

City of Cleveland, Mississippi
Financial Statements
September 30, 2009

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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, 2009, 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, 2009, 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 27, 2010, 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 42 through 51 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 72, 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 52 through 61, 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 + Idunberg

May 27, 2010

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

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, 2009. 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 \$36,714,069 (net assets). Of this amount \$6,422,545 (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: \$22,784,666 invested in capital assets, net of related debt; and \$7,506,858 restricted (for capital improvements, debt service, economic development, and other).
- Total assets decreased approximately \$618,311 or 1.00% from 2008. The decrease was largely due to payments on debt obligations. The City repaid its short-term financing \$829,800 as well as made its regular debt payments which totaled 1,382,156 for the year.
- Total liabilities decreased \$569,565 or 3.00% from 2008. Thus, more principal was paid against debt than was borrowed during the year.
- The City's total net assets decreased \$48,746 from 2008.

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 40, 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 52.

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 \$36,714,069.

By far the largest portion of the City of Cleveland's net assets, \$22,784,666, (62%) 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
	2009	2008	2009	2008	2009	2008		
Current and other assets	\$ 16,259,353	17,669,314	2,458,093	3,295,765	18,717,446	20,965,079	(2,247,633)	-10.72%
Capital assets, net	24,517,306	23,338,881	10,773,560	10,322,663	35,290,866	33,661,544	1,629,322	4.84%
Total Assets	40,776,659	41,008,195	13,231,653	13,618,428	54,008,312	54,626,623	(618,311)	-1.13%
Long-term debt	5,410,623	6,335,951	6,129,921	5,913,946	11,540,544	12,249,897	(709,353)	-5.79%
Other liabilities	5,158,379	5,096,547	595,320	517,364	5,753,699	5,613,911	139,788	2.49%
Total Liabilities	10,569,002	11,432,498	6,725,241	6,431,310	17,294,243	17,863,808	(569,565)	-3.19%
Net Assets:								
Invested in capital assets, net of related debt	18,456,483	16,189,659	4,328,183	4,133,241	22,784,666	20,322,900	2,461,766	12.11%
Restricted	7,506,858	8,601,333			7,506,858	8,601,333	(1,094,475)	-12.72%
Unrestricted	4,244,316	4,784,705	2,178,229	3,053,877	6,422,545	7,838,582	(1,416,037)	-18.06%
Total Net Assets	\$ 30,207,657	29,575,697	6,506,412	7,187,118	36,714,069	36,762,815	(48,746)	-0.13%

The City's total assets decreased approximately \$618,311 during 2009 with business-type activities showing a decrease of approximately \$386,775 and governmental activities showing a decrease of approximately \$231,536. The major changes were approximately \$1,629,000 increase in capital assets and approximately \$2,210,000 decrease in current and other assets. The increase in capital assets was due to capital improvements being made (airport project, Green Acres Sewer Rehab. Project, and Martin Luther King Pumping Station improvements). The decrease in the current and other assets was due to utilization of cash to pay debt and loss from water and sewer operations.

The City's total liabilities decreased approximately \$570,000 due to payments against debt and less new debt being incurred. New debt incurred was limited to \$549,711 received under the state revolving loan program for sewer improvements and an overall increase in compensated absences of 76,677.

The City's net assets decreased approximately \$48,700 due to the above mentioned items.

(Table 2)
City of Cleveland Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2009	2008	2009	2008	2009	2008		
Program Revenues:								
Charges for services	\$ 1,737,822	1,597,921	2,358,213	2,463,751	4,096,035	4,061,672	34,363	0.85%
Grants and contributions	2,469,767	1,917,375	83,579		2,553,346	1,917,375	635,971	33.17%
General Revenues:								
Property taxes	3,500,519	3,444,242			3,500,519	3,444,242	56,277	1.63%
Sales and tourism taxes	3,964,324	3,886,729			3,964,324	3,886,729	77,595	2.00%
Other taxes and other	1,826,395	2,475,873	29,578	79,137	1,855,973	2,555,010	(699,037)	-27.36%
Total Revenues	13,498,827	13,322,140	2,471,370	2,542,888	15,970,197	15,865,028	105,169	0.66%
Program Expenses:								
General government	1,171,472	971,362			1,171,472	971,362	200,110	20.60%
Public safety	4,038,834	3,898,345			4,038,834	3,898,345	140,489	3.60%
Public works	666,573	793,316			666,573	793,316	(126,743)	-15.98%
Highways and streets	2,379,182	1,656,413			2,379,182	1,656,413	722,769	43.63%
Health and sanitation	1,421,507	1,268,152			1,421,507	1,268,152	153,355	12.09%
Shop department	114,839	109,574			114,839	109,574	5,265	4.80%
Education and recreation	877,522	1,097,480			877,522	1,097,480	(219,958)	-20.04%
Economic and community dev.	1,937,488	452,682			1,937,488	452,682	1,484,806	328.00%
Interest on long-term debt	259,450	293,380			259,450	293,380	(33,930)	-11.57%
Water and sewer			3,152,076	3,027,702	3,152,076	3,027,702	124,374	4.11%
Total Expenses	12,866,867	10,540,704	3,152,076	3,027,702	16,018,943	13,568,406	2,450,537	18.06%
Increase (Decrease) in Net Assets	\$ 631,960	2,781,436	(680,706)	(484,814)	(48,746)	2,296,622	(2,345,368)	-102.12%

The City's governmental activities continue to be funded by sources other than property taxes, which made up only 26% of the total revenues. The other major revenue sources were sales and tourism taxes 29%, charges for services 13%, and grants and contributions 18%. The major expense activities were public safety, highways and streets, and health and sanitation, and economic and community development which comprise 31%, 18%, 11% and 15% 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 \$8,665,188 which is \$1,569,477 below last year's total of \$10,234,665. The primary reason for the decrease was repair work conducted on the City's infrastructure.

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 2009, 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. The largest budget revision for the general fund was in the highway and streets. Capital outlays were significantly less than anticipated.

Budget revisions occurred in the Economic Development and Tourism Fund involving an increase to expenditures for appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City had \$35,290,866 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 increase (including additions and deductions) of approximately \$1,629,322 or 5.00%, over last year.

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2009	2008	2009	2008	2009	2008		
Land	\$ 1,939,669	1,902,010	1,259,935	1,259,935	3,199,604	3,161,945	37,659	1.19%
Buildings and improvements	4,922,985	4,426,186	148,650	154,690	5,071,635	4,580,876	490,759	10.71%
Equipment and fixtures	2,352,096	2,479,139	300,691	171,080	2,652,787	2,650,219	2,568	0.10%
Infrastructure	7,058,853	7,215,002	7,792,330	8,216,554	14,851,183	15,431,556	(580,373)	-3.76%
Construction in progress	8,243,703	7,316,544	1,271,954	520,404	9,515,657	7,836,948	1,678,709	21.42%
	<u>\$ 24,517,306</u>	<u>23,338,881</u>	<u>10,773,560</u>	<u>10,322,663</u>	<u>35,290,866</u>	<u>33,661,544</u>	<u>1,629,322</u>	<u>4.84%</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 2008-2009:

- 1) The City continued its effort to improve the sanitary sewer collection system. Work on the Green Acres sewer rehabilitation totaled \$584,392 during the year. The sewer project is financed through the Mississippi Department of Environmental Quality with a twenty year loan at low interest rates.
- 2) Work continued on the airport improvement project during the year with \$927,159 of expenditures during the year.
- 3) Work began on improvements to the Martin Luther King Pumping Station. During the year, \$167,158 was expended on the project.

