

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, 2012, 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, 2012, 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 June 5, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 44-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules in the statistical section on pages 68 through 78, 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 financial statements. The accompanying schedules in the other supplemental information section on pages 56 through 67, 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 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

June 5, 2013

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

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, 2012. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cleveland exceeded its liabilities at the close of the most recent fiscal year by \$36,464,009 (net assets). Of this amount \$4,409,725 (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: \$23,411,134 invested in capital assets, net of related debt; and \$8,643,150 restricted (for Home Program, economic development, debt service, and other).
- Total assets increased \$663,685 or 1.26% over 2011. Cash balances in the governmental activities and business-type activities increased \$310,328 during the year.
- Total liabilities decreased \$147,737 or 0.86% under 2011. New debt in the amount of \$1,390,000 was issued during the year. Payments on outstanding bonds and notes payable were \$1,462,569.
- The City's total net assets increased \$811,422 over 2011. Of this amount, \$1,090,198 of the increase was from governmental activities and (\$278,776) 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 42, 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 43 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 \$36,464,009.

By far the largest portion of the City of Cleveland's net assets, \$23,411,134, (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
	2012	2011	2012	2011	2012	2011		
Current and other assets	\$ 16,972,532	16,530,424	808,571	1,076,885	17,781,103	17,607,309	173,794	0.99%
Capital assets, net	26,034,412	25,158,400	9,597,025	9,983,146	35,631,437	35,141,546	489,891	1.39%
Total Assets	43,006,944	41,688,824	10,405,596	11,060,031	53,412,540	52,748,855	663,685	1.26%
Long-term debt	5,982,895	5,744,407	5,036,796	5,407,690	11,019,691	11,152,097	(132,406)	-1.19%
Other liabilities	5,270,543	5,281,109	658,297	663,062	5,928,840	5,944,171	(15,331)	-0.26%
Total Liabilities	11,253,438	11,025,516	5,695,093	6,070,752	16,948,531	17,096,268	(147,737)	-0.86%
Net Assets:								
Invested in capital assets, net of related debt	19,199,644	18,616,525	4,211,490	4,232,149	23,411,134	22,848,674	562,460	2.46%
Restricted	8,643,150	8,582,493			8,643,150	8,582,493	60,657	0.71%
Unrestricted	3,910,712	3,464,290	499,013	757,130	4,409,725	4,221,420	188,305	4.46%
Total Net Assets	\$ 31,753,506	30,663,308	4,710,503	4,989,279	36,464,009	35,652,587	811,422	2.28%

The City's total assets increased \$663,685 during 2012 with business-type activities showing a decrease of \$654,435 and governmental activities showing an increase of \$1,318,120. A significant portion of the increase results from construction projects the City has in progress.

The City's total liabilities decreased approximately \$147,737. Proceeds of \$1,390,000 were received from the issuance of public improvement bonds. Payments on long-term debt of \$1,097,107 were made from governmental funds and \$365,462 was paid from business-type activities fund.

The City's net assets increased \$811,422.

(Table 2)
City of Cleveland Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2012	2011	2012	2011	2012	2011		
Program Revenues:								
Charges for services	\$ 1,922,129	1,884,367	2,755,529	2,458,288	4,677,658	4,342,655	335,003	7.71%
Grants and contributions	1,318,883	873,294			1,318,883	873,294	445,589	51.02%
General Revenues:								
Property taxes	3,873,456	3,840,426			3,873,456	3,840,426	33,030	0.86%
Sales and tourism taxes	4,233,397	4,091,085			4,233,397	4,091,085	142,312	3.48%
Other taxes and other	2,258,871	2,000,590	147,400	32,650	2,406,271	2,033,240	373,031	18.35%
Total Revenues	13,606,736	12,689,762	2,902,929	2,490,938	16,509,665	15,180,700	1,328,965	8.75%
Program Expenses:								
General government	1,184,634	1,060,472			1,184,634	1,060,472	124,162	11.71%
Public safety	4,584,598	4,712,561			4,584,598	4,712,561	(127,963)	-2.72%
Public works	933,001	1,232,876			933,001	1,232,876	(299,875)	-24.32%
Highways and streets	2,039,148	2,923,405			2,039,148	2,923,405	(884,257)	-30.25%
Health and sanitation	1,557,768	1,430,348			1,557,768	1,430,348	127,420	8.91%
Shop department	126,078	121,847			126,078	121,847	4,231	3.47%
Education and recreation	1,040,245	963,390			1,040,245	963,390	76,855	7.98%
Economic and community dev.	803,951	605,500			803,951	605,500	198,451	32.77%
Interest on long-term debt	247,115	258,147			247,115	258,147	(11,032)	-4.27%
Water and sewer			3,181,705	3,390,732	3,181,705	3,390,732	(209,027)	-6.16%
Total Expenses	12,516,538	13,308,546	3,181,705	3,390,732	15,698,243	16,699,278	(1,001,035)	-5.99%
Increase (Decrease) in Net Assets	\$ 1,090,198	(618,784)	(278,776)	(899,794)	811,422	(1,518,578)	2,330,000	153.43%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 28% of the total revenues. The other major revenue sources were sales and tourism taxes 31%, charges for services 14%, and grants and contributions 10%. The major expense activities were public safety, highways and streets, and health and sanitation, and education and recreation which comprise 37%, 16%, 12% and 8% 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 \$9,966,534 which is \$752,702 above last year's total of \$9,213,832. Total revenues increased during the year due to federal funds being received for the airport project and for work being conducted at Bear Pen Park. Expenditures

were significantly less for highways and streets during 2012 as compared to 2011. Other areas for expenditures were consistent with the prior 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 \$406,668. The previous year saw a reduction in fund balance of \$47,768.

The Economic Development and Tourism Fund had a net change in fund balance of \$162,177 compared to \$112,702 in the prior year. The General Bond and Interest Fund had a net change in fund balance of \$16,333 compared to \$69,593 in the prior year. The Baxter Bond Fund had a net change in fund balance of \$254 compared to (\$443) the prior year. The Public Improvement Bond fund had a net change in fund balance of \$492,063 compared to (\$485,506) in the prior year. The Economic Development Revolving Fund had a net change in fund balance of \$20,356 compared to \$31,389 in the previous year. The Special Industrial Project fund had a net change in fund balance of \$103,384 compared to \$103,385 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 2012, 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 \$305,768.

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 2012, the City had \$35,631,437 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 \$489,891 or 1.3 percent over the prior year.

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2012	2011	2012	2011	2012	2011		
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	10,208,407	9,956,696	130,530	136,570	10,338,937	10,093,266	245,671	2.43%
Equipment and fixtures	2,123,117	2,397,493	375,526	324,959	2,498,643	2,722,452	(223,809)	-8.22%
Infrastructure	7,266,779	7,233,712	7,831,034	8,261,682	15,097,813	15,495,394	(397,581)	-2.57%
Construction in progress	1,830,742	965,132			1,830,742	965,132	865,610	89.69%
	<u>\$ 26,034,412</u>	<u>25,158,400</u>	<u>9,597,025</u>	<u>9,983,146</u>	<u>35,631,437</u>	<u>35,141,546</u>	<u>489,891</u>	<u>1.39%</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 2012-2011:

- 1) Work was completed on a hangar for Planesmart. The completed cost of the project was \$394,212. The project was financed in part by a MDOT grant of \$179,000. The remainder of the project was largely paid for by Planesmart.
- 2) A second hangar was begun and completed during the year at a cost of \$284,950. The project was financed in part by a MDOT grant of \$125,925. The company occupying the hangar contributed a large portion of the remaining cost.
- 3) Work continued on the airport extension project. Expenditures during the year totaled \$727,234. The project is financed largely with a federal grant providing 95% of the funding and the state providing 2.5% of funding. So far, \$1,486,256 has been spent on this phase of the project. The overall project will be around \$10,000,000 when completed.
- 4) Work began during the year on a bicycle trail at Bear Pen Park. Through September 30, 2012, \$344,485 had been spent on the project. Total cost for the project is estimated to be \$1,123,961. Federal funds were secured for the project and are expected to cover roughly 80 percent of the cost.

