement Bond	550,000	550,000	550,000
05/01/06	Public Improvement Bond	670,000	670,000	670,000
03/01/07	Public Improvement Bond	800,000	800,000	800,000
05/01/06	General Obligation-Baxter Bond	895,000	895,000	895,000
05/01/10	Public Improvement Bond	<u>1,370,000</u>	<u>1,370,000</u>	<u>1,370,000</u>
Total Outstanding General Obligation Debt		\$ <u>5,410,000</u>	<u>5,410,000</u> #	<u>5,410,000</u>

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2010	\$ 92,798,660	\$ 13,919,799	18,559,732
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>5,410,000</u>	<u>5,410,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 8,509,799</u>	<u>13,149,732</u>

LIMITATION OF INDEBTEDNESS - SECTION 21-33-303 AS AMENDED

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
 AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
 Last Ten Fiscal Years

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2001	13,841	\$ 60,631,403	4,900,000	2,197,724	2,702,276	4.46%	195.24
2002	13,841	62,841,637	5,025,000	2,314,832	2,710,168	4.31%	195.81
2003	13,841	68,495,709	3,930,000	2,437,755	1,492,245	2.18%	107.81
2004	13,841	69,971,370	4,705,000	2,237,280	2,467,720	3.53%	178.29
2005	13,841	71,570,886	5,130,000	2,139,617	2,990,383	4.18%	216.05
2006	13,841	73,004,826	5,485,000	2,052,146	3,432,854	4.70%	248.02
2007	13,841	89,498,132	6,780,000	2,155,552	4,624,448	5.17%	334.11
2008	13,841	89,868,262	5,820,000	1,283,414	4,536,586	5.05%	327.76
2009	13,841	91,188,059	4,900,000	354,799	4,545,201	4.98%	328.39
2010	13,841	92,798,660	5,410,000	323,661	5,086,339	5.48%	367.48

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
2001	\$ 655,000	184,588	839,588	9,175,082	9.15%
2002	665,000	193,445	858,445	8,569,781	10.02%
2003	2,155,000	183,597	2,338,597	12,717,412	18.39%
2004	605,000	170,644	775,644	15,166,854	5.11%
2005	675,000	176,937	851,937	13,927,629	6.12%
2006	755,000	193,853	948,853	12,622,857	7.52%
2007	870,000	222,475	1,092,475	17,869,353	6.11%
2008	960,000	294,166	1,254,166	14,965,266	8.38%
2009	920,000	230,814	1,150,814	16,178,866	7.11%
2010	860,000	193,393	1,053,393	12,990,166	8.11%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 GENERAL OBLIGATION BONDS
 September 30, 2010

<u>Jurisdiction</u>	<u>Net General Obligated Bonded Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Direct Bonded Debt:			
City of Cleveland, Mississippi	\$ 5,086,339	100.00%	\$ 5,086,339
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>12,364,190 (1)</u>	33.03% (2)	<u>4,083,892</u>
Total	<u>\$ 17,450,529</u>		<u>\$ 9,170,231</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$280,979,164 (1) to \$92,798,660 in City of Cleveland.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REPORTS SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE PRIMARY GOVERNMENTAL FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Board of Aldermen
City of Cleveland
Cleveland, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cleveland, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Cost as 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Cleveland's response to the finding identified in our audit is described in the accompanying *Auditee's Corrective Action Plan*. We did not audit the City of Cleveland's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ellen F. Hurlberg

May 16, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Cleveland
Cleveland, Mississippi

Compliance

We have audited the compliance of the City of Cleveland, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Cleveland, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Cleveland, Mississippi's management. Our responsibility is to express an opinion on the City of Cleveland, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cleveland, Mississippi's compliance with those requirements.

As described in findings items 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the City of Cleveland, Mississippi did not comply with requirements regarding allowable costs/cost principles and special tests and provisions that are applicable to its Highway Planning and Construction grant. Compliance with such requirements is necessary, in our opinion, for the City of Cleveland, Mississippi to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Cleveland, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City of Cleveland, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Cleveland, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2010-2 and 2010-3 to be material weaknesses.

The City of Cleveland, Mississippi's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit City of Cleveland, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eells & Hershey

May 16, 2011

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

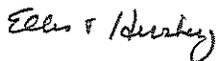
Honorable Mayor and Board of Aldermen
City of Cleveland
Cleveland, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2010, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of any opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of management, Board of Aldermen, State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



May 16, 2011

CITY OF CLEVELAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary governments financial statements. | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be a material weakness? | No |
| 3. | Material noncompliance relating to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses indentified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Qualified |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Airport Improvement Program CFDA# 20.106 | |
| b. | Highway Planning and Construction CFDA# 20.205 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Material Weakness

2010-1 Finding

Criteria

Bank reconciliations are an essential internal control. They ensure an entity's cash balances are complete and accurate. They also ensure no errors are made by the bank in processing the entity's transactions.

