

**City of Cleveland, Mississippi**  
Financial Statements  
September 30, 2011

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Clarksdale, Mississippi



# CITY OF CLEVELAND, MISSISSIPPI

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2011, 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, 2011, 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 25, 2012, 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 44 through 55 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 67 through 77, 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 56 through 66, 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 & Hirsberg CPA's PLLC*

May 25, 2012

**CITY OF CLEVELAND, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2011**

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, 2011. 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 \$35,652,587 (net assets). Of this amount \$4,221,420 (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: \$22,848,674 invested in capital assets, net of related debt; and \$8,582,493 restricted (for Home Program, economic development, debt service, and other).
- Total assets decreased \$2,180,689 or 4.00% under 2010. Cash balances in the governmental activities and business-type activities decreased \$1,349,468 during the year.
- Total liabilities decreased \$662,111 or 3.73% under 2010. New debt in the amount of \$1,145,000 was issued during the year. Payments on outstanding bonds and notes payable were \$1,411,877.
- The City's total net assets decreased \$1,518,578 under 2010. Of this amount, \$618,784 of the decrease was from governmental activities and \$899,794 was from business-type activities (water and sewer fund).

**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, Public Improvement 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 19.

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 20 through 23.

**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 24.

**Notes to the financial statements.** The notes, presented on pages 25 through 43, 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 44 through 55.

### 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 \$35,652,587.

By far the largest portion of the City of Cleveland's net assets, \$22,848,674, (64%) 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
	2011	2010	2011	2010	2011	2010		
Current and other assets	\$ 16,530,424	17,893,063	1,076,885	1,934,808	17,607,309	19,827,871	(2,220,562)	-11.20%
Capital assets, net	25,158,400	24,724,430	9,983,146	10,377,243	35,141,546	35,101,673	39,873	0.11%
<b>Total Assets</b>	<b>41,688,824</b>	<b>42,617,493</b>	<b>11,060,031</b>	<b>12,312,051</b>	<b>52,748,855</b>	<b>54,929,544</b>	<b>(2,180,689)</b>	<b>-3.97%</b>
Long-term debt	5,744,407	5,720,027	5,407,690	5,775,440	11,152,097	11,495,467	(343,370)	-2.99%
Other liabilities	5,281,109	5,615,374	663,062	647,538	5,944,171	6,262,912	(318,741)	-5.09%
<b>Total Liabilities</b>	<b>11,025,516</b>	<b>11,335,401</b>	<b>6,070,752</b>	<b>6,422,978</b>	<b>17,096,268</b>	<b>17,758,379</b>	<b>(662,111)</b>	<b>-3.73%</b>
<b>Net Assets:</b>								
Invested in capital assets,								
net of related debt	18,616,525	18,275,144	4,232,149	4,266,777	22,848,674	22,541,921	306,753	1.36%
Restricted	8,582,493	7,081,415			8,582,493	7,081,415	1,501,078	21.20%
Unrestricted	3,464,290	5,925,533	757,130	1,622,296	4,221,420	7,547,829	(3,326,409)	-44.07%
<b>Total Net Assets</b>	<b>\$ 30,663,308</b>	<b>31,282,092</b>	<b>4,989,279</b>	<b>5,889,073</b>	<b>35,652,587</b>	<b>37,171,165</b>	<b>(1,518,578)</b>	<b>-4.09%</b>

The City's total assets decreased \$2,180,689 during 2011 with business-type activities showing a decrease of approximately \$1,252,020 and governmental activities showing a decrease of approximately \$928,669. The major change was approximately \$1,349,468 decrease in cash and cash equivalents.

The City's total liabilities decreased approximately \$662,000. Proceeds of \$1,145,000 were received from the issuance of public improvement bonds. Payments on long-term debt totaled \$1,411,877.

The City's net assets decreased approximately \$1,518,000.

(Table 2)  
**City of Cleveland Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2011	2010	2011	2010	2011	2010		
<b>Program Revenues:</b>								
Charges for services	\$ 1,884,367	1,825,170	2,458,288	2,475,438	4,342,655	4,300,608	42,047	0.98%
Grants and contributions	873,294	1,232,271		53,488	873,294	1,285,759	(412,465)	-32.08%
<b>General Revenues:</b>								
Property taxes	3,840,426	3,536,195			3,840,426	3,536,195	304,231	8.60%
Sales and tourism taxes	4,091,085	4,070,963			4,091,085	4,070,963	20,122	0.49%
Other taxes and other	2,000,590	2,125,146	32,650	89,394	2,033,240	2,214,540	(181,300)	-8.19%
<b>Total Revenues</b>	<b>12,689,762</b>	<b>12,789,745</b>	<b>2,490,938</b>	<b>2,618,320</b>	<b>15,180,700</b>	<b>15,408,065</b>	<b>(227,365)</b>	<b>-1.48%</b>
<b>Program Expenses:</b>								
General government	1,060,472	1,057,891			1,060,472	1,057,891	2,581	0.24%
Public safety	4,712,561	4,509,478			4,712,561	4,509,478	203,083	4.50%
Public works	1,232,876	838,415			1,232,876	838,415	394,461	47.05%
Highways and streets	2,923,405	1,690,696			2,923,405	1,690,696	1,232,709	72.91%
Health and sanitation	1,430,348	1,440,307			1,430,348	1,440,307	(9,959)	-0.69%
Shop department	121,847	117,556			121,847	117,556	4,291	3.65%
Education and recreation	963,390	991,879			963,390	991,879	(28,489)	-2.87%
Economic and community dev.	605,500	809,978			605,500	809,978	(204,478)	-25.24%
Interest on long-term debt	258,147	259,110			258,147	259,110	(963)	-0.37%
Water and sewer			3,390,732	3,235,659	3,390,732	3,235,659	155,073	4.79%
<b>Total Expenses</b>	<b>13,308,546</b>	<b>11,715,310</b>	<b>3,390,732</b>	<b>3,235,659</b>	<b>16,699,278</b>	<b>14,950,969</b>	<b>1,748,309</b>	<b>11.69%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (618,784)</b>	<b>1,074,435</b>	<b>(899,794)</b>	<b>(617,339)</b>	<b>(1,518,578)</b>	<b>457,096</b>	<b>(1,975,674)</b>	<b>-432.22%</b>

The City's governmental activities continue to be funded by sources other than property taxes, which made up only 30% of the total revenues. The other major revenue sources were sales and tourism taxes 32%, charges for services 15%, and grants and contributions 7%. The major expense activities were public safety, highways and streets, and health and sanitation, and public works which comprise 35%, 22%, 11% and 9% 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 \$9,213,832 which is \$856,028 below last year's total of \$10,069,860. The primary reason for the decrease was expenditures for highways and streets. Expenditures for highways and streets increased by \$1,232,709 during the year.

Governmental funds meeting the requirements for being reported as major funds include the General Fund, Economic Development and Tourism Fund, General Bond and Interest Fund, Baxter Bond Fund, Public Improvement Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund. Remaining governmental funds were combined and reported as non-major governmental funds. The General fund reflected a net change in fund balance of (\$47,768). The previous year saw a positive net change in fund balance of \$220,287.

The Economic Development and Tourism Fund had a net change in fund balance of \$112,702 compared to (\$122,007) in the prior year. The General Bond and Interest Fund had a net change in fund balance of \$69,593 compared to (\$31,730) in the prior year. The Baxter Bond Fund had a net change in fund balance of (\$443) compared to \$592 the prior year. The Public Improvement Bond fund had a net change in fund balance of (\$485,506) compared to \$1,036,117 in the prior year. The Economic Development Revolving Fund had a net change in fund balance of \$31,389 compared to \$26,874 in the previous year. The Special Industrial Project fund had a net change in fund balance of \$103,385 compared to \$102,136 in the prior year.

### **Major Fund Budgeting Highlights**

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

During the course of 2011, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. Revisions in the general fund increased budgeted expenditures by \$121,650.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2011, the City had \$35,141,546 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 \$39,873 or less than one percent under the prior year.

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2011	2010	2011	2010	2011	2010		
Land	\$ 4,605,367	4,605,367	1,259,935	1,259,935	5,865,302	5,865,302	0	0.00%
Buildings and improvements	9,956,696	10,371,615	136,570	142,610	10,093,266	10,514,225	(420,959)	-4.00%
Equipment and fixtures	2,397,493	2,133,842	324,959	267,745	2,722,452	2,401,587	320,865	13.36%
Infrastructure	7,233,712	6,708,553	8,261,682	8,706,953	15,495,394	15,415,506	79,888	0.52%
Construction in progress	965,132	905,053			965,132	905,053	60,079	6.64%
	<u>\$ 25,158,400</u>	<u>24,724,430</u>	<u>9,983,146</u>	<u>10,377,243</u>	<u>35,141,546</u>	<u>35,101,673</u>	<u>39,873</u>	<u>0.11%</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 2011-2010:

- 1) Phase II of the Downtown Sidewalk Project was completed with expenditures of \$159,969 during the year. The total cost of the project was \$842,800. The major portion of the project was financed through a federal grant.
- 2) Work continued on the airport extension project. Expenditures during the year totaled \$536,800. Total thus far for this phase is \$759,022. The project is financed largely with a federal grant providing 95% of the funding and the state providing 2.5% of funding.
- 3) Work began on the construction of a hangar for Planesmart. Expenditures during the year totaled \$206,109. The project is financed with an MDOT grant of \$179,000, \$182,700 from Planesmart and \$30,000 from the City of Cleveland.