Long-term Debt

At year-end, the City had \$12,220,306 in bonds and notes outstanding compared to \$12,292,875 last year, a decrease of \$72,569. Of the total debt outstanding \$6,065,000 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 \$758,966 (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 \$5,385,538 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, 2012:

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

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2012	2011	2012	2011	2012	2011	(Decrease)	Change
General Obligation Bonds	\$ 6,065,000	5,640,000			6,065,000	5,640,000	425,000	7.54%
Notes Payable	769,768	901,875	5,385,538	5,751,000	6,155,306	6,652,875	(497,569)	-7.48%
	<u>\$ 6,834,768</u>	<u>6,541,875</u>	<u>5,385,538</u>	<u>5,751,000</u>	<u>12,220,306</u>	<u>12,292,875</u>	<u>(72,569)</u>	<u>-0.59%</u>

New debt issue consisted of \$1,390,000 public improvement bond issued. More detailed information about the City’s long-term liabilities is presented in Note 8 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 2012 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 40.0 mills is expected for 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, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,671,523	202,824	3,874,347
Accounts receivable	151,474	246,261	397,735
Current portion of lease receivable	309,316		309,316
Intergovernmental receivable	1,219,359		1,219,359
Property taxes receivable	3,650,738		3,650,738
Franchise taxes receivable	109,215		109,215
Interest receivable	20,050		20,050
Inventory	143,973	73,612	217,585
Restricted assets:			
Cash and cash equivalents	5,439,436	285,874	5,725,310
Lease receivable, non-current	2,187,448		2,187,448
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	1,830,742		1,830,742
Other capital assets, net	19,598,303	8,337,090	27,935,393
Total Assets	<u>43,006,944</u>	<u>10,405,596</u>	<u>53,412,540</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	98,633	702	99,335
Claims and judgments payable	71,213		71,213
Deferred revenue	3,650,738		3,650,738
Unearned revenue	296,215		296,215
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,148,744	371,721	1,520,465
Liabilities payable from restricted assets:			
Customer deposits		285,874	285,874
Due in more than one year:			
Capital related debt	5,686,024	5,013,814	10,699,838
Non-capital related debt	296,871	22,982	319,853
Total Liabilities	<u>11,253,438</u>	<u>5,695,093</u>	<u>16,948,531</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	19,199,644	4,211,490	23,411,134
Restricted for:			
Home program	44,019		44,019
Economic development	4,951,655		4,951,655
Education and recreation	125,192		125,192
Debt service	1,123,814		1,123,814
Health and sanitation	451,615		451,615
Public safety	136,427		136,427
Public works	1,436,171		1,436,171
Unemployment	46,052		46,052
Capital improvement	328,205		328,205
Unrestricted	3,910,712	499,013	4,409,725
Total Net Assets	<u>\$ 31,753,506</u>	<u>4,710,503</u>	<u>36,464,009</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
September 30, 2012

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Change in Net Assets		Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
FUNCTIONS / PROGRAMS							
Governmental activities:							
General government	\$ 1,184,634				(1,184,634)		(1,184,634)
Public safety	4,584,598			7,867	(4,576,731)		(4,576,731)
Public works	933,001	639,000		945,428	651,427		651,427
Highways and streets	2,039,148				(2,039,148)		(2,039,148)
Health and sanitation	1,557,768	1,283,129			(274,639)		(274,639)
Shop department	126,078				(126,078)		(126,078)
Education and recreation	1,040,245			365,588	(674,657)		(674,657)
Economic and community development	803,951				(803,951)		(803,951)
Interest on long-term debt	247,115				(247,115)		(247,115)
Total governmental activities	<u>12,516,538</u>	<u>1,922,129</u>	<u>0</u>	<u>1,318,883</u>	<u>(9,275,526)</u>	<u>0</u>	<u>(9,275,526)</u>
Business-type activities:							
Water and sewer	3,181,705	2,755,529				(426,176)	(426,176)
Total business-type activities	<u>3,181,705</u>	<u>2,755,529</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(426,176)</u>	<u>(426,176)</u>
Total primary government	<u>\$ 15,698,243</u>	<u>4,677,658</u>	<u>0</u>	<u>1,318,883</u>	<u>(9,275,526)</u>	<u>(426,176)</u>	<u>(9,701,702)</u>
General revenues:							
Property taxes					\$ 3,873,456		3,873,456
Sales and tourism taxes					4,233,397		4,233,397
Franchise taxes					426,033		426,033
Other taxes and other					1,664,984	137,776	1,802,760
Unrestricted interest income					123,882	9,624	133,506
Interest income on capital lease-sale of building					43,972		43,972
Total general revenues and transfers					<u>10,365,724</u>	<u>147,400</u>	<u>10,513,124</u>
Change in net assets					<u>1,090,198</u>	<u>(278,776)</u>	<u>811,422</u>
Net assets, beginning					<u>30,663,308</u>	<u>4,989,279</u>	<u>35,652,587</u>
Net assets, ending					<u>\$ 31,753,506</u>	<u>4,710,503</u>	<u>36,464,009</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2012

	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
<u>ASSETS</u>									
Cash and cash equivalents	\$ 2,393,871							539,884	2,933,755
Receivables:									
Accounts	40,033							85,429	125,462
Property taxes	2,236,374		1,047,670					366,694	3,650,738
Franchise fee	109,215								109,215
Intergovernmental	518,758	359,424	10,379					330,798	1,219,359
Advances to other funds	70,000	249,309				520,077			839,386
Lease receivable, current				83,666			225,650		309,316
Inventory	143,973								143,973
Restricted cash and cash equivalents		1,475,281	401,405	2,614	1,436,171	1,630,817	89,813	403,335	5,439,436
Lease receivable, non-current				833,548			1,353,900		2,187,448
Loan receivable, non-current								70,000	70,000
Total Assets	\$ 5,512,224	2,084,014	1,459,454	919,828	1,436,171	2,150,894	1,669,363	1,796,140	17,028,088
<u>LIABILITIES AND FUND BALANCES</u>									
<u>LIABILITIES</u>									
Accounts payable	\$ 68,180							1,486	69,666
Advances from other funds							769,386	70,000	839,386
Deferred revenue	2,236,374		1,047,670	714,416			1,486,133	366,694	5,851,287
Unearned revenue				202,798			93,417		296,215
Due to bondholders			5,000						5,000
Total Liabilities	2,304,554	0	1,052,670	917,214		0	2,348,936	438,180	7,061,554

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2012

	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
<u>FUND BALANCES</u>									
Non-Spendable:									
Inventory	143,973								143,973
Advances	70,000	249,309				520,077			839,386
Restricted for:									
Home program								44,019	44,019
Economic development		1,834,705				1,630,817			3,465,522
Education and recreation								125,192	125,192
Debt service			406,784	2,614					409,398
Health and sanitation								451,615	451,615
Public safety								136,427	136,427
Public works					1,436,171				1,436,171
Unemployment								46,052	46,052
Capital improvement								328,205	328,205
Assigned:									
Capital improvement								95,762	95,762
Public safety								130,688	130,688
Unassigned	2,993,697						(679,573)		2,314,124
Total Fund Balances	<u>3,207,670</u>	<u>2,084,014</u>	<u>406,784</u>	<u>2,614</u>	<u>1,436,171</u>	<u>2,150,894</u>	<u>(679,573)</u>	<u>1,357,960</u>	<u>9,966,534</u>
Total Liabilities and Fund Balances	<u>\$ 5,512,224</u>	<u>2,084,014</u>	<u>1,459,454</u>	<u>919,828</u>	<u>1,436,171</u>	<u>2,150,894</u>	<u>1,669,363</u>	<u>1,796,140</u>	<u>17,028,088</u>

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, 2012

Total fund balance - total governmental funds	\$	9,966,534
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 \$12,919,681.		26,034,412
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.		2,200,549
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(7,131,639)
Interest accrued on capital leases receivable not reported on governmental fund financial statements		20,050
Interest accrued on long-term liabilities not reported on governmental fund financial statements		(28,967)
Internal service fund is used by management to administer health care coverage for employees. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		<u>692,567</u>
Net assets of governmental activities	\$	<u><u>31,753,506</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2012