Long-term Debt

At year-end, the City had \$12,506,200 in bonds and notes outstanding compared to \$13,338,645 last year, a decrease of \$832,445. Of the total debt outstanding \$4,900,000 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 \$1,029,438 (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 \$6,445,377 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, 2009:

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2009	2008	2009	2008	2009	2008		
General Obligation Bonds	\$ 4,900,000	5,820,000			4,900,000	5,820,000	(920,000)	-15.81%
Notes Payable	1,160,823	1,329,222	6,445,377	6,189,423	7,606,200	7,518,645	87,555	1.16%
	<u>\$ 6,060,823</u>	<u>7,149,222</u>	<u>6,445,377</u>	<u>6,189,423</u>	<u>12,506,200</u>	<u>13,338,645</u>	<u>(832,445)</u>	<u>-6.24%</u>

New debt issue consisted of \$549,711 for draws on CAP loan from MDEQ for the Green Acres Water and Sewer Project. 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 2009 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 37 mills was not changed for 2009 and is allocated as follows: General Fund 23.50 mills, Library Fund 1.25 mills, Park Fund 1.75 mills, and Debt Service Fund 10.50 mills.

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, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,996,048	1,536,539	4,532,587
Accounts receivable	114,235	205,373	319,608
Current portion of lease receivable	305,740		305,740
Intergovernmental receivable	1,751,286	345,123	2,096,409
Property taxes receivable	3,436,827		3,436,827
Franchise taxes receivable	16,500		16,500
Interest receivable	21,445		21,445
Inventory	113,204	155,516	268,720
Restricted assets:			
Cash and cash equivalents	4,322,105	215,542	4,537,647
Lease receivable, non-current	3,111,963		3,111,963
Loans receivable, non-current	70,000		70,000
Capital assets,			
Land	1,939,669	1,259,935	3,199,604
Construction in progress	8,243,703	1,271,954	9,515,657
Other capital assets, net	14,333,934	8,241,671	22,575,605
<u>Total Assets</u>	<u>40,776,659</u>	<u>13,231,653</u>	<u>54,008,312</u>
LIABILITIES			
Accounts payable and accrued expenses	234,090	44,868	278,958
Claims and judgments payable	51,834		51,834
Deferred revenue	3,436,828		3,436,828
Unearned revenue	437,508		437,508
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	993,119	334,910	1,328,029
Liabilities payable from restricted assets:			
Customer deposits		215,542	215,542
Due in more than one year:			
Capital related debt	5,067,704	6,110,467	11,178,171
Non-capital related debt	342,919	19,454	362,373
<u>Total Liabilities</u>	<u>10,569,002</u>	<u>6,725,241</u>	<u>17,294,243</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,456,483	4,328,183	22,784,666
Restricted for:			
Crime prevention	66,860		66,860
Home Program	41,974		41,974
Capital improvements	982,975		982,975
Debt service	1,259,257		1,259,257
Unemployment	65,117		65,117
Economic development	5,090,675		5,090,675
Unrestricted	4,244,316	2,178,229	6,422,545
<u>Total Net Assets</u>	<u>\$ 30,207,657</u>	<u>6,506,412</u>	<u>36,714,069</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
September 30, 2009

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	\$ 1,171,472				(1,171,472)	(1,171,472)	
Public safety	4,038,834		16,396		(4,022,438)	(4,022,438)	
Public works	666,573	517,000	1,024,398		874,825	874,825	
Highways and streets	2,379,182				(2,379,182)	(2,379,182)	
Health and sanitation	1,421,507	1,217,412			(204,095)	(204,095)	
Shop department	114,839				(114,839)	(114,839)	
Education and recreation	877,522	3,410			(874,112)	(874,112)	
Economic and community development	1,937,488		1,428,973		(508,515)	(508,515)	
Interest on long-term debt	259,450				(259,450)	(259,450)	
Total governmental activities	12,866,867	1,737,822	2,469,767	0	(8,659,278)	(8,659,278)	
Business-type activities:							
Water and sewer	3,152,076	2,358,213	83,579		(710,284)	(710,284)	
Total business-type activities	3,152,076	2,358,213	83,579	0	(710,284)	(710,284)	
Total primary government	\$ 16,018,943	4,096,035	2,553,346	0	(8,659,278)	(9,369,562)	
General revenues:							
Property taxes				\$ 3,500,519		3,500,519	
Sales and tourism taxes				3,964,324		3,964,324	
Franchise taxes				366,917		366,917	
Other taxes and other				1,317,707		1,317,707	
Unrestricted interest income				89,781	29,578	119,359	
Interest income on capital lease-sale of building				51,990		51,990	
Total general revenues and transfers				9,291,238	29,578	9,320,816	
Change in net assets				631,960	(680,706)	(48,746)	
Net assets, beginning				29,575,697	7,187,118	36,762,815	
Net assets, ending				\$ 30,207,657	6,506,412	36,714,069	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

	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	\$ 1,340,957					84,946	1,079,764	2,505,667
Receivables:								
Accounts	37,613						70,281	107,894
Property taxes	2,182,850		952,094				301,883	3,436,827
Franchise fee	16,500							16,500
Intergovernmental	499,196	178,696	10,637		183,104		792,977	1,664,610
Advances to other funds	650,197	348,120			725,304			1,723,621
Lease receivable, current				80,090		225,650		305,740
Inventory	113,204							113,204
Restricted cash and cash equivalents		1,406,710	346,951	2,211	1,163,867		1,402,366	4,322,105
Lease receivable, non-current				1,081,113		2,030,850		3,111,963
Loan receivable, non-current							70,000	70,000
Total Assets	\$ 4,840,517	1,933,526	1,309,682	1,163,414	2,072,275	2,341,446	3,717,271	17,378,131
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 59,953	2,384					154,131	216,468
Advances from other funds						1,073,424	563,521	1,636,945
Deferred revenue	2,182,850		952,094	904,459		2,075,736	301,883	6,417,022
Unearned revenue				256,744		180,764		437,508
Due to bondholders			5,000					5,000
Total Liabilities	2,242,803	2,384	957,094	1,161,203	0	3,329,924	1,019,535	8,712,943
FUND BALANCES								
Reserved for advances	650,197	348,120			725,304			1,723,621
Reserved for crime prevention							66,860	66,860
Reserved for inventory	113,204							113,204
Reserved for Home Program							41,974	41,974
Reserved for capital improvements							982,975	982,975
Reserved for debt service			352,588	2,211				354,799
Reserved for unemployment							65,117	65,117
Reserved for economic development		1,583,022			1,346,971	(988,478)		1,941,515
Unreserved, reported in:								
General fund	1,834,313							1,834,313
Special revenue funds							1,540,810	1,540,810
Total Fund Balances	2,597,714	1,931,142	352,588	2,211	2,072,275	(988,478)	2,697,736	8,665,188
Total Liabilities and Fund Balances	\$ 4,840,517	1,933,526	1,309,682	1,163,414	2,072,275	2,341,446	3,717,271	17,378,131

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, 2009

Total fund balance - total governmental funds	\$	8,665,188
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 \$10,682,409		24,517,306
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.		2,980,194
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(6,403,742)
Interest accrued on capital leases receivable not reported on governmental fund financial statements		21,445
Interest accrued on long-term liabilities not reported on governmental fund financial statements		(17,622)
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.		<u>444,888</u>
Net assets of governmental activities	\$	<u><u>30,207,657</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 September 30, 2009