**Long-term Debt**

At year-end, the City had \$12,292,875 in bonds and notes outstanding compared to \$12,559,752 last year, a decrease of \$266,877. Of the total debt outstanding \$5,640,000 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 \$849,060 (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 \$5,751,000 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, 2011:

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2011	2010	2011	2010	2011	2010		
General Obligation Bonds	\$ 5,640,000	5,410,000			5,640,000	5,410,000	230,000	4.25%
Notes Payable	901,875	1,039,286	5,751,000	6,110,466	6,652,875	7,149,752	(496,877)	-6.95%
	<u>\$ 6,541,875</u>	<u>6,449,286</u>	<u>5,751,000</u>	<u>6,110,466</u>	<u>12,292,875</u>	<u>12,559,752</u>	<u>(266,877)</u>	<u>-2.12%</u>

New debt issue consisted of \$1,145,000 public improvement bond issued. More detailed information about the City's long-term liabilities is presented in Note 7 of the Notes to Financial Statements.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 38.5 mills is expected to remain the same in the following year.

**Contacting the City's Finance Department**

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

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,673,436	525,834	4,199,270
Accounts receivable	105,642	208,906	314,548
Current portion of lease receivable	306,525		306,525
Intergovernmental receivable	1,029,686		1,029,686
Property taxes receivable	3,742,683		3,742,683
Franchise taxes receivable	117,326		117,326
Interest receivable	20,226		20,226
Inventory	125,780	94,442	220,222
Restricted assets:			
Cash and cash equivalents	4,842,356	247,703	5,090,059
Lease receivable, non-current	2,496,764		2,496,764
Loans receivable, non-current	70,000		70,000
Capital assets (net of accumulated depreciation):			
Land	4,605,367	1,259,935	5,865,302
Construction in progress	965,132		965,132
Other capital assets, net	19,587,901	8,723,211	28,311,112
<b>Total Assets</b>	<b>41,688,824</b>	<b>11,060,031</b>	<b>52,748,855</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	82,538	48,606	131,144
Claims and judgments payable	3,486		3,486
Deferred revenue	3,742,683		3,742,683
Unearned revenue	340,187		340,187
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,107,215	366,753	1,473,968
Liabilities payable from restricted assets:			
Customer deposits		247,703	247,703
Due in more than one year:			
Capital related debt	5,434,660	5,384,244	10,818,904
Non-capital related debt	309,747	23,446	333,193
<b>Total Liabilities</b>	<b>11,025,516</b>	<b>6,070,752</b>	<b>17,096,268</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	18,616,525	4,232,149	22,848,674
Restricted for:			
Home program	43,545		43,545
Economic development	4,867,868		4,867,868
Education and recreation	145,618		145,618
Debt service	1,170,220		1,170,220
Health and sanitation	649,738		649,738
Public safety	395,763		395,763
Public works	944,108		944,108
Unemployment	51,567		51,567
Capital improvement	314,066		314,066
Unrestricted	3,464,290	757,130	4,221,420
<b>Total Net Assets</b>	<b>\$ 30,663,308</b>	<b>4,989,279</b>	<b>35,652,587</b>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
September 30, 2011

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
<b>Governmental activities:</b>							
General government	\$ 1,060,472				(1,060,472)	(1,060,472)	
Public safety	4,712,561				(4,712,561)	(4,712,561)	
Public works	1,232,876	639,000	26,249	709,489	141,862	141,862	
Highways and streets	2,923,405				(2,923,405)	(2,923,405)	
Health and sanitation	1,430,348	1,245,367			(184,981)	(184,981)	
Shop department	121,847				(121,847)	(121,847)	
Education and recreation	963,390				(963,390)	(963,390)	
Economic and community development	605,500			137,556	(467,944)	(467,944)	
Interest on long-term debt	258,147				(258,147)	(258,147)	
<b>Total governmental activities</b>	<b>13,308,546</b>	<b>1,884,367</b>	<b>26,249</b>	<b>847,045</b>	<b>(10,550,885)</b>	<b>0</b>	
<b>Business-type activities:</b>							
Water and sewer	3,390,732	2,458,288				(932,444)	
<b>Total business-type activities</b>	<b>3,390,732</b>	<b>2,458,288</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(932,444)</b>	
<b>Total primary government</b>	<b>\$ 16,699,278</b>	<b>4,342,655</b>	<b>26,249</b>	<b>847,045</b>	<b>(10,550,885)</b>	<b>(11,483,329)</b>	
<b>General revenues:</b>							
Property taxes					\$ 3,840,426	3,840,426	
Sales and tourism taxes					4,091,085	4,091,085	
Franchise taxes					479,468	479,468	
Other taxes and other					1,313,942	1,313,961	
Unrestricted interest income					159,692	192,323	
Interest income on capital lease-sale of building					47,488	47,488	
<b>Total general revenues and transfers</b>					<b>9,932,101</b>	<b>9,964,751</b>	
<b>Change in net assets</b>					<b>(618,784)</b>	<b>(1,518,578)</b>	
<b>Net assets, beginning</b>					<b>31,282,092</b>	<b>37,171,165</b>	
<b>Net assets, ending</b>					<b>\$ 30,663,308</b>	<b>35,652,587</b>	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2011

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,929,270							1,050,281	2,979,551
Receivables:									
Accounts	36,937							68,705	105,642
Property taxes	2,284,742		1,117,740					340,201	3,742,683
Franchise fee	117,326								117,326
Intergovernmental	530,172	160,055	11,397					328,062	1,029,686
Other									0
Advances to other funds	70,000	282,246				588,486			940,732
Lease receivable, current				80,875			225,650		306,525
Inventory	125,780								125,780
Restricted cash and cash equivalents		1,482,954	384,054	2,360	944,108	1,542,052	87,775	399,053	4,842,356
Lease receivable, non-current				917,214			1,579,550		2,496,764
Loan receivable, non-current								70,000	70,000
<b>Total Assets</b>	\$ 5,094,227	1,925,255	1,513,191	1,000,449	944,108	2,130,538	1,892,975	2,256,302	16,757,045
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 26,676	3,418						21,415	51,509
Advances from other funds							870,732	70,000	940,732
Deferred revenue	2,284,742		1,117,740	777,409			1,685,693	340,201	6,205,785
Unearned revenue				220,680			119,507		340,187
Due to bondholders			5,000						5,000
<b>Total Liabilities</b>	2,311,418	3,418	1,122,740	998,089		0	2,675,932	431,616	7,543,213

**CITY OF CLEVELAND, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2011

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>									
Non-Spendable:									
Inventory	125,780								125,780
Advances	70,000	282,246				588,486			940,732
Restricted for:									
Home program								43,545	43,545
Economic development		1,639,591				1,542,052		532	3,182,175
Education and recreation								145,618	145,618
Debt service				2,360				392,811	392,811
Health and sanitation			390,451					649,738	649,738
Public safety								395,763	395,763
Public works					944,108				944,108
Unemployment								51,567	51,567
Capital improvement								314,066	314,066
Assigned:									
Capital improvement								94,577	94,577
Public safety								129,280	129,280
Unassigned	2,587,029						(782,957)		1,804,072
<b>Total Fund Balances</b>	<b>2,782,809</b>	<b>1,921,837</b>	<b>390,451</b>	<b>2,360</b>	<b>944,108</b>	<b>2,130,538</b>	<b>(782,957)</b>	<b>1,824,686</b>	<b>9,213,832</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,094,227</b>	<b>1,925,255</b>	<b>1,513,191</b>	<b>1,000,449</b>	<b>944,108</b>	<b>2,130,538</b>	<b>1,892,975</b>	<b>2,256,302</b>	<b>16,757,045</b>

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, 2011**

Total fund balance - total governmental funds	\$	9,213,832
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 \$12,524,744		25,158,400
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.		2,463,102
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(6,851,622)
Interest accrued on capital leases receivable not reported on governmental fund financial statements		20,226
Interest accrued on long-term liabilities not reported on governmental fund financial statements		(31,029)
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.		690,399
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>30,663,308</b>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 September 30, 2011

	Economic Development and Tourism		General Bond and Interest		Public Improvement Bond		Economic Development Revolving		Special Industrial Project		Non-Major Governmental		Total Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds	
<b>REVENUES:</b>													
Taxes	\$ 2,104,342		1,033,578								314,571		3,452,491
Licenses and permits	83,845												83,845
Intergovernmental													
Federal grants		137,556									519,960		657,516
State of Mississippi Grants											189,529		189,529
General sales tax	3,417,644												3,417,644
Tourism tax													673,441
Liquor licenses	13,725												13,725
Amusement licenses	855												855
Fire protection											63,280		63,280
Gasoline tax	19,216												19,216
Homestead reimbursement	100,485										14,966		164,625
Grand gulf	135,529				49,174								135,529
Transportation	26,249												26,249
Bolivar County													
Road maintenance	359,515												359,515
Privilege tax	28,420										37,343		28,420
Animal shelter													37,343
Charges for services	1,075,379										808,988		1,884,367
Franchise tax	444,568										34,900		479,468
Fines and forfeits	317,583										10,616		328,199

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 September 30, 2011

	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Interest income	43,802	6,938	18,074	23,828	31,389	31,170	28,878	208,266
Plant and airport rentals								30,857
Miscellaneous	261,650	40,308		7,595			125,808	435,361
<b>Total revenues:</b>	<b>8,432,807</b>	<b>1,089,690</b>	<b>18,074</b>	<b>31,423</b>	<b>31,389</b>	<b>31,170</b>	<b>2,179,696</b>	<b>12,689,741</b>

**EXPENDITURES:**

Current:								
General government	1,188,541			23,400			11,674	1,223,615
Public safety	4,253,437			66,749			722,149	5,042,335
Public works	758,729			113,558				872,287
Highways and streets	1,067,125			1,425,448			927,747	2,492,573
Health and sanitation	535,995							1,463,742
Shop department	123,066							123,066
Education and recreation				1,907			899,155	901,062
Economic and community development				30,867			742,909	604,798
Capital projects								902,879
Debt service:								
Principal	40,167	860,000	55,000			97,244		1,052,411
Interest and fees		160,097	58,184			27,060		245,341
<b>Total expenditures</b>	<b>7,967,060</b>	<b>1,020,097</b>	<b>113,184</b>	<b>1,661,929</b>	<b>0</b>	<b>124,304</b>	<b>3,303,634</b>	<b>14,924,109</b>