	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
<u>REVENUES:</u>									
Taxes	\$ 2,114,703		1,043,864					317,699	3,476,266
Licenses and permits	70,866								70,866
Intergovernmental									
Federal grants	121,715	365,588						684,651	1,171,954
State of Mississippi									
Grants								146,929	146,929
General sales tax	3,539,238								3,539,238
Tourism tax		694,159							694,159
Liquor licenses	11,250								11,250
Amusement licenses	675								675
Fire protection								64,277	64,277
Gasoline tax	17,504								17,504
Homestead reimbursement	107,487		52,600					16,009	176,096
Grand gulf	138,599								138,599
Transportation	7,295								7,295
Bolivar County									
Road maintenance	363,714								363,714
Privilege tax	33,476								33,476
Animal shelter								50,000	50,000
Charges for services	1,082,734							839,395	1,922,129
Franchise tax	399,275							26,758	426,033
Fines and forfeits	247,914							8,289	256,203

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2012

	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
Interest income	45,606	16,007	4,632	17,907	19,044	20,356	28,128	16,350	168,030
Plant and airport rentals								45,755	45,755
Miscellaneous	333,703	571			11,974			471,654	817,902
Total revenues:	8,635,754	1,076,325	1,101,096	17,907	31,018	20,356	28,128	2,687,766	13,598,350
<u>EXPENDITURES:</u>									
Current:									
General government	1,162,113		13,442					6,045	1,181,600
Public safety	4,217,993							383,558	4,601,551
Public works	746,064							284,951	1,031,015
Highways and streets	1,292,882				383,067				1,675,949
Health and sanitation	390,536							1,160,873	1,551,409
Shop department	125,821								125,821
Education and recreation					35,000			926,954	961,954
Economic and community development		789,551							789,551
Capital projects		344,485						915,337	1,259,822
Debt service:									
Principal	42,013		910,000	55,000			90,094		1,097,107
Interest and fees			161,321	53,646			34,210		249,177
Total expenditures	7,977,422	1,134,036	1,084,763	108,646	418,067	0	124,304	3,677,718	14,524,956

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2012

	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
Excess (deficiency) of revenues over (under) expenditures	658,332	(57,711)	16,333	(90,739)	(387,049)	20,356	(96,176)	(989,952)	(926,606)
<u>OTHER FINANCING SOURCES (USES):</u>									
Transfers in from other funds	727,025	247,888		28,000				515,200	1,518,113
Donations & gift shop sales								8,561	8,561
Proceeds of long-term debt					1,390,000				1,390,000
Lease principal payments				62,993			199,560		262,553
Transfers out to other funds	(978,689)	(28,000)			(510,888)			(535)	(1,518,112)
Net other financing sources (uses)	(251,664)	219,888	0	90,993	879,112	0	199,560	523,226	1,661,115
Net change in fund balances	406,668	162,177	16,333	254	492,063	20,356	103,384	(466,726)	734,509
Fund balances, beginning	2,782,809	1,921,837	390,451	2,360	944,108	2,130,538	(782,957)	1,824,686	9,213,832
Increase (decrease) in reserve for inventory	18,193								18,193
Fund balances, ending	\$ 3,207,670	2,084,014	406,784	2,614	1,436,171	2,150,894	(679,573)	1,357,960	9,966,534

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, 2012

Net changes in fund balances - total governmental funds	\$	734,509
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 \$2,218,035 exceeded depreciation of \$1,145,173.		1,072,862
In the statement of activities, only the gain/loss on the disposition of assets is reported, while in the governmental funds, receipts are reported if there is a sale and an expenditure is reported if there is a purchase. Thus, a difference exists when an asset is disposed.		(196,850)
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 \$1,390,000 exceeded debt payments \$1,097,107 .		(292,893)
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		12,876
Change in accrued interest on long-term debt		2,062
Principal payments received on capital lease receivable in not considered revenue on the statement of activities.		(262,553)
Change in interest income accrual adjustment on statement of activities.		(176)
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.		2,168
Inventory adjustment included in statement of activities for government wide financial statements.		<u>18,193</u>
Change in net assets of governmental activities	\$	<u><u>1,090,198</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 202,824	737,768
Accounts receivable	246,261	26,012
Inventory	73,612	
Total Current Assets	522,697	763,780
Restricted assets:		
Cash and cash equivalents	285,874	
Total Restricted Assets	285,874	
Non-current assets:		
Capital assets		
Land	1,259,935	
Other capital assets, net	8,337,090	
Total Non-Current Assets	9,597,025	
Total Assets	10,405,596	763,780
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	702	
Claims and judgments		71,213
Current portion of long-term debt	371,721	
Total Current Liabilities	372,423	71,213
Liabilities payable from restricted assets:		
Customer deposits	285,874	
Total Liabilities Payable from Restricted Assets	285,874	
Non-current liabilities:		
Notes payable	5,013,814	
Compensated absences	22,982	
Total Non-Current Liabilities	5,036,796	
Total liabilities	5,695,093	71,213
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	4,211,490	
Unrestricted	499,013	692,567
Total Net Assets	\$ 4,710,503	692,567

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, 2012

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water sales	\$ 1,559,225	
Sewer sales	1,090,991	
Premiums		781,905
Other	105,313	166,723
Total Operating Revenues	2,755,529	948,628
<u>OPERATING EXPENSES:</u>		
Personal services	569,448	
Contractual services	1,760,889	
Consumable supplies	215,349	
Depreciation expense	524,395	
Health claim payments		708,092
Administrative fees		39,606
Reinsurance premiums		185,534
Life insurance premiums		20,583
Total Operating Expenses	3,070,081	953,815
Operating Income (Loss)	(314,552)	(5,187)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	9,624	7,355
Equipment transferred from other departments	137,777	
Loss on disposal of equipment	(1,775)	
Interest expense	(109,849)	
Total Nonoperating Revenues (Expenses)	35,777	7,355
Net Income (Loss) Before Operating Transfers	(278,775)	2,168
<u>OPERATING TRANSFERS:</u>		
Operating transfers in	463,489	
Operating transfers out	(463,490)	
Net Operating Transfers	(1)	-
Net Income (Loss)	(278,776)	2,168
Total net assets, beginning	4,989,279	690,399
Total net assets, ending	\$ 4,710,503	692,567

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 2,756,345	
Receipts for premiums		781,905
Other receipts		140,711
Payments to suppliers for goods and services	(2,003,312)	
Payments to employees	(569,912)	
Payments for health claims		(640,364)
Payments for administrative fees		(39,606)
Payments for premiums		(206,118)
Net Cash Provided (Used) by Operating Activities	183,121	36,528
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers in	463,489	
Operating transfers out	(463,490)	
Net Cash Provided (Used) by Noncapital Financing Activities	(1)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of property and equipment	(2,272)	
Principal payments on long-term debt	(365,462)	
Interest paid on State of Mississippi loans	(109,849)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(477,583)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received on invested funds	9,624	7,355
Net Cash Provided (Used) by Investing Activities	9,624	7,355
Net Increase (Decrease) in Cash and Cash Equivalents	(284,839)	43,883
Cash and Cash Equivalents, October 1	773,537	693,885
Cash and Cash Equivalents, September 30	\$ 488,698	737,768

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	<u>Business-Type Activities Enterprise Fund Water & Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ <u>(314,552)</u>	<u>(5,187)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	524,395	
(Increase) decrease in accounts receivable	(37,355)	(26,012)
(Increase) decrease in inventories	20,830	
Increase (decrease) in water deposits	38,171	
Increase (decrease) in accounts payable	(47,904)	
Increase (decrease) in claims and judgments		67,727
Increase (decrease) in compensated absences	<u>(464)</u>	
Total adjustments	<u>497,673</u>	<u>41,715</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 183,121</u>	<u>36,528</u>
Unrestricted	\$ 202,824	737,768
Restricted	<u>285,874</u>	
Total	<u>\$ 488,698</u>	<u>737,768</u>
Supplemental schedule of Non-cash financing activities:		
Equipment transferred from governmental departments	137,777	
Loss on disposal of equipment not in operating income	(1,775)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	\$ <u>131,375</u>
Total Assets	\$ <u><u>131,375</u></u>
<u>LIABILITIES</u>	
Intergovernmental payables	\$ <u>131,375</u>
Total Liabilities	\$ <u><u>131,375</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 city, 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. Proprietary 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 1st. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The Bolivar County Tax Collector bills and collects taxes for the City. The millage rate for the City for the 2012 taxes was 40.0 mills as: 24.50 mills for the general fund, 11.50 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

NOTE 2 BUDGET POLICY

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

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

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

NOTE 3 CASH

Cash

The carrying amount of the City's total deposits with financial institutions at September 30, 2012 was \$9,731,032 and the bank balance was \$10,903,710. The collateral for public entities' deposits in financial institutions are 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.