	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	\$ 1,992,604		889,385				254,130	3,136,119
Licenses and permits	57,035							57,035
Intergovernmental								
Federal grants					183,104		880,801	1,063,905
State of Mississippi								
Grants						1,245,869	159,993	1,405,862
General sales tax	3,334,821							3,334,821
Tourism tax		629,503						629,503
Liquor licenses	12,825							12,825
Amusement licenses	1,035							1,035
Fire protection							73,138	73,138
Gasoline tax	19,152							19,152
Homestead reimbursement	111,022		49,606				14,173	174,801
Grand gulf	133,553							133,553
Bolivar County								
Road maintenance	340,414							340,414
Privilege tax	23,986							23,986
Charges for services	935,335						802,487	1,737,822
Franchise tax	335,983						30,934	366,917
Fines and forfeits	319,119						12,309	331,428
Interest income	18,989	15,560	11,735	17,031	16,080	35,704	26,672	141,771
Plant and airport rentals						190,574	25,995	216,569
Miscellaneous	312,066	872					175,910	488,848
Total revenues:	7,947,939	645,935	950,726	17,031	199,184	1,472,147	2,456,542	13,689,504
<u>EXPENDITURES:</u>								
Current:								
General government	1,195,478						157,255	1,352,733
Public safety	3,907,632						57,728	3,965,360
Public works	576,248						13,585	589,833
Highways and streets	1,082,719						886,450	1,969,169
Health and sanitation	501,116						917,867	1,418,983
Shop department	116,234							116,234

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2009

	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
Education and recreation							863,474	863,474
Economic and community development		691,619				1,245,869		1,937,488
Capital projects					183,104		1,601,615	1,784,719
Debt service:								
Principal	65,241		1,704,800	45,000		103,158		1,918,199
Interest and fees			175,038	66,490		21,146		262,674
Total expenditures	7,444,668	691,619	1,879,838	111,490	183,104	1,370,173	4,497,974	16,178,866
Excess (deficiency) of revenues over (under) expenditures	503,271	(45,684)	(929,112)	(94,459)	16,080	101,974	(2,041,432)	(2,489,362)
<u>OTHER FINANCING SOURCES (USES):</u>								
Transfers in from other funds	390,043			35,000			510,000	935,043
Proceeds of short-term borrowing							829,800	829,800
Lease principal payments				59,956				59,956
Transfers out to other funds	(900,043)	(35,000)						(935,043)
Net other financing sources (uses)	(510,000)	(35,000)	0	94,956	0	0	1,339,800	889,756
Net change in fund balances	(6,729)	(80,684)	(929,112)	497	16,080	101,974	(701,632)	(1,599,606)
Fund balances, beginning	2,574,314	2,011,826	1,281,700	1,714	2,056,195	(1,090,452)	3,399,368	10,234,665
Increase (decrease) in reserve for inventory	30,129							30,129
Fund balances, ending	\$ 2,597,714	1,931,142	352,588	2,211	2,072,275	(988,478)	2,697,736	8,665,188

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, 2009

Net changes in fund balances - total governmental funds	\$ (1,599,606)
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 \$2,217,013 exceeded depreciation of \$1,038,588.	1,178,425
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 repayments \$1,918,199 exceeded debt proceeds \$829,800 .	1,088,399
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	(79,527)
Change in accrued interest on long-term debt	3,225
Principal payments received on capital lease receivable in not considered revenue on the statement of activities.	(250,530)
Change in interest income accrual adjustment on statement of activities.	(105)
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.	261,551
Inventory adjustment included in statement of activities for government-wide financial statements.	30,129
Rounding	<u>(1)</u>
Change in net assets of governmental activities	<u>\$ 631,960</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2009

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,536,539	490,381
Accounts receivable	205,373	6,341
Intergovernmental receivable	345,123	
Inventory	155,516	
Total Current Assets	2,242,551	496,722
Restricted assets:		
Cash and cash equivalents	215,542	
Total Restricted Assets	215,542	
Non-current assets:		
Capital assets		
Land	1,259,935	
Construction in progress	1,271,954	
Other capital assets, net	8,241,671	
Total Non-Current Assets	10,773,560	
Total Assets	13,231,653	496,722
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	44,868	
Claims and judgments		51,834
Current portion of long-term debt	334,910	
Total Current Liabilities	379,778	51,834
Liabilities payable from restricted assets:		
Customer deposits	215,542	
Total Liabilities Payable from Restricted Assets	215,542	
Non-current liabilities:		
Notes payable	6,110,467	
Compensated absences	19,454	
Total Non-Current Liabilities	6,129,921	
Total liabilities	6,725,241	
NET ASSETS		
Invested in capital assets, net of related debt	4,328,183	
Unrestricted	2,178,229	444,888
Total Net Assets	\$ 6,506,412	444,888

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, 2009

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water sales	\$ 1,332,953	
Sewer sales	898,147	
Premiums		746,779
Other	127,113	13,885
Total Operating Revenues	2,358,213	760,664
<u>OPERATING EXPENSES:</u>		
Personal services	508,411	
Contractual services	1,912,454	
Consumable supplies	125,407	
Depreciation expense	483,554	
Health claim payments		319,937
Administrative fees		35,441
Reinsurance premiums		135,102
Life insurance premiums		12,401
Total Operating Expenses	3,029,826	502,881
Operating Income (Loss)	(671,613)	257,783
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	29,578	3,768
Grant	83,579	
Interest expenses	(122,250)	
Total Nonoperating Revenues (Expenses)	(9,093)	3,768
Net Income (Loss) Before Operating Transfers	(680,706)	261,551
<u>OPERATING TRANSFERS:</u>		
Operating transfers in	390,043	
Operating transfers out	(390,043)	
Net Operating Transfers	-	-
Net Income (Loss)	(680,706)	261,551
Total net assets, beginning	7,187,118	183,337
Total net assets, ending	\$ 6,506,412	444,888

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2009

	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	\$ 2,135,929	
Receipts for premiums		746,779
Other receipts		7,544
Payments to suppliers for goods and services	(1,941,611)	
Payments for health claims		(309,733)
Payments for administrative fees		(35,441)
Payments for premiums		(147,503)
Payments to employees for services	(508,411)	
Net Cash Provided (Used) by Operating Activities	(314,093)	261,646
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of property and equipment	(934,451)	
Proceeds from issuance of debt	549,711	
Principal payments on long-term debt	(293,757)	
Interest paid on State of Mississippi loans	(122,250)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(800,747)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received on invested funds	29,578	3,768
Net Cash Provided (Used) by Investing Activities	29,578	3,768
Net Increase (Decrease) in Cash and Cash Equivalents	(1,085,262)	265,414
Cash and Cash Equivalents, October 1	2,837,343	224,967
Cash and Cash Equivalents, September 30	\$ 1,752,081	490,381
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (671,613)	257,783

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2009

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	483,554	
CDBG grant accrued in receivables	83,579	
(Increase) decrease in accounts receivable	(236,435)	(6,341)
(Increase) decrease in inventories	(11,155)	
Increase (decrease) in water deposits	14,151	
Increase (decrease) in accounts payable	26,676	10,204
Increase (decrease) in compensated absences	(2,850)	
	<u>357,520</u>	<u>3,863</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(314,093)</u>	<u>261,646</u>
Reconciliation of Cash		
Unrestricted	\$ 1,536,539	490,381
Restricted	215,542	
Total	<u>\$ 1,752,081</u>	<u>490,381</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 September 30, 2009

		Agency Funds
<u>ASSETS</u>		
Cash and investments	\$	86,676
Total Assets	\$	86,676
<u>LIABILITIES</u>		
Advances from other funds	\$	86,676
Total Liabilities	\$	86,676

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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 of 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 2009 taxes was 37 mills as: 23.50 mills for the general fund, 10.50 mills for the debt service fund, 1.25 mills for library maintenance, and 1.75 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, 2009 was \$651,910 and the bank balance was \$1,270,335. 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, 2009:

Investment Type	Maturity	Fair Value
Certificate of Deposit	October 31, 2009	\$ 5,350,000
Certificate of Deposit	November 30, 2009	1,930,000
Certificate of Deposit	December 31, 2009	<u>1,225,000</u>
Totals		<u>\$ 8,505,000</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, 2009 were \$205,373.

The City had sewer projects in progress at year-end. These projects are being financed through Mississippi Department of Environmental Quality revolving loan programs. At year-end, work performed by contractors and paid for by the City totaled \$345,122. Reimbursement of these amounts is expected to occur through the state revolving loan program.