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 September 30, 2011

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Excess (deficiency) of revenues over (under) expenditures</b>	465,747	141,591	69,593	(95,110)	(1,630,506)	31,389	(93,134)	(1,123,938)	(2,234,368)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>									
Transfers in from other funds	463,490			30,000				500,000	993,490
Donations & gift shop sales		1,111							1,111
Proceeds of long-term debt					1,145,000		196,519		1,145,000
Lease principal payments				64,667					261,186
Transfers out to other funds	(977,005)	(30,000)							(1,007,005)
Net other financing sources (uses)	(513,515)	(28,889)	0	94,667	1,145,000	0	196,519	500,000	1,393,782
<b>Net change in fund balances</b>	(47,768)	112,702	69,593	(443)	(485,506)	31,389	103,385	(623,938)	(840,586)
<b>Fund balances, beginning</b>	2,846,019	1,809,135	320,858	2,803	1,429,614	2,099,149	(886,342)	2,448,624	10,069,860
Increase (decrease) in reserve for inventory	(15,442)								(15,442)
<b>Fund balances, ending</b>	\$ 2,782,809	1,921,837	390,451	2,360	944,108	2,130,538	(782,957)	1,824,686	9,213,832

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, 2011**

Net changes in fund balances - total governmental funds \$ (840,586)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,711,084 exceeded depreciation of \$1,198,711 and disposal of capital assets of \$78,399 433,974

The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$1,145,000 exceeded debt repayments \$1,052,411 . (92,589)

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 13,405  
Change in accrued interest on long-term debt (12,806)

Principal payments received on capital lease receivable in not considered revenue on the statement of activities. (261,186)

Change in interest income accrual adjustment on statement of activities. (1,086)

An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities. 157,536

Inventory adjustment included in statement of activities for government-wide financial statements. (15,442)

Other (4)

**Change in net assets of governmental activities \$ (618,784)**

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2011**

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 525,834	693,885
Accounts receivable	208,906	
Inventory	94,442	
<b>Total Current Assets</b>	<b>829,182</b>	<b>693,885</b>
Restricted assets:		
Cash and cash equivalents	247,703	
<b>Total Restricted Assets</b>	<b>247,703</b>	
Non-current assets:		
Capital assets		
Land	1,259,935	
Other capital assets, net	8,723,211	
<b>Total Non-Current Assets</b>	<b>9,983,146</b>	
<b>Total Assets</b>	<b>11,060,031</b>	<b>693,885</b>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	48,606	
Claims and judgments		3,486
Current portion of long-term debt	366,753	
<b>Total Current Liabilities</b>	<b>415,359</b>	<b>3,486</b>
Liabilities payable from restricted assets:		
Customer deposits	247,703	
<b>Total Liabilities Payable from Restricted Assets</b>	<b>247,703</b>	
Non-current liabilities:		
Notes payable	5,384,244	
Compensated absences	23,446	
<b>Total Non-Current Liabilities</b>	<b>5,407,690</b>	
<b>Total liabilities</b>	<b>6,070,752</b>	<b>3,486</b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	4,232,149	
Unrestricted	757,130	690,399
<b>Total Net Assets</b>	<b>\$ 4,989,279</b>	<b>690,399</b>

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, 2011**

	<u>Business-Type Activities - Enterprise Fund Water &amp; Sewer Fund</u>	<u>Governmental Activity Internal Service Fund</u>
<b><u>OPERATING REVENUES:</u></b>		
Charges for services:		
Water sales	\$ 1,416,625	
Sewer sales	936,478	
Premiums		729,601
Other	105,185	10,994
<b>Total Operating Revenues</b>	<b>2,458,288</b>	<b>740,595</b>
<b><u>OPERATING EXPENSES:</u></b>		
Personal services	562,595	
Contractual services	1,952,624	
Consumable supplies	239,252	
Depreciation expense	519,425	
Health claim payments		377,681
Administrative fees		37,003
Reinsurance premiums		170,500
Life insurance premiums		21,235
<b>Total Operating Expenses</b>	<b>3,273,896</b>	<b>606,419</b>
<b>Operating Income (Loss)</b>	<b>(815,608)</b>	<b>134,176</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>		
Interest income	32,631	9,864
Loss on disposal of equipment	(156)	
Interest expense	(116,680)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(84,205)</b>	<b>9,864</b>
<b>Net Income (Loss) Before Operating Transfers</b>	<b>(899,813)</b>	<b>144,040</b>
<b><u>OPERATING TRANSFERS:</u></b>		
Operating transfers in	463,509	13,496
Operating transfers out	(463,490)	
<b>Net Operating Transfers</b>	<b>19</b>	<b>13,496</b>
<b>Net Income (Loss)</b>	<b>(899,794)</b>	<b>157,536</b>
<b>Total net assets, beginning</b>	<b>5,889,073</b>	<b>532,863</b>
<b>Total net assets, ending</b>	<b>\$ 4,989,279</b>	<b>690,399</b>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2011**

	<u>Business-Type Activities Enterprise Fund Water &amp; Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers and users	\$ 2,352,804	
Receipts for premiums		729,601
Other receipts	125,793	21,153
Payments to suppliers for goods and services	(2,151,843)	
Payments to employees	(563,589)	
Payments for health claims		(413,706)
Payments for administrative fees		(37,003)
Payments for premiums		(191,735)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(236,835)</u>	<u>108,310</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Operating transfers in	463,509	13,496
Operating transfers out	(463,490)	
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>19</u>	<u>13,496</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Acquisition of property and equipment	(125,484)	
Principal payments on long-term debt	(359,469)	
Interest paid on State of Mississippi loans	(116,680)	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(601,633)</u>	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Interest received on invested funds	<u>32,631</u>	<u>9,864</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>32,631</u>	<u>9,864</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(805,818)	131,670
<b>Cash and Cash Equivalents, October 1</b>	<u>1,579,355</u>	<u>562,215</u>
<b>Cash and Cash Equivalents, September 30</b>	<u>\$ 773,537</u>	<u>693,885</u>

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2011**

	<u>Business-Type Activities Enterprise Fund Water &amp; Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ <u>(815,608)</u>	<u>134,176</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	519,425	
(Increase) decrease in accounts receivable	(299)	10,159
(Increase) decrease in inventories	52,404	
Increase (decrease) in water deposits	22,441	
Increase (decrease) in accounts payable	(14,204)	
Increase (decrease) in claims and judgments		(36,025)
Increase (decrease) in compensated absences	<u>(994)</u>	
<b>Total adjustments</b>	<u>578,773</u>	<u>(25,866)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ <u>(236,835)</u></b>	<b><u>108,310</u></b>
Unrestricted	\$ 525,834	693,885
Restricted	<u>247,703</u>	
Total	<u>\$ 773,537</u>	<u>693,885</u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**September 30, 2011**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ <u>171,971</u>
<b>Total Assets</b>	\$ <u><u>171,971</u></u>
<b><u>LIABILITIES</u></b>	
Intergovernmental payables	\$ <u>171,971</u>
<b>Total Liabilities</b>	\$ <u><u>171,971</u></u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

**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 1.50 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**

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The City made the decision to implement this standard effective October 1, 2010.

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

The City reports deferred revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

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.

Government Accounting Standards Board (GASB) 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.

Public Improvement Bond Fund - This fund accounts for the proceeds and expenditures of public improvement bonds issued by the City. These bonds are issued primarily to maintain the City's infrastructure.

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 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:

In October 2010 the City of Cleveland, Mississippi adopted GASB No. 54, Fund Balance Reporting and Government Fund Type Definitions.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Alderman through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the Board of Alderman. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Propriety fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the City’s policy to use restricted first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

#### **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 1<sup>st</sup>. Taxes are levied on October 1<sup>st</sup> and are due and payable at that time. All unpaid taxes levied October 1<sup>st</sup> become delinquent February 1<sup>st</sup> 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 2011 taxes was 38.5 mills as: 23.50 mills for the general fund, 11.50 mills for the debt service fund, 1.50 mills for library maintenance, and 2.00 mills for park maintenance.

## **NOTE 2 BUDGET POLICY**

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

- A. Prior to August 1<sup>st</sup>, 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 1<sup>st</sup>. 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 15<sup>th</sup>, 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, 2011 was \$2,261,300 and the bank balance was \$3,224,003. 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, 2011:

Investment Type	Maturity	Fair Value
Certificate of Deposit	October 31, 2011	\$ 3,500,000
Certificate of Deposit	November 30, 2011	1,950,000
Certificate of Deposit	December 31, 2011	<u>1,750,000</u>
 Totals		 <u>\$ 7,200,000</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, 2011 were \$208,906.