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, 2012 were \$246,261.

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, 2012 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 475,222
	Tourism Tax	108,688
<u>Bolivar County:</u>	Auto Ad Valorem	34,748
	Privilege tax	1,758
	Delinquent taxes	2,010
<u>Federal Grants:</u>		
	Rosemary Road - Department of Transportation	3,696
	Bicycle Trail - Department of Transportation	217,493
	Transportation Enhancement Funds	33,243
	Justice Assistance Grant	62,427
	Airport Improvement Project	245,055
<u>State Grants:</u>		
	Airport Improvement Project	20,157
	Other	6,151
<u>Other:</u>		
	Miscellaneous	8,711
	Total Intergovernmental Receivables	\$ <u>1,219,359</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, 2012 were:

Year Ending <u>September 30,</u>	Principal <u>Portion</u>	Interest <u>Portion</u>	Total <u>Lease</u>
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	215,489	10,161	225,650
2018-2022	<u>441,035</u>	<u>10,265</u>	<u>451,300</u>
Totals	\$ <u>1,486,133</u>	<u>93,417</u>	<u>1,579,550</u>

Baxter Healthcare Corporation

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

Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County's bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2012 were:

<u>Year Ending September 30,</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total Lease</u>
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	70,037	19,881	89,918
2018-2022	<u>378,608</u>	<u>107,473</u>	<u>486,081</u>
Totals	<u>\$ 714,416</u>	<u>202,797</u>	<u>917,213</u>

NOTE 5 OPERATING LEASES

The City receives income from property it leases under noncancellable operating leases. The lease property consists of two newly constructed hangars at the airport. The leases began in 2012 and will continue for a period of twenty-five years. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2013	\$ 12,000
2014	12,000
2015	12,000
2016	12,000
2017	12,275
2018-2022	63,275
2023-2027	66,275
2028-2032	69,275
2033-2037	65,400
Total Minimum Payments Required	<u>\$ 324,500</u>

NOTE 6 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 2012 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						89,813		289,343
Crime prevention								23,921
Customer deposits							285,874	
Debt service		401,405	2,614					
Economic development	1,475,281				1,630,817			
Home Program								44,019
Public works				1,436,171				
Unemployment								46,052
Totals	\$ 1,475,281	401,405	2,614	1,436,171	1,630,817	89,813	285,874	403,335

NOTE 7 CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction in Progress	Buildings and Improvements	Equipment and Fixtures	Infrastructure	
Governmental Activities:						
Capital Assets						
Balance, 10/01/11	\$ 4,605,367	965,132	12,185,483	7,586,392	12,340,770	37,683,144
Additions		1,259,822	284,951	323,555	349,707	2,218,035
Deletions			(900)	(586,018)		(586,918)
Adjustments		(394,212)	394,212	(360,168)		(360,168)
Balance, 09/30/12	<u>4,605,367</u>	<u>1,830,742</u>	<u>12,863,746</u>	<u>6,963,761</u>	<u>12,690,477</u>	<u>38,954,093</u>
Accumulated Depreciation						
Balance 10/01/11	0	0	2,228,787	5,188,899	5,107,058	12,524,744
Additions			426,561	401,972	316,640	1,145,173
Deletions			(9)	(527,806)		(527,815)
Adjustments				(222,421)		(222,421)
Balance, 09/30/12	<u>0</u>	<u>0</u>	<u>2,655,339</u>	<u>4,840,644</u>	<u>5,423,698</u>	<u>12,919,681</u>
Governmental Activities Assets, Net	<u>4,605,367</u>	<u>1,830,742</u>	<u>10,208,407</u>	<u>2,123,117</u>	<u>7,266,779</u>	<u>26,034,412</u>

Business-type Activities:

Capital Assets

Balance, 10/01/11	1,259,935	0	301,983	973,085	29,426,474	31,961,477
Additions				2,272		2,272
Deletions				(25,139)		(25,139)
Adjustments				360,198		360,198
Balance, 09/30/12	<u>1,259,935</u>	<u>0</u>	<u>301,983</u>	<u>1,310,416</u>	<u>29,426,474</u>	<u>32,298,808</u>

Accumulated Depreciation

Balance, 10/01/11	0	0	165,413	648,126	21,164,792	21,978,331
Additions			6,040	87,707	430,648	524,395
Deletions				(23,364)		(23,364)
Adjustments				222,421		222,421
Balance, 09/30/12	<u>0</u>	<u>0</u>	<u>171,453</u>	<u>934,890</u>	<u>21,595,440</u>	<u>22,701,783</u>

Business-type Activities Assets, Net	<u>1,259,935</u>	<u>0</u>	<u>130,530</u>	<u>375,526</u>	<u>7,831,034</u>	<u>9,597,025</u>
Total Capital Assets, Net	<u>\$ 5,865,302</u>	<u>1,830,742</u>	<u>10,338,937</u>	<u>2,498,643</u>	<u>15,097,813</u>	<u>35,631,437</u>

Construction in Progress is composed of the follows:

	<u>Spent through 9/30/2012</u>	<u>Estimated To Complete</u>
Governmental Activities:		
Airport Improvement	\$ 1,486,256	8,000,000
Bearpen Trail	<u>344,485</u>	<u>779,476</u>
Totals	<u>\$ 1,830,741</u>	<u>8,779,476</u>

Depreciation expense was charged to City functions as follows:

Governmental Activities:

General government	\$ 9,613
Public safety	245,033
Public works	413,906
Highways and streets	378,222
Health and sanitation	9,230
Education and recreation	74,769
Economic Development	<u>14,400</u>

Total \$ 1,145,173

Business-type Activities:

Water and Sewer \$ 524,395

NOTE 8 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, 2012 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$7,935,716	\$12,602,621

The following is a summary of changes in long-term debt for the year ended September 30, 2012.

	Balance 10/1/2011	Additions	Reductions	Balance 9/30/2012	Due within one year
Governmental Activities:					
General Obligation Bonds	\$ 5,640,000	1,390,000	965,000	6,065,000	1,035,000
Notes Payable - State of MS	849,060		90,094	758,966	102,942
Lease Payable - Cleveland State Bank	52,815		42,013	10,802	10,802
Compensated absences	309,747		12,876	296,871	
Total Governmental Activities	<u>6,851,622</u>	<u>1,390,000</u>	<u>1,109,983</u>	<u>7,131,639</u>	<u>1,148,744</u>
Business-type Activities:					
Notes Payable - State of MS	5,751,000		365,462	5,385,538	371,721
Compensated absences	23,446		464	22,982	
Total Business-type Activities	<u>5,774,446</u>	<u>-</u>	<u>365,926</u>	<u>5,408,520</u>	<u>371,721</u>
Total Long-term debt	<u>\$ 12,626,068</u>	<u>1,390,000</u>	<u>1,475,909</u>	<u>12,540,159</u>	<u>1,520,465</u>

The City's General Bond and Interest Fund liquidates the debt on public improvement bonds. The Baxter Bond Fund pays the general obligation indebtedness for the Baxter bond issue. The Special Industrial Project Fund liquidates the notes to State of MS on the Faurecia project. The Water and Sewer Fund liquidates the business-type activities indebtedness. The compensated absences are paid mainly by the general fund except the portion that relates to business-type activities which is liquidated by the Water and Sewer Fund.