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, 2009 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 470,407
	Tourism Tax	110,253
<u>Bolivar County:</u>	Real Property Ad Valorem	2,996
	Auto Ad Valorem	34,487
	Road Maintenance	4,982
<u>Federal Grants:</u>	Transportation Enhancement Funds	68,443
	Airport Improvement Project	770,677
	Faurecia Project - CDBG	183,104
<u>State Grants:</u>	Airport Improvement Project	19,261
<u>Agency Fund:</u>	Due from Agency Fund	<u>86,676</u>
	Total Intergovernmental Receivables	\$ <u>1,751,286</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, 2009 were:

Year Ending <u>September 30,</u>	Principal Portion	Interest Portion	Total Lease
2010	\$ 193,524	32,126	225,650
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
2015-2019	<u>1,077,698</u>	<u>50,551</u>	<u>1,128,249</u>
Totals	<u>\$ 2,075,735</u>	<u>180,764</u>	<u>2,256,499</u>

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, 2009 were:

Year Ending September 30.	Principal Portion	Interest Portion	Total Lease
2010	\$ 62,382	17,708	80,090
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
2015-2019	349,555	99,226	448,781
2020-2024	232,465	65,988	298,453
Totals	\$ 904,458	256,744	1,161,202

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 2009 the City had the following restricted cash:

	Economic Development	Debt Service	Baxter Bond Fund	Economic Development Capital	Water and Sewer	Other
Capital improvements	\$					1,228,415
Crime prevention						66,860
Customer deposits					215,542	
Debt service		346,951	2,211			
Economic development	1,406,710			1,163,867		
Home Program						41,974
Unemployment						65,117
Totals	\$ 1,406,710	346,951	2,211	1,163,867	215,542	1,402,366

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction	Buildings	Equipment	Infrastructure	
		in Progress	and Improvements	and Fixtures		
Governmental Activities:						
Capital Assets						
Balance, 10/01/08	\$ 1,902,010	7,316,544	5,868,488	6,611,898	11,283,762	32,982,702
Additions / Completions	<u>37,659</u>	<u>927,159</u>	<u>605,695</u>	<u>432,292</u>	<u>214,208</u>	<u>2,217,013</u>
Balance, 09/30/09	<u>1,939,669</u>	<u>8,243,703</u>	<u>6,474,183</u>	<u>7,044,190</u>	<u>11,497,970</u>	<u>35,199,715</u>
Accumulated Depreciation						
Balance 10/01/08			1,442,302	4,132,759	4,068,760	9,643,821
Additions / Completions			<u>108,896</u>	<u>559,335</u>	<u>370,357</u>	<u>1,038,588</u>
Balance, 09/30/09	<u>0</u>	<u>0</u>	<u>1,551,198</u>	<u>4,692,094</u>	<u>4,439,117</u>	<u>10,682,409</u>
Governmental Activities Assets, Net	<u>\$ 1,939,669</u>	<u>8,243,703</u>	<u>4,922,985</u>	<u>2,352,096</u>	<u>7,058,853</u>	<u>24,517,306</u>
Business-type Activities:						
Capital Assets						
Balance, 10/01/08	\$ 1,259,935	520,404	301,983	637,548	28,073,024	30,792,894
Additions / Completions		<u>751,550</u>		<u>182,901</u>		<u>934,451</u>
Balance, 09/30/09	<u>1,259,935</u>	<u>1,271,954</u>	<u>301,983</u>	<u>820,449</u>	<u>28,073,024</u>	<u>31,727,345</u>
Accumulated Depreciation						
Balance, 10/01/08			147,293	466,468	19,856,470	20,470,231
Additions / Completions			<u>6,040</u>	<u>53,290</u>	<u>424,224</u>	<u>483,554</u>
Balance, 09/30/09	<u>0</u>	<u>0</u>	<u>153,333</u>	<u>519,758</u>	<u>20,280,694</u>	<u>20,953,785</u>
Business-type Activities Assets, Net	<u>1,259,935</u>	<u>1,271,954</u>	<u>148,650</u>	<u>300,691</u>	<u>7,792,330</u>	<u>10,773,560</u>
Total Capital Assets, Net	<u>\$ 3,199,604</u>	<u>9,515,657</u>	<u>5,071,635</u>	<u>2,652,787</u>	<u>14,851,183</u>	<u>35,290,866</u>

Construction in Progress is composed of the follows:

	Spent through 9/30/2009	Estimated To Complete
Governmental Activities:		
Airport - Runway Extension	\$ 2,533,661	
Baxter Expansion & Upgrade Project	<u>5,710,042</u>	
Totals	<u>\$ 8,243,703</u>	<u>0</u>
Enterprise Activities:		
Green Acres Sewer Rehabilitation	\$ 1,104,796	
Martin Luther King Pumping Station	<u>167,158</u>	<u>43,304</u>
Totals	<u>\$ 1,271,954</u>	<u>43,304</u>

Governmental activities construction projects are primarily funded through federal and/or state grants with the remainder of the financing provided by the City.

The Baxter expansion and upgrade project is financed largely by \$24,000,000 of impact bonds issued by Mississippi Major Economic Impact Authority. Of this amount the City received \$6,000,000 in the form of a grant. The remaining \$18,000,000 was to be loaned directly to Baxter by the Impact Authority. Remaining financing was obtained by the City issuing \$1,035,000 general obligation bonds and Bolivar County issuing \$1,035,000 in bonds.

Activities of each organization are governed by memorandum of understanding entered into by the parties. In order to help the City repay its general obligation debt, Baxter is to make lease payments to the City each year for fifteen years. The payments will begin November 1, 2007 and continue until November 1, 2021. The payments will vary each year; however, the total payments are expected to be \$2,657,599 over the lease term.

The lease agreement grants Baxter an opportunity to purchase the leased premises at any point provided certain minimum amounts are paid. A capital lease receivable has been recorded in the current year as a result of the option to purchase at less than fair value at a future date.

Depreciation expense was charged to City functions as follows:

Governmental Activities:	
General government	\$ 9,649
Public safety	331,129
Public works	108,046
Highways and streets	502,130
Health and sanitation	13,068
Education and recreation	74,566

Business-type Activities:	
Water and Sewer	\$483,555

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, 2009 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$8,778,209	\$13,337,612

The following is a summary of changes in long-term debt for the year ended September 30, 2009.

	Balance 10/1/2008	Additions	Reductions	Balance 9/30/2009	Due within one year
Governmental Activities:					
General Obligation Bonds	\$ 5,820,000		920,000	4,900,000	860,000
Notes Payable - State of MS	1,132,596		103,158	1,029,438	94,716
Lease Payable - Cleveland State Bank	28,525		28,525	-	
Lease Payable - Cleveland State Bank	168,101		36,716	131,385	38,403
Compensated absences	263,392	79,527		342,919	
Total Governmental Activities	<u>7,412,614</u>	<u>79,527</u>	<u>1,088,399</u>	<u>6,403,742</u>	<u>993,119</u>
Business-type Activities:					
Notes Payable - State of MS	6,189,423	549,711	293,757	6,445,377	334,910
Compensated absences	22,304		2,850	19,454	
Total Business-type Activities	<u>6,211,727</u>	<u>549,711</u>	<u>296,607</u>	<u>6,464,831</u>	<u>334,910</u>
Total Long-term debt	\$ <u>13,624,341</u>	<u>629,238</u>	<u>1,385,006</u>	<u>12,868,573</u>	<u>1,328,029</u>