## 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, 2011 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 497,821
	Tourism Tax	109,949
<u>Bolivar County:</u>	Auto Ad Valorem	35,296
	Delinquent taxes	3,742
<u>Federal Grants:</u>		
	Transportation Enhancement Funds	49,798
	Airport Improvement Project	91,101
	Justice Assistance Grant	54,560
<u>State Grants:</u>		
	Airport Improvement Project	2,134
	Hangar Project	176,109
<u>Other:</u>		
	Miscellaneous	<u>9,176</u>
	Total Intergovernmental Receivables	\$ <u>1,029,686</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, 2011 were:

Year Ending September 30,	Principal Portion	Interest Portion	Total Lease
2012	\$ 199,560	26,090	225,650
2013	202,649	23,001	225,650
2014	205,785	19,865	225,650
2015	208,970	16,680	225,650
2016	212,205	13,445	225,650
2017-2021	656,524	20,426	676,950
Totals	\$ 1,685,693	119,507	1,805,200

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, 2011 were:

Year Ending September 30,	Principal Portion	Interest Portion	Total Lease
2012	\$ 62,993	17,882	80,875
2013	65,167	18,499	83,666
2014	67,229	19,084	86,313
2015	65,529	18,601	84,130
2016	67,846	19,259	87,105
2017-2021	369,558	104,904	474,462
2022-2026	79,087	22,451	101,538
Totals	\$ 777,409	220,680	998,089

**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 2011 the City had the following restricted cash:

	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Water and Sewer	Other
Capital improvements	\$					87,775		268,579
Crime prevention								31,874
Customer deposits							247,703	
Debt service		384,054	2,360					
Economic development	1,482,954				1,542,052			
Home Program								43,545
Public works				944,108				
Unemployment								55,055
Totals	\$ 1,482,954	384,054	2,360	944,108	1,542,052	87,775	247,703	399,053

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2011, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction	Buildings	Equipment	Infrastructure	
		in Progress	and Improvements	and Fixtures		
<b>Governmental Activities:</b>						
<b>Capital Assets</b>						
Balance, 10/01/10	\$ 4,605,367	905,053	12,185,483	7,342,493	11,497,970	36,536,366
Additions		902,879		808,205		1,711,084
Deletions				(564,306)		(564,306)
Adjustments		(842,800)			842,800	
Balance, 09/30/11	<u>4,605,367</u>	<u>965,132</u>	<u>12,185,483</u>	<u>7,586,392</u>	<u>12,340,770</u>	<u>37,683,144</u>
<b>Accumulated Depreciation</b>						
Balance 10/01/10			1,813,868	5,208,651	4,789,417	11,811,936
Additions			414,919	466,151	317,641	1,198,711
Deletions				(485,903)		(485,903)
Adjustments						
Balance, 09/30/11	<u>0</u>	<u>0</u>	<u>2,228,787</u>	<u>5,188,899</u>	<u>5,107,058</u>	<u>12,524,744</u>
Governmental Activities Assets, Net	<u>4,605,367</u>	<u>965,132</u>	<u>9,956,696</u>	<u>2,397,493</u>	<u>7,233,712</u>	<u>25,158,400</u>
<b>Business-type Activities:</b>						
<b>Capital Assets</b>						
Balance, 10/01/10	1,259,935	0	301,983	854,505	29,426,474	31,842,897
Additions				125,484		125,484
Deletions				(6,904)		(6,904)
Adjustments						
Balance, 09/30/11	<u>1,259,935</u>	<u>0</u>	<u>301,983</u>	<u>973,085</u>	<u>29,426,474</u>	<u>31,961,477</u>
<b>Accumulated Depreciation</b>						
Balance, 10/01/10	0	0	159,373	586,760	20,719,521	21,465,654
Additions			6,040	68,114	445,271	519,425
Deletions				(6,748)		(6,748)
Adjustments						
Balance, 09/30/11	<u>0</u>	<u>0</u>	<u>165,413</u>	<u>648,126</u>	<u>21,164,792</u>	<u>21,978,331</u>
Business-type Activities Assets, Net	<u>1,259,935</u>	<u>0</u>	<u>136,570</u>	<u>324,959</u>	<u>8,261,682</u>	<u>9,983,146</u>
Total Capital Assets, Net	<u>\$ 5,865,302</u>	<u>965,132</u>	<u>10,093,266</u>	<u>2,722,452</u>	<u>15,495,394</u>	<u>35,141,546</u>

Construction in Progress is composed of the follows:

	<u>Spent through 9/30/2011</u>	<u>Estimated To Complete</u>
Governmental Activities:		
Airport Improvement	\$ 759,022	70,735
Hangar	<u>206,110</u>	<u>174,743</u>
Totals	<u>\$ 965,132</u>	<u>245,478</u>

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

The hangar project is financed with an Mississippi Department of Transportation (MDOT) multi-modal grant in the amount of \$179,000, Planesmart will contribute an estimated \$182,700, and the City of Cleveland will contribute \$30,000. The City will own the building once construction is complete. Planesmart will lease the building from the City for an initial term of 25 years. The lease amount will be \$500 per month to begin the day of possession by Planesmart.

Depreciation expense was charged to City functions as follows:

Governmental Activities:	
General government	\$ 9,649
Public safety	238,406
Public works	424,144
Highways and streets	443,276
Health and sanitation	9,197
Education and recreation	73,337
Economic Development	<u>702</u>
Total	\$ <u>1,198,711</u>
Business-type Activities:	
Water and Sewer	\$ <u>519,425</u>

#### NOTE 7 LONG-TERM DEBT

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

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

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

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

The margin for additional debt under the above debt limits as of September 30, 2011 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$8,830,033	\$13,653,377

The following is a summary of changes in long-term debt for the year ended September 30, 2011.

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2011</u>	<u>Due within one year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 5,410,000	1,145,000	915,000	5,640,000	965,000
Notes Payable - State of MS	946,304		97,244	849,060	100,202
Lease Payable - Cleveland State Bank	92,982		40,167	52,815	42,013
Compensated absences	323,152		13,405	309,747	
Total Governmental Activities	<u>6,772,438</u>	<u>1,145,000</u>	<u>1,065,816</u>	<u>6,851,622</u>	<u>1,107,215</u>
<b>Business-type Activities:</b>					
Notes Payable - State of MS	6,110,466		359,466	5,751,000	366,753
Compensated absences	24,440		994	23,446	
Total Business-type Activities	<u>6,134,906</u>	<u>-</u>	<u>360,460</u>	<u>5,774,446</u>	<u>366,753</u>
Total Long-term debt	<u>\$ 12,907,344</u>	<u>1,145,000</u>	<u>1,426,276</u>	<u>12,626,068</u>	<u>1,473,968</u>

At September 30, 2011 bonds and notes payable consisted of the following individual issues:

<u>Description and purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Governmental Activities:					
A. General obligation bonds					
Public Improvement	6/1/02	3.25 - 4.60%	3/1/12	790,000 \$	80,000
Public Improvement	5/1/03	2.50 - 3.50%	3/1/13	1,060,000	220,000
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	430,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	440,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	560,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	690,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	840,000
Public Improvement	5/1/10	2.50 - 3.50%	3/1/20	1,370,000	1,235,000
Public Improvement	5/1/11	2.25 - 3.125%	3/1/21	1,145,000	1,145,000
Total General obligation bonds					<u>5,640,000</u>
B. Other Loans					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	424,530
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	424,530
Cleveland State Bank (Street Sweeper Lease)	7/1/08	4.50%	1/1/13	177,025	52,815
Total Other Loans					<u>901,875</u>
Total Governmental Activities				\$	<u><u>6,541,875</u></u>

Business-type Activities:

<u>Description and purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Business-type Activities:					
A. Other loans					
State of Mississippi (MDA)	6/4/96	3.70%	8/1/13	158,000 \$	22,956
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,211,991
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	1,084,673
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	930,020
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,390,412
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	1,110,948
Total Other Loans				\$	<u><u>5,751,000</u></u>

The annual debt service requirements of long-term debt as of September 30, 2011 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 965,000	192,357	142,215	25,619
2013	900,000	157,898	114,051	21,135
2014	795,000	127,030	106,390	17,914
2015	655,000	101,091	109,626	14,678
2016	550,000	79,750	112,960	11,342
2017-2021	1,675,000	177,708	316,633	13,166
2022-2026	100,000	3,000		
Total	\$ <u>5,640,000</u>	<u>838,834</u>	<u>901,875</u>	<u>103,854</u>

Business-type Activities:

2012		\$ 366,753	110,476
2013		370,430	103,051
2014		367,674	95,815
2015		374,904	88,586
2016		382,280	81,209
2017-2021		2,027,347	290,098
2022-2026		1,613,856	95,985
2027-2031		247,756	4,878
Total		\$ <u>5,751,000</u>	<u>870,098</u>

**NOTE 8 INTERFUND TRANSACTIONS**

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

Balances at September 30, 2011 were as follows:

Transfers In	Transfers Out		
General Fund	Enterprise Fund	\$	463,490
Baxter Bond Fund	Economic Development and Tourism Fund		30,000
Internal Service Fund	General Fund		13,496
Enterprise Fund	General Fund		463,509
Nonmajor Fund	General Fund		500,000
Total		\$	<u>1,470,495</u>

Individual fund interfund advance balances at September 30, 2011 arising from these transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 70,000
Economic Development and Tourism Fund	Special Industrial Project Fund	282,246
Economic Development Revolving Fund	Special Industrial Project Fund	<u>588,486</u>
Totals		<u>\$ 940,732</u>

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

**NOTE 9 DEFINED BENEFIT PENSION PLAN**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 12.00% 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, 2011, 2010 and 2009 were \$566,290, \$521,072, and \$483,136, respectively.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

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

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

The City occasionally enters into long-term construction contracts for capital projects as well as long-term contracts for various utility services. As of September 30, 2011, the City has two commitments, which consist of the residential garbage collection contract and a contract for water utility services through September 30, 2012.

The City has a contract commitment remaining for the airport project of \$70,735 for demolition and road closure. The original contract and change orders total \$211,050 for the demolition and road closure contract. A contract also exists for the construction of a hangar at the airport. The remaining

commitment on this contract at September 30, 2011 is \$174,743. The original contract totaled \$391,700.

**NOTE 11 SOLID WASTE DISPOSAL**

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

**NOTE 12 RISK MANAGEMENT**

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

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2009-2010	\$ 51,834	464,370	476,693	39,511
2010-2011	39,511	377,680	413,705	3,486

**NOTE 13 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS**

The Special Industrial Project Fund reported a deficit in fund balances of \$782,957 at September 30, 2011.