At September 30, 2012 bonds and notes payable consisted of the following individual issues:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Governmental Activities:					
A. General obligation bonds					
Public Improvement	5/1/03	2.50 - 3.50%	3/1/13	1,060,000	110,000
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	290,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	330,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	450,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	575,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	785,000
Public Improvement	5/1/10	2.50 - 3.50%	3/1/20	1,370,000	1,100,000
Public Improvement	5/1/11	2.25 - 3.125%	3/1/21	1,145,000	1,035,000
Public Improvement	1/26/12	1.50 - 2.125%	3/1/22	1,390,000	1,390,000
Total General obligation bonds					<u>6,065,000</u>
B. Other Loans					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	379,483
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	379,483
Cleveland State Bank (Street Sweeper Lease)	7/1/08	4.50%	1/1/13	177,025	10,802
Total Other Loans					<u>769,768</u>
Total Governmental Activities					<u>\$ 6,834,768</u>

Business-type Activities:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
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Business-type Activities:

A. Other loans

State of Mississippi (MDA)	6/4/96	3.70%	8/1/13	158,000	\$ 11,134
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,118,260
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	1,009,708
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	873,421
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,316,507
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	1,056,508
Total Other Loans					\$ 5,385,538

The annual debt service requirements of long-term debt as of September 30, 2012 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 1,035,000	181,451	113,743	21,443
2014	930,000	147,714	106,074	18,230
2015	795,000	118,941	109,300	15,004
2016	690,000	95,150	112,624	11,680
2017	585,000	75,229	116,050	8,254
2018-2022	2,030,000	151,504	211,977	5,886
Total	\$ 6,065,000	769,989	769,768	80,497

Business-type Activities:

2013		\$ 371,721	103,090
2014		367,674	95,815
2015		374,904	88,586
2016		382,280	81,209
2017		389,805	73,685
2018-2022		2,067,308	250,138
2023-2027		1,317,235	65,461
2028-2032		114,611	1,679
Total		\$ 5,385,538	759,663

NOTE 9 INTERFUND TRANSACTIONS

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

Balances at September 30, 2012 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>		
General Fund	Enterprise Fund	\$	463,490
General Fund	Public Improvement Bond Fund		263,000
General Fund	Nonmajor Fund		535
Baxter Bond Fund	Economic Development and Tourism Fund		28,000
Economic Development Fund	Public Improvement Bond Fund		247,888
Enterprise Fund	General Fund		463,489
Nonmajor Fund	General Fund		<u>515,200</u>
Total		\$	<u><u>1,981,602</u></u>

Individual fund interfund advance balances at September 30, 2012 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		249,309
Economic Development Revolving Fund	Special Industrial Project Fund		<u>520,077</u>
Totals		\$	<u><u>839,386</u></u>

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

NOTE 10 DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 12.93% 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, 2012, 2011 and 2010 were \$602,721, \$566,290, and \$521,072, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

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

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

In August 2012, a contract for replacement of water meters was entered into. The City plans to replace the outdated meters with new electronically read meters. The cost of the contract was \$3,267,992.

An airport improvement and expansion program is underway. For the past several years, the City has acquired land around the airport for the expansion. The City is in the next phase of the project involving the actual construction. A large portion of the cost (95%) is provided from grants from the Federal Aviation Administration. The remaining amount is expected to be financed by the City. The overall cost is expected to be around \$10,000,000. See note 7.

A construction bid was accepted in September 2012, for the Southeast Cleveland Storm Water Pumping Station in the amount of \$560,245. The City plans to use some of the funds from the Public Improvement Bond issue to help finance the project.

NOTE 12 SOLID WASTE DISPOSAL

On September 15, 2008, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$15.00 per month per residence. The agreement will continue until September 30, 2014. The City adopted the Solid Waste Management Plan for Bolivar County on September 27, 1993.

NOTE 13 RISK MANAGEMENT

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

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010-2011	\$ 39,511	377,680	413,705	3,486
2011-2012	3,486	708,092	640,365	71,213

NOTE 14 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Special Industrial Project Fund reported a deficit in fund balances of \$679,573 at September 30, 2012.

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 June 5, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

The City accepted a bid for the replacement of its radio system at a cost of \$438,692. The City also revised water and sewer rates in October 2012.

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Licenses and Permits	\$ 562,000	562,000	494,402	(67,598)
Fines and forfeits	307,000	307,000	248,532	(58,468)
Grants and Intergovernmental	4,675,791	4,675,791	3,746,450	(929,341)
Charges for Services	544,400	544,400	550,447	6,047
Miscellaneous Revenues	829,200	829,200	893,946	64,746
Ad Valorem Taxes	2,284,742	2,284,742	2,222,524	(62,218)
Miscellaneous Taxes	30,800	30,800	32,393	1,593
Interfund Transfers	726,490	726,490	727,025	535
Total revenues	9,960,423	9,960,423	8,915,719	(1,044,704)
<u>EXPENDITURES:</u>				
General government				
Personal services	366,907	394,375	380,521	13,854
Contractual services	703,040	723,040	651,781	71,259
Consumable supplies	17,600	17,600	13,725	3,875
Grants and Subsidies	139,953	139,953	139,637	316
Total general government	1,227,500	1,274,968	1,185,664	89,304
Public Safety				
Municipal Court				
Personal services	135,300	135,300	136,621	(1,321)
Contractual services	204,800	204,800	182,181	22,619
Consumable supplies	11,800	11,800	4,399	7,401
Capital outlay	1,100	1,100	995	105
Total municipal court	353,000	353,000	324,196	28,804
Police Department				
Personal services	3,257,500	3,257,500	3,102,020	155,480
Contractual services	118,600	118,600	96,481	22,119
Consumable supplies	195,000	195,000	187,691	7,309
Capital outlay	113,050	113,050	107,313	5,737
Total Police Department	3,684,150	3,684,150	3,493,505	190,645

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Fire Department				
Personal services	191,400	191,400	190,471	929
Contractual services	104,050	104,050	107,884	(3,834)
Consumable supplies	88,450	88,450	59,749	28,701
Capital outlay	14,000	19,300	17,365	1,935
Total Fire Department	<u>397,900</u>	<u>403,200</u>	<u>375,469</u>	<u>27,731</u>
Total Public Safety	<u>4,435,050</u>	<u>4,440,350</u>	<u>4,193,170</u>	<u>247,180</u>
Public Works				
Code Compliance				
Personal services	323,700	323,700	329,248	(5,548)
Contractual services	65,000	65,000	44,186	20,814
Consumable supplies	19,900	19,900	17,734	2,166
Capital outlay	21,000	21,000	17,492	3,508
Total Code Compliance	<u>429,600</u>	<u>429,600</u>	<u>408,660</u>	<u>20,940</u>
Cemetery				
Personal services	113,400	113,400	115,487	(2,087)
Contractual services	2,300	2,300	1,726	574
Consumable supplies	25,125	25,125	19,407	5,718
Capital outlay	4,200	4,200	3,439	761
Total Cemetery	<u>145,025</u>	<u>145,025</u>	<u>140,059</u>	<u>4,966</u>
Airport				
Personal services	109,377	109,377	107,815	1,562
Contractual services	45,235	45,235	32,418	12,817
Consumable supplies	60,500	60,500	48,536	11,964
Capital outlay	8,500	8,500	6,746	1,754
Total Airport	<u>223,612</u>	<u>223,612</u>	<u>195,515</u>	<u>28,097</u>
Total public works	<u>798,237</u>	<u>798,237</u>	<u>744,234</u>	<u>54,003</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, 2012**

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Highways and Streets				
Personal services	731,427	737,927	661,162	76,765
Contractual services	164,125	164,125	154,973	9,152
Consumable supplies	324,250	332,750	269,381	63,369
Capital outlay	1,396,874	1,399,874	201,120	1,198,754
Total Highways and Streets	2,616,676	2,634,676	1,286,636	1,348,040
Health and sanitation				
Mosquito Control				
Personal services	148,200	70,250	55,762	14,488
Contractual services	25,050	323,000	295,013	27,987
Consumable supplies	266,700	281,700	31,213	250,487
Capital outlay	12,500	12,500	9,326	3,174
Total Mosquito Control	452,450	687,450	391,314	296,136
Shop Department				
Personal services	115,050	115,050	114,126	924
Contractual services	1,500	1,500	1,190	310
Consumable supplies	13,200	13,200	8,343	4,857
Capital outlay	3,375	3,375	2,379	996
Total Shop Department	133,125	133,125	126,038	7,087
Total Expenditures	9,663,038	9,968,806	7,927,056	2,041,750
Excess (deficiency) of revenues over (under) expenditures	297,385	(8,383)	988,663	(3,086,454)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	(500,000)	(504,700)	(515,200)	10,500
Total other financing sources (uses)	(500,000)	(504,700)	(515,200)	10,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (202,615)	(513,083)	473,463	(986,546)