At September 30, 2009 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	6/1/00	5.90%	3/1/10	850,000 \$	85,000
Public Improvement	6/1/01	3.00 - 4.30%	3/1/11	640,000	130,000
Public Improvement	6/1/02	3.25 - 4.60%	3/1/12	790,000	240,000
Public Improvement	5/1/03	2.50 - 3.50%	3/1/13	1,060,000	440,000
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	710,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	660,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	780,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	910,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	945,000
Total General obligation bonds					<u>4,900,000</u>
B. Other Loans					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	514,719
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	514,719
Cleveland State Bank (Street Sweeper Lease)	7/1/08	4.50%	1/1/13	177,025	131,385
Total Other Loans					<u>1,160,823</u>
Total Governmental Activities				\$	<u>6,060,823</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	\$ 47,772
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,394,607
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	1,230,726
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	1,039,882
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,532,798
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	1,199,592
Total Other Loans					<u>\$ 6,445,377</u>

The annual debt service requirements of long-term debt as of September 30, 2009 are as follows:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 860,000	193,393	133,119	34,715
2011	780,000	159,446	137,763	30,068
2012	720,000	106,273	142,579	25,255
2013	650,000	101,410	114,426	20,761
2014	545,000	77,349	106,776	17,528
2015-2019	1,060,000	176,022	526,160	37,242
2020-2024	285,000	26,250		
Total	<u>\$ 4,900,000</u>	<u>840,143</u>	<u>1,160,823</u>	<u>165,569</u>

Business-type Activities:			
2010	\$	334,910	117,838
2011		359,466	117,764
2012		366,753	110,476
2013		370,431	103,051
2014		367,674	95,815
2015-2019		1,949,781	367,664
2020-2024		2,005,464	169,248
2025-2029		690,898	23,846
Total	\$	<u>6,445,377</u>	<u>1,105,702</u>

NOTE 8 SHORT-TERM FINANCING

During the fiscal year ended September 30, 2009, the City obtained short-term financing from a local bank for the cost of making street improvements within the city limits. Proceeds of the certificate of indebtedness were \$829,800 and were deposited into the Public Improvement Fund. Repayment of the certificate was made by the General Bond and Interest Fund.

NOTE 9 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, 2009 were as follows:

Transfers In	Transfers Out		
General Fund	Enterprise Fund	\$	390,043
Baxter Bond Fund	Economic Development and Tourism Fund		35,000
Enterprise Fund	General Fund		390,043
Nonmajor Fund	General Fund		<u>510,000</u>
Total		\$	<u><u>1,325,086</u></u>

Individual fund interfund advance balances at September 30, 2009 arising from these transactions were as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor governmental fund	\$	563,521
General Fund	Agency Fund		86,676
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>1,723,621</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 10 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, 2009, 2008 and 2007 were \$483,136, \$448,147, and \$429,319, respectively.

NOTE 11 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, 2009, the City has two commitments, which consist of the residential garbage collection contract and a contract for water utility services through September 30, 2012.

Two repair contracts exist at September 30, 2009. The Deering Street storm drainage repair contract was for a total of \$30,000. Remaining commitment under this contract was \$10,164 at September 30, 2009. The College Street storm drainage contract was for a total of \$25,000. Remaining commitment under this contract was \$7,424 at September 30, 2009. The City also has construction contracts commitments relating to capital projects discussed in an earlier note.

NOTE 12 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 13 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
2007-2008	0	153,084	111,454	41,630
2008-2009	41,630	319,937	309,733	51,834

NOTE 14 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Animal Shelter Fund and the Special Industrial Project Fund reported deficit in fund balances of \$4,037 and \$988,478 at September 30, 2009.

NOTE 15 SUBSEQUENT EVENTS

In October 2009, 7.85 acres of land was acquired at a cost of \$47,100 for building a bike trail.

A contract for Phase II of the downtown sidewalk reconstruction project was entered into for \$837,020.

A public improvement bond issue for \$1,370,000 was approved by the Board in March 2010.

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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Licenses and Permits	\$ 533,500	533,500	516,110	(17,390)
Fines and forfeits	360,000	360,000	319,119	(40,881)
Grants & Intergovernmental	3,218,000	3,356,000	3,490,221	134,221
Charges for Services	520,000	520,000	521,771	1,771
Miscellaneous Revenues	704,500	731,400	715,791	(15,609)
Ad Valorem Taxes	2,099,156	2,167,617	2,102,134	(65,483)
Miscellaneous Taxes	28,900	28,900	25,021	(3,879)
Interfund Transfers	528,043	390,043	390,043	-
Total revenues	7,992,099	8,087,460	8,080,210	(7,250)
<u>EXPENDITURES:</u>				
General government				
Personal services	339,900	338,867	335,900	2,967
Other services and charges	785,750	757,500	655,151	102,349
Supplies	21,500	21,500	14,530	6,970
Capital outlay	5,500	5,500	4,920	580
Grants & Subsidies	291,800	183,653	169,595	14,058
Total general government	1,444,450	1,307,020	1,180,096	126,924
Public Safety				
Municipal Court				
Personal services	113,200	113,200	111,514	1,686
Other services and charges	224,100	233,100	196,392	36,708
Supplies	4,800	4,800	4,564	236
Total municipal court	342,100	351,100	312,470	38,630
Police Department				
Personal services	2,941,602	2,948,388	2,845,833	102,555
Other services and charges	122,910	117,910	103,481	14,429
Supplies	235,500	235,500	149,549	85,951
Capital outlay	179,333	179,334	195,765	(16,431)
Total Police Department	3,479,345	3,481,132	3,294,628	186,504

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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Fire Department				
Personal services	152,900	162,156	158,943	3,213
Other services and charges	104,800	97,300	95,283	2,017
Supplies	120,450	120,450	82,177	38,273
Capital outlay	49,000	4,000	1,663	2,337
Total Fire Department	<u>427,150</u>	<u>383,906</u>	<u>338,066</u>	<u>45,840</u>
Total Public Safety	<u>4,248,595</u>	<u>4,216,138</u>	<u>3,945,164</u>	<u>270,974</u>
Public Works				
Code Compliance				
Personal services	285,291	299,156	252,617	46,539
Other services and charges	53,450	33,450	37,920	(4,470)
Supplies	20,650	20,650	11,662	8,988
Capital outlay	2,550	2,550	2,140	410
Total Code Compliance	<u>361,941</u>	<u>355,806</u>	<u>304,339</u>	<u>51,467</u>
Cemetery				
Personal services	110,122	110,122	111,226	(1,104)
Other services and charges	1,800	1,800	1,250	550
Supplies	32,025	32,025	23,737	8,288
Capital outlay	6,050	6,050	5,839	211
Total Cemetery	<u>149,997</u>	<u>149,997</u>	<u>142,052</u>	<u>7,945</u>
Airport				
Personal services	80,550	80,550	73,002	7,548
Other services and charges	29,350	26,850	35,598	(8,748)
Supplies	61,800	58,800	60,400	(1,600)
Capital outlay	7,500	-	-	-
Total Airport	<u>179,200</u>	<u>166,200</u>	<u>169,000</u>	<u>(2,800)</u>
Total public works	<u>691,138</u>	<u>672,003</u>	<u>615,391</u>	<u>56,612</u>
Highways and Streets				
Personal services	614,200	610,700	596,375	14,325
Other services and charges	143,100	143,100	140,711	2,389
Supplies	374,750	374,750	257,953	116,797
Capital outlay	508,000	6,000	76,645	(70,645)
Total Highways and Streets	<u>1,640,050</u>	<u>1,134,550</u>	<u>1,071,684</u>	<u>62,866</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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Health and sanitation				
Mosquito Control				
Personal services	137,150	137,150	137,315	(165)
Other services and charges	39,950	39,950	34,505	5,445
Supplies	324,900	324,900	322,251	2,649
Capital outlay	15,000	6,500	6,433	67
Total Mosquito Control	<u>517,000</u>	<u>508,500</u>	<u>500,504</u>	<u>7,996</u>
Shop Department				
Personal services	103,450	106,260	103,639	2,621
Other services and charges	3,000	3,000	2,280	720
Supplies	13,750	13,750	9,741	4,009
Capital outlay	550	550	450	100
Total Shop Department	<u>120,750</u>	<u>123,560</u>	<u>116,110</u>	<u>7,450</u>
Total Expenditures	<u>8,661,983</u>	<u>7,961,771</u>	<u>7,428,949</u>	<u>532,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(669,884)</u>	<u>125,689</u>	<u>651,261</u>	<u>(540,072)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	<u>(510,000)</u>	<u>(510,000)</u>	<u>(510,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>(510,000)</u>	<u>(510,000)</u>	<u>(510,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (1,179,884)</u>	<u>(384,311)</u>	141,261	<u>(525,572)</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			257,772	