**NOTE 15 SUBSEQUENT EVENTS**

Events that occurred after the statement of assets, liabilities and net assets, modified cash basis, date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date

require disclosure in the accompanying notes. Management of the City of Cleveland evaluated the activity of the City through May 25, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

The City has received two additional grants to continue the work on the airport improvement project. One grant total is for \$1,045,677 representing 95% coverage for work performed. The second grant is for \$4,250,000 was awarded April 24, 2012. This grant is also expected to cover a majority of the construction cost for the project.

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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b><u>REVENUES:</u></b>				
Licenses and Permits	\$ 518,000	518,000	540,540	22,540
Fines and forfeits	303,000	303,000	314,955	11,955
Grants and Intergovernmental	4,592,012	4,592,012	3,451,983	(1,140,029)
Charges for Services	534,000	534,000	542,909	8,909
Miscellaneous Revenues	799,700	799,700	822,588	22,888
Ad Valorem Taxes	2,309,974	2,309,974	2,205,339	(104,635)
Miscellaneous Taxes	29,200	29,200	29,275	75
Interfund Transfers	463,490	463,490	463,490	-
<b>Total revenues</b>	<b>9,549,376</b>	<b>9,549,376</b>	<b>8,371,079</b>	<b>(1,178,297)</b>
<b><u>EXPENDITURES:</u></b>				
<b>General government</b>				
Personal services	370,923	370,923	333,147	37,776
Contractual services	707,750	712,750	629,449	83,301
Consumable supplies	17,600	17,600	23,883	(6,283)
Grants and Subsidies	138,453	145,953	110,634	35,319
<b>Total general government</b>	<b>1,234,726</b>	<b>1,247,226</b>	<b>1,097,113</b>	<b>150,113</b>
<b>Public Safety</b>				
<b>Municipal Court</b>				
Personal services	135,656	135,656	136,146	(490)
Contractual services	211,550	211,550	187,149	24,401
Consumable supplies	12,000	12,000	8,243	3,757
Capital outlay	1,100	1,100		1,100
<b>Total municipal court</b>	<b>360,306</b>	<b>360,306</b>	<b>331,538</b>	<b>28,768</b>
<b>Police Department</b>				
Personal services	3,138,902	3,138,902	3,174,126	(35,224)
Contractual services	125,988	128,688	114,799	13,889
Consumable supplies	197,300	197,300	199,274	(1,974)
Capital outlay	59,500	60,800	56,648	4,152
<b>Total Police Department</b>	<b>3,521,690</b>	<b>3,525,690</b>	<b>3,544,847</b>	<b>(19,157)</b>

**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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Fire Department</b>				
Personal services	183,576	183,576	188,365	(4,789)
Contractual services	103,850	103,850	101,318	2,532
Consumable supplies	97,950	97,950	77,489	20,461
Capital outlay		6,200	6,158	42
<b>Total Fire Department</b>	<u>385,376</u>	<u>391,576</u>	<u>373,330</u>	<u>18,246</u>
<b>Total Public Safety</b>	<u>4,267,372</u>	<u>4,277,572</u>	<u>4,249,715</u>	<u>27,857</u>
<b>Public Works</b>				
Code Compliance				
Personal services	324,737	324,737	319,408	5,329
Contractual services	77,500	77,500	49,206	28,294
Consumable supplies	17,400	17,400	15,336	2,064
Capital outlay	4,600	4,600	2,848	1,752
<b>Total Code Compliance</b>	<u>424,237</u>	<u>424,237</u>	<u>386,798</u>	<u>37,439</u>
Cemetery				
Personal services	118,720	118,720	127,117	(8,397)
Contractual services	2,300	2,300	1,313	987
Consumable supplies	24,125	159,125	23,454	135,671
Capital outlay	25,700	25,700	20,798	4,902
<b>Total Cemetery</b>	<u>170,845</u>	<u>305,845</u>	<u>172,682</u>	<u>133,163</u>
Airport				
Personal services	119,426	119,426	99,432	19,994
Contractual services	40,650	40,650	34,112	6,538
Consumable supplies	57,500	57,500	39,234	18,266
Capital outlay	36,000		23,656	(23,656)
<b>Total Airport</b>	<u>253,576</u>	<u>217,576</u>	<u>196,434</u>	<u>21,142</u>
<b>Total public works</b>	<u>848,658</u>	<u>947,658</u>	<u>755,914</u>	<u>191,744</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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Highways and Streets</b>				
Personal services	706,344	706,344	657,251	49,093
Contractual services	167,100	167,100	160,292	6,808
Consumable supplies	324,250	324,250	279,061	45,189
Capital outlay	1,252,084	1,252,084	12,073	1,240,011
<b>Total Highways and Streets</b>	<u>2,449,778</u>	<u>2,449,778</u>	<u>1,108,677</u>	<u>1,341,101</u>
<b>Health and sanitation</b>				
Mosquito Control				
Personal services	145,126	145,126	163,095	(17,969)
Contractual services	34,550	34,500	25,403	9,097
Consumable supplies	322,700	322,700	315,414	7,286
Capital outlay	33,000	33,000	31,305	1,695
<b>Total Mosquito Control</b>	<u>535,376</u>	<u>535,326</u>	<u>535,217</u>	<u>109</u>
<b>Shop Department</b>				
Personal services	111,030	111,030	113,131	(2,101)
Contractual services	1,500	1,500	1,233	267
Consumable supplies	13,000	13,000	8,383	4,617
Capital outlay	2,200	2,200	-	2,200
<b>Total Shop Department</b>	<u>127,730</u>	<u>127,730</u>	<u>122,747</u>	<u>4,983</u>
<b>Total Expenditures</b>	<u>9,463,640</u>	<u>9,585,290</u>	<u>7,869,383</u>	<u>1,715,907</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>85,736</u>	<u>(35,914)</u>	<u>501,696</u>	<u>(2,894,204)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating transfers in (out)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(513,496)</u>	<u>13,496</u>
<b>Total other financing sources (uses)</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(513,496)</u>	<u>13,496</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ (414,264)</u>	<u>(535,914)</u>	<u>(11,800)</u>	<u>(524,114)</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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			525,218	
Expenditures charged to designated funds			<u>(561,186)</u>	
Net change in Fund Balances - GAAP Basis			(47,768)	
<b>Fund balances, October 1</b>			2,846,019	
<b>Increase (decrease) in reserve for inventory</b>			<u>(15,442)</u>	
<b>Fund balances, September 30</b>			<u><u>\$ 2,782,809</u></u>	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**ECONOMIC DEVELOPMENT AND TOURISM FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
Tourism taxes	\$ 650,000	650,000	672,356	22,356
Miscellaneous revenues	28,100	28,100	65,299	37,199
MDOT/STIP Sidewalk Grant	333,956	333,956	337,960	4,004
Railroad Heritage Grant	1,000	1,000		(1,000)
Bicycle Path Grant	807,500	807,500		(807,500)
<b>Total revenues</b>	<b>1,820,556</b>	<b>1,820,556</b>	<b>1,075,615</b>	<b>(744,941)</b>
<b>EXPENDITURES:</b>				
All departments				
Contractual services				0
Consumable supplies	31,850	31,850	29,643	2,207
Appropriation	342,637	362,637	371,993	(9,356)
Interfund transfers	30,000	30,000	30,000	0
Capital outlay	7,500	7,500	5,856	1,644
<b>Total all departments</b>	<b>411,987</b>	<b>431,987</b>	<b>437,492</b>	<b>(5,505)</b>
Street Department				
Capital outlay	350,150	350,150	356,387	(6,237)
<b>Total street department</b>	<b>350,150</b>	<b>350,150</b>	<b>356,387</b>	<b>(6,237)</b>
Railroad Heritage Museum				
Personal services	53,532	53,532	54,568	(1,036)
Contractual services	68,000	68,000	58,440	9,560
Consumable supplies	6,000	6,000	1,739	4,261
Capital outlay	18,500	18,500	14,930	3,570
<b>Total</b>	<b>146,032</b>	<b>146,032</b>	<b>129,677</b>	<b>16,355</b>
TE Grant - Bicycle Path				
Capital outlay	1,276,889	1,276,889	15,870	1,261,019
<b>Total expenditures</b>	<b>2,185,058</b>	<b>2,205,058</b>	<b>939,426</b>	<b>1,265,632</b>

**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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(364,502)	(384,502)	136,189	520,691
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	32,937	65,874	32,937	(32,937)
<b>Total other financing sources (uses):</b>	32,937	65,874	32,937	(32,937)
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	\$ (331,565)	(318,628)	169,126	487,754
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(231,949)	
Expenditures charged to designated funds			175,525	
Net change in Fund Balances - GAAP Basis			112,702	
Fund balances, October 1			1,809,135	
Fund balances, September 30			1,921,837	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**PUBLIC IMPROVEMENT BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b><u>REVENUES:</u></b>				
Public improvement bond proceeds	\$ 1,146,100	1,146,100	1,154,946	8,846
Miscellaneous Revenues	6,400	6,400	21,477	15,077
<b>Total revenues</b>	<b>1,152,500</b>	<b>1,152,500</b>	<b>1,176,423</b>	<b>23,923</b>
<b><u>EXPENDITURES:</u></b>				
2010 Public Improvement Loan				
Capital outlay	1,245,000	1,274,500	834,019	440,481
<b>Total All Departments</b>	<b>1,245,000</b>	<b>1,274,500</b>	<b>834,019</b>	<b>440,481</b>
2011 Public Improvement Loan				
Contractual services	25,000	31,600	23,400	8,200
Capital outlay	1,121,100	1,121,100	806,380	314,720
<b>Total 2011 Public Improvement Loan</b>	<b>1,146,100</b>	<b>1,152,700</b>	<b>829,780</b>	<b>322,920</b>
<b>Total expenditures</b>	<b>2,391,100</b>	<b>2,427,200</b>	<b>1,663,799</b>	<b>763,401</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,238,600)</b>	<b>(1,274,700)</b>	<b>(487,376)</b>	<b>787,324</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
<b>Total other financing sources (uses):</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (1,238,600)</b>	<b>(1,274,700)</b>	<b>(487,376)</b>	<b>787,324</b>