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Adjustments to Generally Accepted				
Accounting Principles Basis				
Revenue and other sources credited to designated funds			447,060	
Expenditures charged to designated funds			(513,855)	
Net change in Fund Balances - GAAP Basis			406,668	
Fund balances, October 1			2,782,809	
Increase (decrease) in reserve for inventory			18,193	
Fund balances, September 30			\$ 3,207,670	

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Tourism taxes	\$ 665,000	665,000	695,420	30,420
Miscellaneous revenues	17,500	17,500	16,886	(614)
Railroad Heritage Grant	28,400	28,400		(28,400)
Bicycle Path Grant	896,702	896,702	164,650	(732,052)
Total revenues	1,607,602	1,607,602	876,956	(730,646)
<u>EXPENDITURES:</u>				
All departments				
Consumable supplies	20,000	20,000	16,956	3,044
Appropriation	387,637	520,362	507,535	12,827
Interfund transfers	28,000	28,000	28,000	0
Capital outlay	3,500	3,500	3,500	0
Total all departments	439,137	571,862	555,991	15,871
Park Department				
Capital outlay	113,337	113,337	113,337	0
Total Park department	113,337	113,337	113,337	0
Railroad Heritage Museum				
Personal services	57,200	57,200	57,034	166
Contractual services	66,200	66,200	64,734	1,466
Consumable supplies	17,500	17,500	16,524	976
Capital outlay	15,000	15,000	14,361	639
Total	155,900	155,900	152,653	3,247
TE Grant - Bicycle Path				
Capital outlay	1,123,694	1,123,694	344,485	779,209
Total expenditures	1,832,068	1,964,793	1,166,466	798,327
Excess (deficiency) of revenues over (under) expenditures	(224,466)	(357,191)	(289,510)	67,681

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	280,825	280,825	280,825	0
Total other financing sources (uses):	280,825	280,825	280,825	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 56,359	(76,366)	(8,685)	67,681
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			166,432	
Expenditures charged to designated funds			4,430	
Net change in Fund Balances - GAAP Basis			162,177	
Fund balances, October 1			1,921,837	
Fund balances, September 30			2,084,014	

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Public improvement bond proceeds	\$ 1,390,000	1,390,000	1,390,000	0
Miscellaneous Revenues	13,350	13,350	19,044	5,694
Total revenues	1,403,350	1,403,350	1,409,044	5,694
<u>EXPENDITURES:</u>				
2010 Public Improvement Loan				
Capital outlay	155,000	231,120	111,116	120,004
Total 2010 Public Improvement Bond	155,000	231,120	111,116	120,004
2011 Public Improvement Bond				
Capital outlay	332,826	332,826	0	332,826
Total 2011 Public Improvement Bond	332,826	332,826	0	332,826
2012 Public Improvement Bond				
Contractual services	88,812	88,812	24,246	64,566
Interfund transfers	510,888	510,888	510,888	0
Capital outlay	790,300	790,300	282,706	507,594
Total 2012 Public Improvement Bond	1,390,000	1,390,000	817,840	572,160
Total expenditures	1,877,826	1,953,946	928,956	1,024,990
Excess (deficiency) of revenues over (under) expenditures	(474,476)	(550,596)	480,088	1,030,684
<u>OTHER FINANCING SOURCES (USES):</u>				
Total other financing sources (uses):	0	0	0	0

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, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (474,476)	(550,596)	480,088	1,030,684
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			11,975	
Expenditures charged to designated funds			-	
Net change in Fund Balances - GAAP Basis			492,063	
Fund balances, October 1			944,108	
Fund balances, September 30			1,436,171	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
ECONOMIC DEVELOPMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2012

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Miscellaneous revenues	\$ 21,250	21,250	20,356	(894)
Total revenues	21,250	21,250	20,356	(894)
<u>EXPENDITURES:</u>				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	21,250	21,250	20,356	(894)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	68,409	68,409	68,409	0
Total other financing sources (uses):	68,409	68,409	68,409	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 89,659	89,659	88,765	(894)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(68,409)	
Expenditures charged to designated funds			(68,409)	
Net change in Fund Balances - GAAP Basis			20,356	
Fund balances, October 1			2,130,538	
Fund balances, September 30			2,150,894	

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, 2012**

	9/30/2012			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
<u>REVENUES:</u>				
Lease payment	\$ 225,650	225,650	225,650	0
Miscellaneous revenues	1,800	1,800	2,038	238
Total revenues	227,450	227,450	227,688	238
<u>EXPENDITURES:</u>				
Contractual services	124,304	124,304	124,304	0
Total expenditures	124,304	124,304	124,304	0
Excess (deficiency) of revenues over (under) expenditures	103,146	103,146	103,384	238
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	(101,346)	(101,346)	(101,346)	0
Total other financing sources (uses):	(101,346)	(101,346)	(101,346)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,800	1,800	2,038	238
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			101,346	
Expenditures charged to designated funds			(101,346)	
Net change in Fund Balances - GAAP Basis			103,384	
Fund balances, October 1			(782,957)	
Fund balances, September 30			(679,573)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2012

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, 2012:

<u>Fund</u>	<u>Excess</u>
Park Fund	\$8,880
Crime Prevention Fund	14,059
Health Insurance Fund	168,838

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2012

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- 2011 TAX ROLLS
For the Fiscal Year Ended September 30, 2012

	Assessed Valuation	Tax	
<u>Assessments - 2011 Tax Rolls</u>		<u>Ad Valorem</u>	
Realty	\$ 69,284,238		
Personalty	11,638,556		
Auto and mobile home	12,415,313		
Public utility	3,192,476		
Total assessed valuation	\$ 96,530,583		
Total ad valorem tax @ 38.5 mills		\$ 3,716,427	
Less: Homestead exemption credit		<u>240,928</u>	
Net Ad Valorem Taxes		\$ 3,475,499	
Other Collections:			
Actual homestead reimbursements		176,096	
Prior year tax collections		34,727	
Penalties and interest on delinquent taxes		62,015	
Deductions:			
Bolivar County tax collector's commission		<u>(24,353)</u>	
Total Ad Valorem Taxes to be Accounted For		\$ 3,723,984	
Collections:			
Allocated to:	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
General fund	\$ 2,176,718	107,487	\$ 2,284,205
Park fund	181,690	9,148	190,838
Library fund	136,268	6,861	143,129
Debt service fund	1,044,717	52,600	1,097,317
Totals	<u>\$ 3,539,393</u>	<u>\$ 176,096</u>	<u>3,715,489</u>
Balance Represented by:			
Unaccounted for - under (over) collected			<u>8,495</u>
Total Ad Valorem Taxes Accounted For			\$ 3,723,984

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2011 TAX ROLLS
For the Fiscal Year Ended September 30, 2012

Tax millage levies for the current fiscal year (tax year 2011) 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
Total	38.50	

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

\$ 3,687,102	Base 2010 - 2011	\$ 3,539,393	Taxes collected 2011 - 2012
		137,998	Less: Exempted amounts (new value)
1,081,898	Less: Applicable to debt service	1,044,717	Less: Applicable to debt service
2,605,204		2,356,678	
260,520	10% Increase	176,096	Homestead exemption 2009 - 2010
		52,600	Less: Applicable to debt service
		123,496	
		385,550	Under (over) limitation
\$ 2,865,724		\$ 2,865,724	

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CERTIFICATES OF DEPOSIT
September 30, 2012**

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

The City did not have any certificates of deposit at September 30, 2012. Excess funds were maintained in money market accounts rather than certificates of deposit due to low interest rate conditions.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS
September 30, 2012

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund
For the Year Ended September 30, 2013