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, 2009

	9/30/2009		
	Budgeted Amount		Actual
	Original	Final	Non-GAAP
			Basis
			Variance
			Favorable
			(Unfavorable)
Expenditures charged to designated funds			(405,762)
Net change in Fund Balances - GAAP Basis			(6,729)
Fund balances, October 1			2,574,314
Increase (decrease) in reserve for inventory			30,129
Fund balances, September 30			2,597,714

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, 2009

	9/30/2009			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Tourism Taxes	\$ 610,000	610,000	620,451	10,451
Total taxes	<u>610,000</u>	<u>610,000</u>	<u>620,451</u>	<u>10,451</u>
Intergovernmental				
State of Mississippi - Dept. of Transportation				
Federal grants	68,400	68,400		(68,400)
Interest income	33,500	33,500	15,560	(17,940)
Other revenues			872	872
Interfund transfers		32,937	32,937	0
Total revenues	<u>711,900</u>	<u>744,837</u>	<u>669,820</u>	<u>(75,017)</u>
EXPENDITURES:				
All departments				
Contractual services	130,000	130,000	86,743	43,257
Consumable supplies	10,000	10,000	10,000	0
Appropriation	293,637	487,137	491,070	(3,933)
Capital outlay		35,000	35,000	0
	<u>433,637</u>	<u>662,137</u>	<u>622,813</u>	<u>39,324</u>
T E Grant - Bicycle Path				
Capital outlay	65,000	65,000		65,000
Railroad Heritage Museum				
Personal services	48,600	48,600	12,074	36,526
Contractual services	43,900	43,900	28,799	15,101
Consumable supplies	7,000	7,000	3,649	3,351
Capital outlay	107,000	107,000	27,602	54,978
	<u>206,500</u>	<u>206,500</u>	<u>72,124</u>	<u>109,956</u>
Total expenditures	<u>705,137</u>	<u>933,637</u>	<u>694,937</u>	<u>214,280</u>

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, 2009

	9/30/2009			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	6,763	(188,800)	(25,117)	163,683
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(35,000)	(35,000)	(35,000)	0
Total other financing sources (uses):	(35,000)	(35,000)	(35,000)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (28,237)	(223,800)	(60,117)	163,683
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(23,885)	
Expenditures charged to designated funds			3,318	
Net change in Fund Balances - GAAP Basis			(80,684)	
Fund balances, October 1			2,011,826	
Fund balances, September 30			1,931,142	

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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Interest Income	\$ 30,600	30,600	16,080	(14,520)
Intergovernmental Federal Grants	194,000	194,000		(194,000)
Total revenues	<u>224,600</u>	<u>224,600</u>	16,080	<u>(208,520)</u>
<u>EXPENDITURES:</u>				
Faurecia Capital outlay	194,000	194,000	183,104	10,896
Total economic development	194,000	194,000	183,104	10,896
Total expenditures	<u>194,000</u>	<u>194,000</u>	183,104	<u>10,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,600</u>	<u>30,600</u>	<u>(167,024)</u>	<u>(197,624)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	101,346	68,409	68,409	0
Total other financing sources (uses):	<u>101,346</u>	<u>68,409</u>	<u>68,409</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 131,946</u>	<u>99,009</u>	<u>(98,615)</u>	<u>(197,624)</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			114,695	
Net change in Fund Balances - GAAP Basis			16,080	
Fund balances, October 1			<u>2,056,195</u>	
Fund balances, September 30			<u><u>2,072,275</u></u>	

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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Interest Income	\$ 800	800	627	(173)
State Grants	1,559,798	1,559,798	1,245,869	(313,929)
Lease payment	225,650	225,650	225,650	0
Total revenues	1,786,248	1,786,248	1,472,146	(314,102)
<u>EXPENDITURES:</u>				
Other services and charges	124,304	124,304	124,304	0
Capital outlay	1,559,798	1,559,798	1,245,869	313,929
Total expenditures	1,684,102	1,684,102	1,370,173	313,929
Excess (deficiency) of revenues over (under) expenditures	102,146	102,146	101,973	(173)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	(101,346)	(101,346)	(101,346)	0
Total other financing sources (uses):	(101,346)	(101,346)	(101,346)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 800	800	627	(173)
Adjustments to Generally Accepted Accounting Principles Basis				
Expenditures charged to designated funds			101,347	
Net change in Fund Balances - GAAP Basis			101,974	
Fund balances, October 1			(1,090,452)	
Fund balances, September 30			(988,478)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2009

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.

There were no funds with actual expenditures over budget.

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- 2008 TAX ROLLS
 For the Fiscal Year Ended September 30, 2009

	Assessed Valuation	<u>Tax</u> <u>Ad Valorem</u>
<u>Assessments - 2008 Tax Rolls</u>		
Realty	\$ 64,414,331	
Personalty	10,852,788	
Auto and Mobile Home	12,731,735	
Public Utility	<u>3,189,205</u>	
 Total Assessed Valuation	 \$ <u>91,188,059</u>	
 Total Ad Valorem Tax @ 37 Mills		 \$ 3,373,958
 Less: Homestead Exemption Credit		 <u>217,548</u>
 Net Ad Valorem Taxes		 \$ 3,156,410
 Other Collections:		
Actual Homestead Reimbursements		174,801
Prior Year Tax Collections		37,515
Penalties and Interest on Delinquent Taxes		63,185
 Deductions:		
Bolivar County Tax Collector's Commission		<u>(21,643)</u>
 Total Ad Valorem Taxes to be Accounted For		 \$ <u>3,410,268</u>
 Collections:		
Allocated to:	<u>Taxes</u>	<u>Homestead</u> <u>Total</u>
General Fund	\$ 2,055,788	111,022 \$ 2,166,810
Park Fund	148,223	8,268 156,491
Library Fund	105,910	5,905 111,815
Debt Service Fund	889,385	49,606 938,991
Totals	<u>\$ 3,199,306</u>	<u>\$ 174,801</u> <u>3,374,107</u>
 Balance Represented by:		
Unpaid Realty		34,974
Unaccounted for - Under (Over) Collected		<u>1,187</u>
 Total Ad Valorem Taxes Accounted For		 \$ <u>3,410,268</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2008 TAX ROLLS
 For the Fiscal Year Ended September 30, 2009

Tax millage levies for the current fiscal year (tax year 2008) were as follows:

Fund	Millage	
General	23.50	General
Parks	1.75	Park maintenance
Library	1.25	Library maintenance
Bond & Interest	10.50	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:

\$ 3,316,337	Base 2007 - 2008	\$ 3,199,306	Taxes collected 2008 - 2009
		21,472	Less: Exempted Amounts (New Value)
1,098,089	Less: Applicable to Debt Service	889,385	Less: Applicable to Debt Service
2,218,248		2,288,449	
221,825	10% Increase	174,801	Homestead Exemption 2007 - 2008
		49,606	Less: Applicable to Debt Service
		125,195	
		26,429	Under (Over) Limitation
\$ 2,440,073		\$ 2,440,073	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULES OF CERTIFICATES OF DEPOSIT
September 30, 2009

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	7/31/2009	10/31/2009	2.070%	\$ 5,350,000
Planters Bank & Trust	8/31/2009	11/30/2009	2.070%	1,930,000
Planters Bank & Trust	9/30/2009	12/31/2009	2.070%	1,225,000
Totals				\$ <u>8,505,000</u>