**CITY OF CLEVELAND, MISSISSIPPI  
PUBLIC IMPROVEMENT BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			0	
Expenditures charged to designated funds			<u>1,870</u>	
<b>Net change in Fund Balances - GAAP Basis</b>			(485,506)	
<b>Fund balances, October 1</b>			<u>1,429,614</u>	
<b>Fund balances, September 30</b>			<u><u>944,108</u></u>	

**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, 2011**

	9/30/2011			
	Budgeted Amount		Actual GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b><u>REVENUES:</u></b>				
Miscellaneous revenues	\$ 19,700	19,700	31,389	11,689
<b>Total revenues</b>	<b>19,700</b>	<b>19,700</b>	<b>31,389</b>	<b>11,689</b>
<b><u>EXPENDITURES:</u></b>				
Contractual services		30,300	30,225	75
<b>Total expenditures</b>	<b>0</b>	<b>30,300</b>	<b>30,225</b>	<b>75</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>19,700</b>	<b>(10,600)</b>	<b>1,164</b>	<b>11,764</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating transfers in (out)	68,409	136,818	68,409	(68,409)
<b>Total other financing sources (uses):</b>	<b>68,409</b>	<b>136,818</b>	<b>68,409</b>	<b>(68,409)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 88,109</b>	<b>126,218</b>	<b>69,573</b>	<b>(56,645)</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(68,409)	
Expenditures charged to designated funds			30,225	
<b>Net change in Fund Balances - GAAP Basis</b>			<b>31,389</b>	
Fund balances, October 1			2,099,149	
Fund balances, September 30			2,130,538	

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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
Lease payment	\$ 225,650	451,300	451,300	0
Miscellaneous revenues	775	775	2,039	1,264
<b>Total revenues</b>	<u>226,425</u>	<u>452,075</u>	<u>453,339</u>	<u>1,264</u>
<b>EXPENDITURES:</b>				
Contractual services	124,304	124,304	124,304	0
<b>Total expenditures</b>	<u>124,304</u>	<u>124,304</u>	<u>124,304</u>	<u>0</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>102,121</u>	<u>327,771</u>	<u>329,035</u>	<u>1,264</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	(101,346)	(202,692)	(101,346)	101,346
<b>Total other financing sources (uses):</b>	<u>(101,346)</u>	<u>(202,692)</u>	<u>(101,346)</u>	<u>101,346</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ 775</u>	<u>125,079</u>	227,689	<u>102,610</u>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(225,650)	
Expenditures charged to designated funds			<u>101,346</u>	
Net change in Fund Balances - GAAP Basis			103,385	
Fund balances, October 1			<u>(886,342)</u>	
Fund balances, September 30			<u>(782,957)</u>	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**For the Year Ended September 30, 2011**

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.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2011:

<u>Fund</u>	<u>Excess</u>
Crime Prevention	\$1,574
Library	1,676

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- 2010 TAX ROLLS**  
**For the Fiscal Year Ended September 30, 2011**

	Assessed Valuation	Tax	
<u>Assessments - 2010 Tax Rolls</u>		<u>Ad Valorem</u>	
Realty	\$ 68,971,162		
Personalty	12,295,337		
Auto and mobile home	12,188,012		
Public utility	3,012,374		
<b>Total assessed valuation</b>	<b>\$ 96,466,885</b>		
Total ad valorem tax @ 38.5 mills		\$ 3,713,975	
Less: Homestead exemption credit		<u>241,647</u>	
<b>Net Ad Valorem Taxes</b>		<b>\$ 3,472,328</b>	
Other Collections:			
Actual homestead reimbursements		164,625	
Prior year tax collections		71,102	
Penalties and interest on delinquent taxes		39,304	
Deductions:			
Bolivar County tax collector's commission		<u>(24,679)</u>	
<b>Total Ad Valorem Taxes to be Accounted For</b>		<b>\$ 3,722,680</b>	
Collections:			
Allocated to:	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
General fund	\$ 2,175,443	100,485	\$ 2,275,928
Park fund	179,224	8,552	187,776
Library fund	135,086	6,414	141,500
Debt service fund	1,032,724	49,174	1,081,898
Totals	<u>\$ 3,522,477</u>	<u>\$ 164,625</u>	<u>3,687,102</u>
Balance Represented by:			
Unpaid realty			28,563
Unaccounted for - under (over) collected			<u>7,015</u>
<b>Total Ad Valorem Taxes Accounted For</b>			<b>\$ 3,722,680</b>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2010 TAX ROLLS**  
**For the Fiscal Year Ended September 30, 2011**

Tax millage levies for the current fiscal year (tax year 2010) were as follows:

Fund	Millage	
General	23.50	General
Parks	2.00	Park maintenance
Library	1.50	Library maintenance
Bond and Interest	11.50	Debt service
<b>Total</b>	<b>38.50</b>	

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:

\$ 3,408,201	Base 2009 - 2010	\$ 3,522,477	Taxes collected 2010 - 2011
		605,331	Less: Exempted amounts (new value)
923,392	Less: Applicable to debt service	1,032,724	Less: Applicable to debt service
2,484,809		1,884,422	
248,481	10% Increase	164,625	Homestead exemption 2009 - 2010
		49,174	Less: Applicable to debt service
		115,451	
		733,417	Under (over) limitation
\$ 2,733,290		\$ 2,733,290	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULES OF CERTIFICATES OF DEPOSIT**  
**September 30, 2011**

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	7/31/2011	10/31/2011	2.05%	\$ 3,500,000
Planters Bank & Trust	9/1/2011	11/30/2011	2.05%	1,950,000
Planters Bank & Trust	9/30/2011	12/31/2011	2.05%	1,750,000
Totals				\$ <u>7,200,000</u>

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT BY FUND:

**GENERAL FUNDS:**

General fund \$ 1,700,000

**SPECIAL REVENUE FUNDS:**

Economic development fund 2,000,000  
 Fire protection fund 250,000  
 Park commission fund 200,000  
 Sanitation fund 300,000

**PROPRIETARY FUNDS**

Water & sewer utility fund 400,000

**DEBT SERVICE FUNDS**

General obligation bond and interest fund 150,000

**CAPITAL PROJECTS FUNDS:**

Economic development capital fund 1,400,000  
 Infrastructure capital fund 800,000  
\$ 7,200,000

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS**  
**September 30, 2011**

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund  
For the Year Ended September 30, 2012

<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>
<b><u>February - 2012</u></b>							
06/01/02	Public improvement bond	3.775%	03/01/11	Trustmark National Bank	\$ 81,840	80,000	1,840
05/01/03	Public improvement bond	3.122%	03/01/11	Trustmark National Bank	113,850	110,000	3,850
03/01/04	Public improvement bond	2.834%	03/01/11	Trustmark National Bank	146,380	140,000	6,380
05/01/05	Public improvement bond	3.750%	03/01/11	Trustmark National Bank	118,250	110,000	8,250
05/01/06	Public improvement bond	4.173%	03/01/11	Trustmark National Bank	121,338	110,000	11,338
03/01/07	Public improvement bond	3.797%	03/01/11	Trustmark National Bank	128,139	115,000	13,139
12/28/06	General obligation, series 2006	6.344%	11/01/10	First National Bank	81,988	55,000	26,988
05/01/10	Public improvement bond	3.181%	03/01/11	Trustmark National Bank	154,316	135,000	19,316
05/01/11	Public improvement bond	2.476%	03/01/11	Trustmark National Bank	124,103	110,000	14,103
Total - February - 2012					<u>1,070,204</u>	<u>965,000</u>	<u>105,204</u>
<b><u>August - 2012</u></b>							
06/01/02	Public improvement bond	3.775%	09/01/10	Trustmark National Bank	0		0
05/01/03	Public improvement bond	3.122%	09/01/10	Trustmark National Bank	1,925		1,925
03/01/04	Public improvement bond	2.834%	09/01/10	Trustmark National Bank	4,350		4,350
05/01/05	Public improvement bond	3.750%	09/01/10	Trustmark National Bank	6,188		6,188
05/01/06	Public improvement bond	4.173%	09/01/10	Trustmark National Bank	9,000		9,000
03/01/07	Public improvement bond	3.797%	09/01/10	Trustmark National Bank	10,983		10,983
12/28/06	General obligation, series 2006	6.344%	05/01/10	First National Bank	24,719		24,719
05/01/10	Public improvement bond	3.181%	09/01/10	Trustmark National Bank	17,122		17,122
05/01/11	Public improvement bond	2.476%	03/01/11	Trustmark National Bank	12,866		12,866
Total - August - 2012					<u>87,153</u>	<u>0</u>	<u>87,153</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,157,357</u>	<u>965,000</u>	<u>192,357</u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Fiscal Year Ended September 30, 2011**