Condition

A number of issues appeared in audit procedures performed on cash balances. First, prior year audit entries affecting cash balances have not been recorded in the general ledger. The payroll bank reconciliation did not agree with the general ledger cash balance. There appears to be items on the general account reconciliation which the general ledger should be adjusted for. A review of old outstanding checks should be made to determine if the amounts should be carried as outstanding, added back to the cash balance or vendors contacted and checks reissued to clear amounts owed.

Cause

The cause appears to be a lack of understanding of proper accounting procedures to be followed after a bank reconciliation is prepared. The controls over the payroll account/fund have become nonexistent. Similar findings regarding the payroll fund have been made on prior year audits. No apparent action has been taken to correct the situation.

Effect

When financial statements are prepared, management makes certain assertions regarding the amounts contained in those statements. One of the assertions is accuracy. Cash balances contained in the financial statements may not be accurate if proper controls are not followed.

Recommendation

The payroll account requires immediate attention to correct the general ledger balance and to get the entire payroll fund back on track. Any necessary adjustments should be posted to cash balances to ensure the general ledger cash balances for each fund are correct.

Section 3: Federal Award Findings and Questioned Costs

Material noncompliance/material weaknesses

2010-2 Finding

Program: CFDA# 20.205 Highway Planning and Construction

Compliance requirement: Allowable cost/cost principles

Questioned cost: None

Criteria:

Section 1605(a) of the American Recovery and Reinvestment Act of 2009 (ARRA) asserts that funds made available by the Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the project are produced in the United States.

Condition:

The contract with the construction company did not contain appropriate “Buy-American” language.

Cause:

The City did not have a control in place to ensure compliance with Section 1605 of ARRA.

Effect:

The City was unable to provide evidence that all required materials used were certified as “Buy-American” or that necessary waivers in the event the “Buy-American” provisions were not satisfied.

Recommendation:

The City needs to implement an internal control to ensure ARRA-specific language and terms are included in future contracts funded with ARRA grant monies.

2010-3 Finding

Program: CFDA# 20.205 Highway Planning and Construction

Compliance requirement: Special tests and provisions

Questioned Cost: None

Criteria:

Section 1553(e) of ARRA asserts that an entity receiving ARRA funding shall post a notice of whistleblower rights and remedies under ARRA.

Condition:

The City does not have these rights and remedies displayed.

Cause:

The City did not have a proper understanding the notice was to be displayed.

Recommendation:

The City should post whistleblower rights and remedies in a public place in all of the City’s locations.



THE CITY OF CLEVELAND
CLEVELAND, MISSISSIPPI 38732

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the City of Cleveland, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010.

BILLY NOWELL
MAYOR

WENDY McCLAIN
CITY CLERK

MAURICE SMITH
ROBERT SANDERS
DANNY ABRAHAM
KIRKHAM POVALL
PAUL JANOUSH
TED CAMPBELL
GARY GAINSOLETTI
BOARD OF ALDERMEN

JOHN LINDSEY
CHIEF ADMINISTRATIVE
OFFICER

CHARLES BINGHAM
CHIEF OF POLICE

JOHN M. TROTTER
ASSISTANT CHIEF OF POLICE

JAMIE JACKS
CITY ATTORNEY

BRETT MOORMAN
DIRECTOR OF
COMMUNITY DEVELOPMENT

RAY BELL
DIRECTOR OF
PUBLIC WORKS

STEPHEN GLORIOSO
DIRECTOR OF
PARKS & RECREATION

GREG KORB
CITY ENGINEER

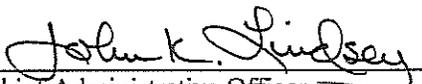
<u>Finding</u>	<u>Corrective Action Plan Detail</u>
2010-1	a. Name of contact person responsible for corrective action: Name: John Lindsey Title: Chief Administrative Officer Phone: 662-846-1471
	b. Corrective Action Planned: The City Clerk resigned in October of 2010. An individual with a suitable accounting background will be sought to help correct the finding.
	c. Anticipated Completion Date: May 2011
2010-2	a. Name of contact person responsible for corrective action: Name: John Lindsey Title: Chief Administrative Officer Phone: 662-846-1471
	b. Corrective Action Planned: The City will review existing ARRA contracts for appropriate language and terms.
	c. Anticipated Completion Date: June 2011
2010-3	a. Name of contact person responsible for corrective action: Name: John Lindsey Title: Chief Administrative Officer Phone: 662-846-1471

b. Corrective Action Planned:

The City has obtained copies of whistleblower posters and will post them in public locations.

c. Anticipated Completion Date:

June 2011


Chief Administrative Officer