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT BY FUND:

GENERAL FUNDS:

General Fund \$ 1,550,000

SPECIAL REVENUE FUNDS:

Park Commission Fund 125,000
 Crime Prevention and Drug Education Fund 25,000
 Library Fund 30,000
 Fire Protection Fund 325,000
 Economic Development Fund 1,225,000
 Sanitation Fund 400,000

PROPRIETARY FUNDS

Water & Sewer Utility Fund 1,750,000

DEBT SERVICE FUNDS

General Obligation Bond and Interest Fund 1,100,000

CAPITAL PROJECTS FUNDS:

Infrastructure Capital Fund 200,000
 General Capital Fund 50,000
 Economic Development Capital Fund 1,100,000
 Water and Sewer Capital Fund 50,000
 Restricted Fund 525,000

TRUST & AGENCY FUNDS

Unemployment Compensation Fund 50,000
 \$ 8,505,000

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS
 September 30, 2009

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund
 For the Year Ended September 30, 2010

<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 - 2010</u>							
06/01/00	Public Improvement Bond	5.900%	03/01/09	Trustmark National Bank	\$ 87,508	85,000	2,508
06/01/01	Public Improvement Bond	3.775%	03/01/09	Trustmark National Bank	67,779	65,000	2,779
06/01/02	Public Improvement Bond	3.775%	03/01/09	Trustmark National Bank	85,460	80,000	5,460
05/01/03	Public Improvement Bond	3.122%	03/01/09	Trustmark National Bank	117,563	110,000	7,563
03/01/04	Public Improvement Bond	2.834%	03/01/09	Trustmark National Bank	150,370	140,000	10,370
05/01/05	Public Improvement Bond	3.750%	03/01/09	Trustmark National Bank	122,375	110,000	12,375
05/01/06	Public Improvement Bond	4.173%	03/01/09	Trustmark National Bank	126,150	110,000	16,150
03/01/07	Public Improvement Bond	3.797%	03/01/09	Trustmark National Bank	127,208	110,000	17,208
12/28/06	General Obligation, Series 2006	6.344%	11/01/08	First National Bank	81,319	50,000	31,319
Total - February - 2010					<u>965,732</u>	<u>860,000</u>	<u>105,732</u>
<u>August - 2010</u>							
06/01/00	Public Improvement Bond	5.900%	09/01/09	Trustmark National Bank	0		0
06/01/01	Public Improvement Bond	3.775%	09/01/09	Trustmark National Bank	1,398		1,398
06/01/02	Public Improvement Bond	3.775%	09/01/09	Trustmark National Bank	3,660		3,660
05/01/03	Public Improvement Bond	3.122%	09/01/09	Trustmark National Bank	5,775		5,775
03/01/04	Public Improvement Bond	2.834%	09/01/09	Trustmark National Bank	8,410		8,410
05/01/05	Public Improvement Bond	3.750%	09/01/09	Trustmark National Bank	10,313		10,313
05/01/06	Public Improvement Bond	4.173%	09/01/09	Trustmark National Bank	13,675		13,675
03/01/07	Public Improvement Bond	3.797%	09/01/09	Trustmark National Bank	15,174		15,174
12/28/06	General Obligation, Series 2006	6.344%	05/01/09	First National Bank	29,256		29,256
Total - August - 2010					<u>87,661</u>	<u>0</u>	<u>87,661</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,053,393</u>	<u>860,000</u>	<u>193,393</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2009

Date of Issue	Description	Balance Outstanding 10/01/08	Issued	Redeemed	Balance Outstanding 09/30/09
<u>GENERAL OBLIGATION BONDS</u>					
11/19/99	Public Improvement Bond	\$ 65,000		65,000	-
06/01/00	Public Improvement Bond	170,000		85,000	85,000
06/01/01	Public Improvement Bond	195,000		65,000	130,000
06/01/02	Public Improvement Bond	320,000		80,000	240,000
05/01/03	Public Improvement Bond	550,000		110,000	440,000
03/01/04	Public Improvement Bond	850,000		140,000	710,000
05/01/05	Public Improvement Bond	770,000		110,000	660,000
05/01/06	Public Improvement Bond	890,000		110,000	780,000
12/28/06	General Obligation, Series 2006	1,020,000		110,000	910,000
03/01/07	Public Improvement Bond	990,000		45,000	945,000
	Total General Obligation Bonds	<u>5,820,000</u>	<u>0</u>	<u>920,000</u>	<u>4,900,000</u>
<u>OTHER DEBT ISSUED</u>					
08/01/98	MDA - Capital Improvements	59,579		11,807	47,772
08/01/03	MDEQ - Capital Improvements	1,483,547		88,940	1,394,607
08/01/03	MDA - RLF Financing (City Faurecia)	566,298		51,579	514,719
08/01/03	MDA - RLF Financing (County Faurecia)	566,298		51,579	514,719
09/25/03	MDEQ - Capital Improvements	1,301,860		71,134	1,230,726
04/21/06	MDEQ - Capital Improvements	1,093,188		53,306	1,039,882
10/14/05	MDEQ - Capital Improvements	1,601,368		68,570	1,532,798
08/25/06	MDEQ - Capital Improvements	649,881	549,711		1,199,592
08/10/06	Cleveland State Bank (Capital Lease)	28,525		28,525	0
07/01/08	Cleveland State Bank (Street Sweeper Lease)	168,101		36,716	131,385
	Total State of Mississippi Notes	<u>7,518,645</u>	<u>549,711</u>	<u>462,156</u>	<u>7,606,200</u>
	Grand Total	<u>\$ 13,338,645</u>	<u>549,711</u>	<u>1,382,156</u>	<u>12,506,200</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2009

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 Gainpoletti	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, 2009

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	\$ 183,104
Community Facilities Loans and Grants	10.766	07-146-PF-01	83,579
U. S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0015-013-2007	9,775
Airport Improvement Program	20.106	3-28-0015-014-2008	209,511
Airport Improvement Program	20.106	3-28-0015-015-2009	661,515
Environmental Protection Agency			
Pass-through Mississippi Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280809-05	<u>584,392</u>
Grand Total			<u>\$ 1,731,876</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, 2009

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, 2009

	9/30/2009			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Taxes	\$ 1,150,520	967,957	938,324	(29,633)
Interest Income	56,000	56,000	12,953	(43,047)
Total revenues	1,206,520	1,023,957	951,277	(72,680)
<u>EXPENDITURES:</u>				
Debt service	2,010,295	1,889,395	1,879,838	9,557
Total debt service	2,010,295	1,889,395	1,879,838	9,557
Total Expenditures	2,010,295	1,889,395	1,879,838	9,557
Excess (deficiency) of revenues over (under) expenditures	(803,775)	(865,438)	(928,561)	(82,237)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (803,775)	(865,438)	(928,561)	(82,237)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(551)	
Net change in Fund Balances - GAAP Basis			(929,112)	
Fund balances, October 1			1,281,700	
Fund balances, September 30			352,588	

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, 2009

	9/30/2009			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Lease payment	\$ 76,975	76,975	76,975	0
Interest Income	200	200	12	(188)
Total revenues	<u>77,175</u>	<u>77,175</u>	<u>76,987</u>	<u>(188)</u>
EXPENDITURES:				
Debt service	111,550	111,550	111,490	60
Total debt service	<u>111,550</u>	<u>111,550</u>	<u>111,490</u>	<u>60</u>
Total Expenditures	<u>111,550</u>	<u>111,550</u>	<u>111,490</u>	<u>60</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,375)</u>	<u>(34,375)</u>	<u>(34,503)</u>	<u>(248)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 625</u>	<u>625</u>	497	<u>(248)</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			0	
Expenditures charged to designated funds			<u>0</u>	
Net change in Fund Balances - GAAP Basis			497	
Fund balances, October 1			<u>1,714</u>	
Fund balances, September 30			<u><u>2,211</u></u>	

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	(1)										Total					
	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous Operating	Miscellaneous Non-Operating									
2000 \$	1,772,142	391,651	4,279,908	2,504,134	334,810	928,464	1,094,406									11,305,515
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

(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	(1)										(2)	
	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic and Community Development	Capital Projects	Debt Service	Total	
2000	\$ 1,095,954	2,443,575	1,463,251	692,089	817,526	71,613	716,395	129,931	1,542,552	1,868,479	10,841,365	
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	

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

(2) Principal and interest on both general obligation and industrial revenue bonds and notes payable to state of Mississippi (Mississippi Development Authority).