Date of Issue	Description	Balance Outstanding 10/01/10	Issued	Redeemed	Balance Outstanding 09/30/11
<b><u>GENERAL OBLIGATION BONDS</u></b>					
06/01/01	Public improvement bond	\$ 65,000		65,000	0
06/01/02	Public improvement bond	160,000		80,000	80,000
05/01/03	Public improvement bond	330,000		110,000	220,000
03/01/04	Public improvement bond	570,000		140,000	430,000
05/01/05	Public improvement bond	550,000		110,000	440,000
05/01/06	Public improvement bond	670,000		110,000	560,000
12/28/06	General obligation, series 2006	800,000		110,000	690,000
03/01/07	Public improvement bond	895,000		55,000	840,000
05/01/10	Public improvement bond	1,370,000		135,000	1,235,000
05/01/11	Public improvement bond		1,145,000		1,145,000
	Total General Obligation Bonds	<u>5,410,000</u>	<u>1,145,000</u>	<u>915,000</u>	<u>5,640,000</u>
<b><u>OTHER DEBT ISSUED</u></b>					
08/01/98	MDA - Capital improvements	35,593		12,637	22,956
08/01/03	MDEQ - Capital improvements	1,304,097		92,106	1,211,991
08/01/03	MDA - RLF Financing (City Faurecia)	473,152		48,622	424,530
08/01/03	MDA - RLF Financing (County Faurecia)	473,152		48,622	424,530
09/25/03	MDEQ - Capital improvements	1,158,338		73,665	1,084,673
04/21/06	MDEQ - Capital improvements	985,500		55,480	930,020
10/14/05	MDEQ - Capital improvements	1,462,494		72,082	1,390,412
08/25/06	MDEQ - Capital improvements	1,164,444		53,496	1,110,948
07/01/08	Cleveland State Bank (Street Sweeper Lease)	92,982		40,167	52,815
	Total State of Mississippi Notes	<u>7,149,752</u>	<u>0</u>	<u>496,877</u>	<u>6,652,875</u>
	Grand Total	<u>\$ 12,559,752</u>	<u>1,145,000</u>	<u>1,411,877</u>	<u>12,292,875</u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS**  
**September 30, 2011**

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Cynthia Petersen	50,000	1	Mar-12	St. Paul	Administrative assistant
Clint Johnson	25,000	1	Nov-11	St. Paul	Airport manager
Gary Singley	25,000	1	Jul-12	Brierfield	Animal shelter director
Jamie Jacks	25,000	1	Jul-12	St. Paul	Attorney
John White Valentine	25,000	1	Oct-11	Brierfield	Attorney
Michele Hamilton	25,000	1	Mar-12	St. Paul	Court clerk
Misty Wilson	25,000	1	Aug-12	St. Paul	Court clerk
Patsy Lawson	25,000	1	Aug-12	St. Paul	Court clerk
Greg Korb	25,000	1	Aug-12	St. Paul	Engineer
Gene Bishop	25,000	1	Aug-12	St. Paul	Fire inspector
Helen Ann Brewer	25,000	1	Jun-12	Brierfield	Municipal court clerk
Betha Watson	25,000	1	Jul-12	St. Paul	Payroll clerk
Charles Bingham	25,000	1	Aug-12	St. Paul	Police chief
Billy Trotter	25,000	1	Mar-12	St. Paul	Public works clerk
Brandy Murphy	25,000	1	Aug-12	St. Paul	Public works clerk
Kimberly Hudson	25,000	1	Aug-12	St. Paul	Public works clerk
Cindy Duffee	25,000	1	Nov-11	Brierfield	Public works clerk
Brett Moorman	25,000	1	Aug-12	St. Paul	Public works director
Barbara Robinson	25,000	1	Aug-12	St. Paul	Secretary - Parks/Rec.
Steven Glorioso	25,000	1	Aug-12	St. Paul	Superintendent - Parks/Rec.
Hope Johnson	25,000	1	Mar-12	St. Paul	Water clerk
Samantha Milum	25,000	1	Aug-12	St. Paul	Water dept. clerk
Marilyn D. Cox	25,000	1	Aug-12	St. Paul	Water dept. supervisor
John Lindsey	65,000	1	Feb-12	St. Paul	Chief administrative officer
Linda Brown	65,000	1	Aug-12	St. Paul	Deputy clerk
Billy Nowell	65,000	4	Jul-12	Brierfield	Mayor
Paul Mounce	75,000	1	May-12	Brierfield	City clerk
Gary Gainspoletti	100,000	4	Jul-12	Brierfield	Alderman - At - Large
Maurice Smith	100,000	4	Jul-12	Brierfield	Alderman - Ward 1
Robert Sanders	100,000	4	Jul-12	Brierfield	Alderman - Ward 2
Danny Abraham	100,000	4	Jul-12	Brierfield	Alderman - Ward 3
Kirkham Povall	100,000	4	Jul-12	Brierfield	Alderman - Ward 4
Paul Janoush	100,000	4	Jul-12	Brierfield	Alderman - Ward 5
Theodore R. Campbell	100,000	4	Jul-12	Brierfield	Alderman - Ward 6

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2011**

Federal Agency / Pass-Through Entity / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Transportation Passed Through Mississippi Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	3-28-0015-016-2010	509,960
ARRA - Highway Planning and Construction	20.205	STP-8024-00- 001	<u>137,556</u>
Grand Total			\$ <u><u>647,516</u></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, 2011**

**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, 2011**

	9/30/2011			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 1,129,177	1,129,177	1,080,975	(48,202)
Interest Income	8,350	8,350	6,938	(1,412)
<b>Total revenues</b>	<b>1,137,527</b>	<b>1,137,527</b>	<b>1,087,913</b>	<b>(49,614)</b>
<b>EXPENDITURES:</b>				
Debt service	1,036,694	1,036,694	1,020,096	16,598
Total debt service	1,036,694	1,036,694	1,020,096	16,598
<b>Total Expenditures</b>	<b>1,036,694</b>	<b>1,036,694</b>	<b>1,020,096</b>	<b>16,598</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>100,833</b>	<b>100,833</b>	<b>67,817</b>	<b>(66,212)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 100,833</b>	<b>100,833</b>	<b>67,817</b>	<b>(66,212)</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			1,776	
Net change in Fund Balances - GAAP Basis			69,593	
Fund balances, October 1			320,858	
Fund balances, September 30			390,451	

**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, 2011**

	9/30/2011			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Lease payment	\$ 166,047	166,047	166,047	0
Interest income	5	5		(5)
<b>Total revenues</b>	<b>166,052</b>	<b>166,052</b>	<b>166,047</b>	<b>(5)</b>
<b>EXPENDITURES:</b>				
Debt service	196,274	196,274	196,490	(216)
Total debt service	196,274	196,274	196,490	(216)
<b>Total Expenditures</b>	<b>196,274</b>	<b>196,274</b>	<b>196,490</b>	<b>(216)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(30,222)</b>	<b>(30,222)</b>	<b>(30,443)</b>	<b>211</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	30,000	30,000	30,000	0
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (222)</b>	<b>(222)</b>	<b>(443)</b>	<b>211</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(83,023)	
Expenditures charged to designated funds			83,023	
<b>Net change in Fund Balances - GAAP Basis</b>			<b>(443)</b>	
Fund balances, October 1			2,803	
Fund balances, September 30			2,360	

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	Licenses and Permits		Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous		Total
	Taxes	Permits				Operating	Non-Operating	
2002 \$	1,989,911	453,522	4,950,801	703,979	321,652	657,248	482,985	9,560,098
2003	2,168,325	505,145	5,200,230	718,753	317,065	895,975	463,645	10,269,138
2004	2,219,717	523,869	5,079,542	826,867	275,207	805,094	451,945	10,182,241
2005	2,276,915	562,176	6,493,928	696,663	347,019	701,224	666,385	11,744,310
2006	2,390,655	628,911	5,446,777	542,489	526,676	811,559	645,925	10,992,992
2007	3,044,352	551,935	10,119,304	1,380,278	443,128	454,349	1,088,964	17,082,310
2008	3,072,979	576,794	6,592,328	1,597,921	367,369	428,186	852,864	13,488,441
2009	3,136,119	423,952	7,212,995	1,737,822	331,428	216,569	630,619	13,689,504
2010	3,168,545	658,900	6,146,587	1,825,170	330,514	29,030	631,132	12,789,878
2011	3,452,491	563,313	5,786,887	1,884,367	328,199	30,857	643,627	12,689,741

See accompanying notes to financial statements.

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

Fiscal Year	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic and Community Development			Debt Service	Total
								Capital Projects	Development	Projects		
2002	1,319,154	2,703,114	486,087	826,044	869,673	77,358	768,996	190,000	1,097,837	1,329,355	9,667,618	
2003	1,209,800	3,848,277	428,366	857,369	871,175	122,480	696,528	354,891	1,530,179	2,798,347	12,717,412	
2004	1,174,147	3,073,973	467,530	835,476	852,129	93,806	761,842	3,713,950	2,933,693	1,260,308	15,166,854	
2005	1,042,967	3,519,226	478,712	819,215	929,580	111,704	796,719	1,335,002	3,500,318	1,394,186	13,927,629	
2006	1,078,977	3,813,984	808,449	1,346,786	1,141,386	98,806	843,848	373,609	1,645,002	1,472,010	12,622,857	
2007	1,305,441	3,329,556	623,039	1,816,697	1,151,741	102,973	940,943	393,205	6,585,219	1,620,539	17,869,353	
2008	1,189,489	3,761,879	709,770	1,690,601	1,292,494	109,574	1,105,603	452,682	1,953,008	2,700,166	14,965,266	
2009	1,352,733	3,965,360	589,833	1,969,169	1,418,983	116,234	863,474	1,937,488	1,784,719	2,180,873	16,178,866	
2010	1,155,818	4,425,880	969,987	1,232,154	1,429,977	117,916	564,985	815,055	1,038,348	1,240,046	12,990,166	
2011	1,223,615	5,042,335	872,287	2,492,573	1,463,742	123,066	901,062	604,798	902,879	1,297,752	14,924,109	

See accompanying notes to financial statements.