<u>Date of Issue</u>	<u>Description</u>	<u>Average Rate</u>	<u>Due Date</u>	<u>Where Payable</u>	<u>Total Payable</u>	<u>Total Principal</u>	<u>Total Interest</u>
<u>February - 2013</u>							
05/01/03	Public improvement bond	3.122%	03/01/13	Trustmark National Bank	111,925	110,000	1,925
03/01/04	Public improvement bond	2.834%	03/01/13	Trustmark National Bank	149,350	145,000	4,350
05/01/05	Public improvement bond	3.750%	03/01/13	Trustmark National Bank	116,188	110,000	6,188
05/01/06	Public improvement bond	4.173%	03/01/13	Trustmark National Bank	119,000	110,000	9,000
03/01/07	Public improvement bond	3.797%	03/01/13	Trustmark National Bank	125,983	115,000	10,983
12/28/06	General obligation, series 2006	6.344%	11/01/12	First National Bank	84,719	60,000	24,719
05/01/10	Public improvement bond	3.181%	03/01/13	Trustmark National Bank	152,122	135,000	17,122
05/01/11	Public improvement bond	2.476%	03/01/13	Trustmark National Bank	127,866	115,000	12,866
01/26/12	Public improvement bond	1.790%	03/01/13	Trustmark National Bank	147,494	135,000	12,494
Total - February - 2013					<u>987,153</u>	<u>1,035,000</u>	<u>99,647</u>
<u>August - 2013</u>							
05/01/03	Public improvement bond	3.122%	09/01/13	Trustmark National Bank	0		0
03/01/04	Public improvement bond	2.834%	09/01/13	Trustmark National Bank	2,175		2,175
05/01/05	Public improvement bond	3.750%	09/01/13	Trustmark National Bank	4,125		4,125
05/01/06	Public improvement bond	4.173%	09/01/13	Trustmark National Bank	6,800		6,800
03/01/07	Public improvement bond	3.797%	09/01/13	Trustmark National Bank	8,826		8,826
12/28/06	General obligation, series 2006	6.344%	05/01/13	First National Bank	22,319		22,319
05/01/10	Public improvement bond	3.181%	09/01/13	Trustmark National Bank	14,928		14,928
05/01/11	Public improvement bond	2.476%	09/01/13	Trustmark National Bank	11,572		11,572
01/26/12	Public improvement bond	1.790%	03/01/14	Trustmark National Bank	11,059		11,059
Total - August - 2013					<u>81,804</u>	<u>0</u>	<u>81,804</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,068,957</u>	<u>1,035,000</u>	<u>181,451</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2012

Date of Issue	Description	Balance Outstanding 10/01/11	Issued	Redeemed	Balance Outstanding 09/30/12
<u>GENERAL OBLIGATION BONDS</u>					
06/01/02	Public improvement bond	80,000		80,000	0
05/01/03	Public improvement bond	220,000		110,000	110,000
03/01/04	Public improvement bond	430,000		140,000	290,000
05/01/05	Public improvement bond	440,000		110,000	330,000
05/01/06	Public improvement bond	560,000		110,000	450,000
12/28/06	General obligation, series 2006	690,000		115,000	575,000
03/01/07	Public improvement bond	840,000		55,000	785,000
05/01/10	Public improvement bond	1,235,000		135,000	1,100,000
05/01/11	Public improvement bond	1,145,000		110,000	1,035,000
01/26/12	Public improvement bond		1,390,000		1,390,000
	Total General Obligation Bonds	<u>5,640,000</u>	<u>1,390,000</u>	<u>965,000</u>	<u>6,065,000</u>
<u>OTHER DEBT ISSUED</u>					
08/01/98	MDA - Capital improvements	22,956		11,822	11,134
08/01/03	MDEQ - Capital improvements	1,211,991		93,731	1,118,260
08/01/03	MDA - RLF Financing (City Faurecia)	424,530		45,047	379,483
08/01/03	MDA - RLF Financing (County Faurecia)	424,530		45,047	379,483
09/25/03	MDEQ - Capital improvements	1,084,673		74,965	1,009,708
04/21/06	MDEQ - Capital improvements	930,020		56,599	873,421
10/14/05	MDEQ - Capital improvements	1,390,412		73,905	1,316,507
08/25/06	MDEQ - Capital improvements	1,110,948		54,440	1,056,508
07/01/08	Cleveland State Bank (Street Sweeper Lease)	52,815		42,013	10,802
	Total State of Mississippi Notes	<u>6,652,875</u>	<u>0</u>	<u>497,569</u>	<u>6,155,306</u>
	Grand Total	<u>\$ 12,292,875</u>	<u>1,390,000</u>	<u>1,462,569</u>	<u>12,220,306</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2012

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Cynthia Petersen	50,000	1	Mar-13	St. Paul	Administrative assistant
Clint Johnson	50,000	1	Aug-13	Brierfield	Airport manager
Gary Singley	50,000	1	Jul-13	Brierfield	Animal shelter director
Jamie Jacks	50,000	1	Jul-13	St. Paul	Attorney
John White Valentine	50,000	1	Oct-12	Brierfield	Attorney
Michele Hamilton	50,000	1	Mar-13	St. Paul	Court clerk
Misty Wilson	50,000	1	May-13	St. Paul	Court clerk
Patsy Lawson	50,000	1	Aug-13	St. Paul	Court clerk
Greg Korb	50,000	1	Oct-12	Brierfield	Engineer
Gene Bishop	50,000	1	Oct-13	Brierfield	Fire inspector
Helen Ann Brewer	50,000	1	Jun-13	Brierfield	Municipal court clerk
Betha Watson	50,000	1	Jul-13	St. Paul	Payroll clerk
Charles Bingham	50,000	1	Aug-13	St. Paul	Police chief
Billy Trotter	50,000	1	Mar-13	St. Paul	City inspector
Brandy Murphy	50,000	1	Jan-13	St. Paul	Public works clerk
Kimberly Hudson	50,000	1	Jan-13	St. Paul	City inspector
Cindy Duffee	50,000	1	Nov-12	Brierfield	Public works clerk
Brett Moorman	50,000	1	Oct-12	Brierfield	Code director
Barbara Robinson	50,000	1	Aug-13	Brierfield	Secretary - Parks/Rec.
Steven Glorioso	50,000	1	Aug-13	Brierfield	Parks director
Hope Johnson	50,000	1	Mar-13	St. Paul	Public works clerk
Samantha Milum	50,000	1	Jun-13	Brierfield	Water dept. clerk
Marilyn D. Cox	50,000	1	Aug-13	St. Paul	Water dept. supervisor
John Lindsey	65,000	1	Feb-13	St. Paul	Chief administrative officer
Linda Brown	65,000	1	Oct-12	St. Paul	Deputy clerk
Billy Nowell	100,000	4	Jul-13	Brierfield	Mayor
Gary Gainspoletti	100,000	4	Jul-13	Brierfield	Alderman - At - Large
Maurice Smith	100,000	4	Jul-13	Brierfield	Alderman - Ward 1
Robert Sanders	100,000	1	Jul-13	Brierfield	Alderman - Ward 2
Danny Abraham	100,000	4	Jul-13	Brierfield	Alderman - Ward 3
Kirkham Povall	100,000	4	Jul-13	Brierfield	Alderman - Ward 4
Paul Janoush	100,000	4	Jul-13	Brierfield	Alderman - Ward 5
Theodore R. Campbell	100,000	4	Jul-13	Brierfield	Alderman - Ward 6

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2012

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Rose Walters	50,000	1	Apr-13	Western	Water Clerk
Jodie Felton	50,000	1	Jul-13	Brierfield	Court Clerk
Joe Wayne Smith	50,000	1	Jun-13	Brierfield	Police officer
Robert Livingston	50,000	1	Jun-13	Brierfield	Police officer
Michael Pointer	50,000	1	Jun-13	Western	Police officer
Michael Walls	50,000	1	Jun-13	Western	Police officer
Frank Caswell	50,000	1	Jun-13	Western	Police officer
Kenneth Earl Allen	50,000	1	Jun-13	Western	Police officer
Wanda Robinson	50,000	1	May-13	Western	Court Clerk

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2012

Federal Agency / Pass-Through Entity / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice ARRA Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-SB-B9-2982	7,867
U. S. Department of Transportation Passed Through Mississippi Department of Transportation Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0015-016-2010	69,452
Airport Improvement Program	20.106	3-28-0015-017-2011	587,394
Airport Improvement Program	20.106	3-28-0015-018-2012	30,852
Passed Through Mississippi Department of Transportation Highway Administration			
Recreational Trails Program	20.219	28-RTP-0188	90,000
Recreational Trails Program	20.219	STP 0090-00-007-LPA	275,588
U.S. Department of Transportation Office of the Secretary (OST) Administration Secretariate Passed Through Mississippi Department of Transportation Highway Administration			
ARRA-Surface Transportation-Descretionary Grants for Capital Improvement	20.932	STP-8029-00(002)LPA/ 105992-701000	<u>121,715</u>
Grand Total			\$ <u><u>1,182,868</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, 2012

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.