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
2000 \$	1,919,681	1,861,814	96.99%	21,432	1,883,246	98.10%
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%

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
2000 \$	33,579,812	7,208,671	12,574,871	3,097,864	56,461,218
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

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
2000	15.00	2.00	2.00	15.00	34.00
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

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>
2000	2,436	2,576
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

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 COMPUTATION OF LEGAL DEBT MARGIN
 For the Fiscal Year Ended September 30, 2009

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>				
06/01/00	Public Improvement Bond	\$ 85,000	85,000	85,000
06/01/01	Public Improvement Bond	130,000	130,000	130,000
06/01/02	Public Improvement Bond	240,000	240,000	240,000
05/01/03	Public Improvement Bond	440,000	440,000	440,000
03/01/04	Public Improvement Bond	710,000	710,000	710,000
05/01/05	Public Improvement Bond	660,000	660,000	660,000
05/01/06	Public Improvement Bond	780,000	780,000	780,000
03/01/07	Public Improvement Bond	910,000	910,000	910,000
05/01/06	General Obligation-Baxter Bond	945,000	945,000	945,000
	Total Outstanding General Obligation Debt	\$ <u>4,900,000</u>	<u>4,900,000</u>	<u>4,900,000</u>

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2009	\$ 91,188,059	\$ 13,678,209	18,237,612
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>4,900,000</u>	<u>4,900,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 8,778,209</u>	<u>13,337,612</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
2000	13,841	56,461,218	4,915,000	1,927,764	2,987,236	5.29%	215.83
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

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
2000	\$ 600,000	170,644	770,644	9,298,664	8.29%
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%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 GENERAL OBLIGATION BONDS
 September 30, 2009

<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	\$ 4,545,201	100.00%	\$ 4,545,201
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>12,695,478 (1)</u>	32.88% (2)	<u>4,174,273</u>
Total	<u>\$ 17,240,679</u>		<u>\$ 8,719,474</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$277,358,924 (1) to \$91,188,059 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2010. 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-1, 09-2, and 09-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-3 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 responses to the findings identified in our audit are described in the accompanying *Auditee's Corrective Action Plan*. We did not audit the City of Cleveland'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. However, this report is a matter of public record and its distribution is not limited.

Ellis + Bershteyn

May 27, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2009. 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.

In our opinion, the City of Cleveland, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

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.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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. However, this report is a matter of public record and its distribution is not limited.

Ellis + Idersberg

May 27, 2010

**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, 2009, and have issued our report thereon dated May 27, 2010. 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. However, this report is a matter of public record and its distribution is not limited.

Ellis & Hirsberg

May 27, 2010

CITY OF CLEVELAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

Section I: 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? | Yes |
| 3. | Material noncompliance relating to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses indentified? | No |
| | 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: | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Airport Improvement Program CFDA# 20.106 | |
| 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

Significant Deficiencies

09-1 Finding

Criteria

Assigning responsibility among different people for authorizing transactions, recording transactions and maintaining custody of assets reduces the opportunities for any one person to be in a position to both perpetrate and conceal errors or fraud in the normal course of performing his or her duties.

Condition

One person has been assigned the responsibility for preparing deposit slips, making deposits and recording the transaction. This finding was also reported in the prior year.

Cause

The cause cannot readily be determined.

Effect

The effect is an increase in fraud risk by allowing one person to have custody of assets as well as being able to record transactions.

Recommendation

An individual with no access to the general ledger should prepare deposit slips and make the deposits.

09-2 Finding

Criteria

An underlying concept in accounting involves control accounts and supporting ledgers or other detail which will add back to the control account on the general ledger.

Condition

The City's water and sewer software is now capable of producing a listing of customer deposits. This listing should be periodically balanced back to the City's general ledger account for customer deposits. This finding was also reported in the prior year.

Cause

An underlying cause was the inability in previous years to generate a detail customer deposit listing from the software.

Effect

The effect could result in the inability to catch an error or fraud on a timely basis.

Recommendation

Once the initial adjustment is made to balance the general ledger account to the detail, the detail listing should be compared to the general ledger account on a periodic basis. Any differences should be adjusted or followed up on as deemed appropriate by management.

Material weakness

09-3 Finding

Criteria

Governments typically have bank accounts which serve as clearing accounts for specific types of transactions. Typically these will involve payroll or accounts payable. Generally only the amount necessary to cover a specific group of transactions is transferred into the account. The accounting involved for these funds is no different than other funds of the City.

Condition

The payroll fund appears to have numerous problems. A separate bank account is maintained specifically for the payroll. Bank reconciliations for this fund are significantly behind. The September 2009 bank reconciliation does not balance to the general ledger. The book balance being used on the reconciliation does not agree to the general ledger.

As reported in the prior year, the balance of cash in the account appears excessive. Normally a clearing account does not carry a large balance. It appears the reconciled balance is \$86,675.67.

The trial balance of the payroll fund reflects numerous accounts. Some of the accounts have debit balances and some have credit balances. It would appear that all of these accounts need to be adjusted to their correct balance.

Cause

The situation appears to have developed over time. No one has devoted any time to reviewing the trial balance nor to balancing any of the accounts to the payroll journal.

Effect

Areas which are not given sufficient attention can get out of hand and be difficult or impossible to accurately correct. It appears the payroll fund is out of hand.

An excess amount of cash in the payroll account could lead to a cash shortage in other accounts. The excess of cash in the payroll account may not be taken into consideration when budgets are prepared or could cause errors in budgeting future cash needs.

Recommendation

A correcting entry is needed to get the payroll fund accounts in balance with the latest payroll journal. Any excess cash should be returned to the general fund for use in other areas.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



THE CITY OF CLEVELAND
CLEVELAND, MISSISSIPPI 38732

AUDITEE'S CORRECTIVE ACTION PLAN

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, 2009.

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

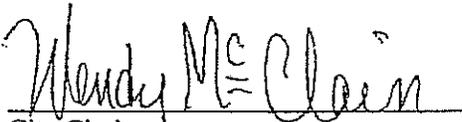
GREG KORB
CITY ENGINEER

<u>Finding</u>	<u>Corrective Action Plan Detail</u>
09-1	<p>a. Name of contact person responsible for corrective action:</p> <p>Name: Wendy McClain Title: City Clerk Phone: 662-846-1471</p> <p>b. Corrective Action Planned:</p> <p>Duties regarding custody of assets and recording transactions will be reviewed.</p> <p>c. Anticipated Completion Date:</p> <p>June 2010</p>
09-2	<p>a. Name of contact person responsible for corrective action:</p> <p>Name: Wendy McClain Title: City Clerk Phone: 662-846-1471</p> <p>b. Corrective Action Planned:</p> <p>The general ledger balance will be adjusted to the detail and periodic reconciliations will be performed.</p> <p>c. Anticipated Completion Date:</p> <p>June 2010</p>
09-3	<p>a. Name of contact person responsible for corrective action:</p> <p>Name: Wendy McClain Title: City Clerk Phone: 662-846-1471</p>

The payroll cash balance will be reviewed. Any excess cash can be expected to be returned to the appropriate fund.

c. Anticipated Completion Date:

June 2010


City Clerk