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

<u>Fiscal Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collected</u>	<u>Total Tax Collected</u>	<u>Ratio of Total Tax Collected to Total Tax Levied</u>
2002 \$	2,136,616	2,079,380	97.32%	16,270	2,095,650	98.08%
2003	2,328,854	2,232,456	95.86%	40,832	2,273,288	97.61%
2004	2,379,027	2,316,692	97.38%	45,014	2,361,706	99.27%
2005	2,443,410	2,360,006	96.59%	36,527	2,396,533	98.08%
2006	2,701,179	2,613,734	96.76%	41,319	2,655,053	98.29%
2007	3,311,431	3,167,821	95.66%	51,800	3,219,621	97.23%
2008	3,326,236	3,206,836	96.41%	63,189	3,270,025	98.31%
2009	3,373,958	3,273,406	97.02%	37,515	3,310,921	98.13%
2010	3,433,550	3,284,346	95.65%	78,440	3,362,786	97.94%
2011	3,713,975	3,576,696	96.30%	71,102	3,647,798	98.22%

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
2002	37,347,252	9,147,628	13,220,429	3,126,328	62,841,637
2003	42,880,270	9,107,581	13,331,019	3,176,839	68,495,709
2004	44,597,437	8,890,593	13,251,108	3,232,232	69,971,370
2005	45,701,906	8,996,003	13,554,479	3,318,498	71,570,886
2006	47,821,369	8,970,980	12,702,865	3,509,612	73,004,826
2007	63,032,452	10,392,286	12,674,700	3,398,694	89,498,132
2008	63,572,390	9,705,900	13,289,295	3,300,677	89,868,262
2009	64,414,331	10,852,788	12,731,735	3,189,205	91,188,059
2010	64,902,556	12,162,372	12,630,842	3,102,890	92,798,660
2011	68,971,162	12,295,337	12,188,012	3,012,374	96,466,885

See accompanying notes to financial statements.

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

<u>Fiscal Year</u>	<u>General Fund Millage</u>	<u>Library Fund Millage</u>	<u>Park Fund Millage</u>	<u>Debt Service Millage</u>	<u>Total Millage</u>
2002	17.00	3.00	2.00	12.00	34.00
2003	17.00	3.00	2.00	12.00	34.00
2004	19.00	3.00	2.00	10.00	34.00
2005	19.00	3.00	2.00	10.00	34.00
2006	22.00	3.00	2.00	10.00	37.00
2007	20.00	2.75	1.75	12.50	37.00
2008	20.00	2.75	1.75	12.50	37.00
2009	23.50	1.25	1.75	10.50	37.00
2010	23.50	1.25	2.00	10.25	37.00
2011	23.50	1.50	2.00	11.50	38.50

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>
2002	4,595	4,595
2003	105	105
2004	0	0
2005	0	0
2006	26,354	13,303
2007	61,076	23,379
2008	44,753	3,414
2009	52,560	17,305
2010	51,748	7,803
2011	44,295	20,341

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI  
COMPUTATION OF LEGAL DEBT MARGIN  
For the Fiscal Year Ended September 30, 2011**

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<b><u>OUTSTANDING GENERAL OBLIGATION DEBT:</u></b>				
06/01/02	Public Improvement Bond	80,000	80,000	80,000
05/01/03	Public Improvement Bond	220,000	220,000	220,000
03/01/04	Public Improvement Bond	430,000	430,000	430,000
05/01/05	Public Improvement Bond	440,000	440,000	440,000
05/01/06	Public Improvement Bond	560,000	560,000	560,000
03/01/07	Public Improvement Bond	690,000	690,000	690,000
05/01/06	General Obligation-Baxter Bond	840,000	840,000	840,000
05/01/10	Public Improvement Bond	1,235,000	1,235,000	1,235,000
05/01/11	Public Improvement Bond	1,145,000	1,145,000	1,145,000
	Total Outstanding General Obligation Debt	\$ 5,640,000	5,640,000	5,640,000

**AUTHORIZED DEBT LIMIT:**

Assessed Value for the fiscal year ended September 30, 2011	\$ 96,466,885	\$ 14,470,033	19,293,377
Present Debt (Subject to 15% and 20% Limitation, respectively)		5,640,000	5,640,000
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 8,830,033	13,653,377

**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**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2002	13,841	\$ 62,841,637	5,025,000	2,314,832	2,710,168	4.31%	195.81
2003	13,841	68,495,709	3,930,000	2,437,755	1,492,245	2.18%	107.81
2004	13,841	69,971,370	4,705,000	2,237,280	2,467,720	3.53%	178.29
2005	13,841	71,570,886	5,130,000	2,139,617	2,990,383	4.18%	216.05
2006	13,841	73,004,826	5,485,000	2,052,146	3,432,854	4.70%	248.02
2007	13,841	89,498,132	6,780,000	2,155,552	4,624,448	5.17%	334.11
2008	13,841	89,868,262	5,820,000	1,283,414	4,536,586	5.05%	327.76
2009	13,841	91,188,059	4,900,000	354,799	4,545,201	4.98%	328.39
2010	12,334	92,798,660	5,410,000	323,661	5,086,339	5.48%	412.38
2011	12,334	96,466,885	5,640,000	392,811	5,247,189	5.44%	425.42

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
2002	665,000	193,445	858,445	8,569,781	10.02%
2003	2,155,000	183,597	2,338,597	12,717,412	18.39%
2004	605,000	170,644	775,644	15,166,854	5.11%
2005	675,000	176,937	851,937	13,927,629	6.12%
2006	755,000	193,853	948,853	12,622,857	7.52%
2007	870,000	222,475	1,092,475	17,869,353	6.11%
2008	960,000	294,166	1,254,166	14,965,266	8.38%
2009	920,000	230,814	1,150,814	16,178,866	7.11%
2010	860,000	193,393	1,053,393	12,990,166	8.11%
2011	915,000	200,440	1,115,440	14,924,109	7.47%

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**GENERAL OBLIGATION BONDS**  
**September 30, 2011**

<u>Jurisdiction</u>	<u>Net General Obligated Bonded Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Direct Bonded Debt:			
City of Cleveland, Mississippi	\$ 5,247,189	100.00%	\$ 5,086,339
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>11,679,363 (1)</u>	34.33% (2)	<u>4,009,525</u>
Total	<u>\$ 16,926,552</u>		<u>\$ 9,095,864</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$280,979,164 (1) to \$96,466,885 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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*. However, we noted a certain matter that we reported to management of City of Cleveland, Mississippi in the Independent Auditors' Report on Compliance with State Laws and Regulations dated May 25, 2012, included within this document.

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.

*Ellis & Hinshaw CPA's PLLC*

May 25, 2012

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

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

Compliance

We have audited the compliance of the City of Cleveland, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. The City of Cleveland, Mississippi's major federal program is 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, City of Cleveland, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

*Ellis & Hirsberg CPA's PLLC*

May 25, 2012

**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, 2011, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated May 25, 2012. 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 disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

**Finding:**

As required by Section 21-35-15, Miss. Code Ann. (1972), actual expenditures should not exceed budgeted expenditures. Two funds, Crime Prevention Fund and Library Fund, had expenditures in excess of budgeted amounts.

**Recommendation:**

The City should comply with Section 21-35-15, Miss. Code Ann. (1972).

**Response:**

We will comply.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

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.

*Ellis + Kristof CPA's PLLC*

May 25, 2012

**CITY OF CLEVELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary governments financial statements.          | Unqualified |
| 2. | Internal control over financial reporting:  |             |
|    | a. Material weakness identified?  | No          |
|    | 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 identified?   | 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? | Yes           |

## **Section 2: Financial Statement Findings**

### ***Significant Deficiency***

#### 2011-1 Finding

##### Criteria

Physical periodic comparisons of actual inventory to recorded inventory is necessary to ensure accuracy.

##### Condition

Our physical inventory indicated the wastewater treatment plant had recorded on the books a 77 horsepower pump for \$21,000 which is no longer in stock. In addition, the sewer department inventory indicated a portion of a 100 horsepower sewer pump is still in inventory. The top portion of the pump was placed in service on Memorial Drive and not taken out of inventory. The value being assigned the top portion is \$25,000.

##### Cause

It would appear comparisons between the recorded amount of inventory and the physical observation of the inventory is not being made.

##### Effect

The effect for the financial statements is improper valuation of the inventory. The effect for operations is possibly running out of an item which should be in stock.

##### Recommendation

A periodic physical inspection should be performed to ensure accuracy of recorded inventory.

#### 2011-2 Finding

##### Criteria

Items purchased under state contract should be appropriately documented on invoices.

##### Condition

It was noted in a test of 80 significant items that 2 invoices were not properly documented as purchases under state contract.

##### Cause

The condition appears to be an oversight. Some invoices did contain indications of state contract information, thus, City personnel is aware of appropriate document procedures.

##### Effect

Items not purchased under state contract should be put out for bid or quotes should be obtained depending on the amount of the purchase. The effect is noncompliance with state law.

### Recommendation

Items purchased under state contract should be so labeled and contain state contract information necessary to verify the purchase amount.

### **Section 3: Federal Award Findings and Questioned Costs**

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



THE CITY OF CLEVELAND

CLEVELAND, MISSISSIPPI 38732

AUDITEE'S CORRECTIVE ACTION PLAN

BILLY NOWELL  
MAYOR

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

JOHN LINDSEY  
CHIEF ADMINISTRATIVE  
OFFICER

PAUL MOUNCE  
CITY CLERK

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

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, 2011.

Finding	Corrective Action Plan Detail
2011-1	<p>a. Name of contact person responsible for corrective action:</p> <p>Name: Paul Mounce Title: City Clerk Phone: 662-846-1471</p> <p>b. Corrective Action Planned:</p> <p>City personnel will perform a physical inventory at least annually.</p> <p>c. Anticipated Completion Date:</p> <p>September 2012</p>
2011-2	<p>a. Name of contact person responsible for corrective action:</p> <p>Name: Paul Mounce Title: City Clerk Phone: 662-846-1471</p> <p>b. Corrective Action Planned:</p> <p>Employees will be refreshed on appropriate documentation requirements for state contract purchases.</p> <p>c. Anticipated Completion Date:</p> <p>September, 2012</p>

\_\_\_\_\_  
City Clerk