See accompanying notes to 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, 2012

	9/30/2012			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Taxes	\$ 1,117,740	1,117,740	1,097,482	(20,258)
Interest Income	5,200	5,200	4,632	(568)
Total revenues	1,122,940	1,122,940	1,102,114	(20,826)
<u>EXPENDITURES:</u>				
Debt service	1,078,648	1,092,090	1,084,763	7,327
Total debt service	1,078,648	1,092,090	1,084,763	7,327
Total Expenditures	1,078,648	1,092,090	1,084,763	7,327
Excess (deficiency) of revenues over (under) expenditures	44,292	30,850	17,351	(28,153)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 44,292	30,850	17,351	(28,153)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(1,018)	
Net change in Fund Balances - GAAP Basis			16,333	
Fund balances, October 1			390,451	
Fund balances, September 30			406,784	

See accompanying notes to financial statements.

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, 2012

	9/30/2012			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Lease payment	\$ 161,750	161,750	161,750	0
Interest income	4	4	25	21
Total revenues	161,754	161,754	161,775	21
<u>EXPENDITURES:</u>				
Debt service	189,582	189,582	189,521	61
Total debt service	189,582	189,582	189,521	61
Total Expenditures	189,582	189,582	189,521	61
Excess (deficiency) of revenues over (under) expenditures	(27,828)	(27,828)	(27,746)	(40)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	28,000	28,000	28,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 172	172	254	(40)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds				
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			254	
Fund balances, October 1			2,360	
Fund balances, September 30			2,614	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous Operating	Miscellaneous Non-Operating	Total
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
2012	3,476,266	496,899	6,415,166	1,922,129	256,203	45,755	985,932	13,598,350

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	Capital Projects	Debt Service	Total
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
2012	1,181,600	4,601,551	1,031,015	1,675,949	1,551,409	125,821	961,954	789,551	1,259,822	1,346,284	14,524,956

See accompanying notes to financial statements.

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

Fiscal Year	Total Tax Levied	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collected	Total Tax Collected	Ratio of Total Tax Collected to Total Tax Levied
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%
2012	3,716,427	3,618,747	97.37%	34,727	3,653,474	98.31%

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
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
2012	69,284,238	11,638,556	12,415,313	3,192,476	96,530,583

See accompanying notes to financial statements.

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

Fiscal Year	General Fund Millage	Library Fund Millage	Park Fund Millage	Debt Service Millage	Total Millage
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
2012	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>
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
2012	27,225	5,475

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Fiscal Year Ended September 30, 2012**

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>				
05/01/03	Public Improvement Bond	110,000	110,000	110,000
03/01/04	Public Improvement Bond	290,000	290,000	290,000
05/01/05	Public Improvement Bond	330,000	330,000	330,000
05/01/06	Public Improvement Bond	450,000	450,000	450,000
03/01/07	Public Improvement Bond	575,000	575,000	575,000
05/01/06	General Obligation-Baxter Bond	785,000	785,000	785,000
05/01/10	Public Improvement Bond	1,100,000	1,100,000	1,100,000
05/01/11	Public Improvement Bond	1,035,000	1,035,000	1,035,000
01/26/12	Public Improvement Bond	1,390,000	1,390,000	1,390,000
	Total Outstanding General Obligation Debt	\$ 6,065,000	6,065,000	6,065,000

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2012	\$ 96,530,583	\$ 14,480,587	19,306,117
Present Debt (Subject to 15% and 20% Limitation, respectively)		6,065,000	6,065,000
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 8,415,587	13,241,117

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>
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
2012	12,334	96,530,583	6,065,000	409,398	5,655,602	5.86%	458.54

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
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%
2012	965,000	214,967	1,179,967	14,524,956	8.12%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
September 30, 2012

<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	\$ 5,655,602	100.00%	\$ 5,655,602
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>9,419,622</u> (1)	33.49% (2)	<u>3,154,631</u>
Total	<u>\$ 15,075,224</u>		<u>\$ 8,810,233</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$288,259,427 (1) to \$96,530,583 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 the City of Cleveland, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 5, 2013. 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.

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

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, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-1 and 2012-2 to be material weaknesses.

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 Limited Internal Control and Compliance Review Management Report dated June 5, 2013, included within this document.

City of Cleveland, Mississippi's responses to the findings identified in our audit are described in the accompanying *Auditee's Corrective Action Plan*. We did not audit the City'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 & Hirsting CPA's PLLC

June 5, 2013

**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, 2012. 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, 2012.

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.

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

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a material weakness.

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

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

Ellis & Hirsberg CPA's PLLC

June 5, 2013

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

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

In planning and performing our audit of the financial statements of City of Cleveland, Mississippi for the year ended September 30, 2012, we considered City of Cleveland, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to City of Cleveland, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 5, 2013, on the financial statements of City of Cleveland, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and test of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified an area that is an opportunity for strengthening internal control and operating efficiency. Our finding, recommendation and your response is disclosed below:

Finding:

As required by Section 21-35-15, Miss. Code Ann. (1972), actual expenditures should not exceed budgeted expenditures. Three funds, Park Fund, Crime Prevention Fund and Health Insurance 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 & Hirsting CPA's PLLC

June 5, 2013

**CITY OF CLEVELAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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 weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be a material weaknesses? | No |
| 3. | Material noncompliance relating to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | 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 | |
| b. | Recreational Trails Program CFDA# 20.219 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Material weaknesses

2012-1 Finding

Criteria

Physical and periodic comparisons of inventory to recorded inventory are necessary to ensure accuracy.

Condition

- The 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.
- 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.
- The spreadsheet for the street department is not correctly totaled. The formula to calculate the total does not include the 1st line of the inventory.
- In September 2012, \$49,935 of garbage bags was paid for. The garbage bag inventory reflects a value of \$16,190. It appears the year-end inventory was not updated for the recent purchase.

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. The inventory program should be reviewed for accuracy.

2012-2 Finding

Criteria

The books and records should reflect all transactions occurring within a government during the year.

Condition

Certain transactions occurring in the months of July, August and September of 2012 were not recorded in the general ledger. These items consisted of deposits involving federal grant proceeds, interest income, NSF bank charges, fees charged, and health insurance claim payments. In order to keep the rest of the computer bookkeeping system functioning, the books of the City were closed for each of the above months without the above items being recorded.

A series of adjusting journal entries was given to the auditor to post the transactions to the trial balances of each of the funds affected.

Cause

It appears personal issues of the City Clerk affected his ability perform his duties. The Clerk was terminated shortly before fiscal year end.

Effect

As a result of the above items not being posted, the books of the City are not complete. The ability to trace transactions and analyze accounts is diminished as the items do not appear. The financial statements were made accurate by the entries posted to trial balances. Some postings involved receipts for federal awards. Grant agreements require accurate records of receipts and expenditure of grant funds.

Recommendation

The ability to keep accurate books is imperative in being able to continue to receive federal awards. Timely postings of revenues and correct classification of the revenues posted is essential for maintaining a governmental set of records.

Section 3: Federal Award Findings and Questioned Costs

Material weakness

2012-3 Finding

Program

CFDA 20.106, Airport Improvement Program, U.S. Department of Transportation, Passed through Mississippi Department of Transportation

CFDA 20.219, Recreational Trails Program, U.S. Department of Transportation, Passed through Mississippi Department of Transportation

Compliance Requirement

Reporting

Questioned Costs

None

Criteria

The books and records of a government should record all transactions occurring during the year.

Condition

Please refer to finding 2012-2.

Cause

Please refer to finding 2012-2.

Effect

Please refer to finding 2012-2.

Recommendation

Please refer to finding 2012-2.



BILLY NOWELL
MAYOR

AUDITEE'S CORRECTIVE ACTION PLAN

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

As required by Section .315(c) of OMB Circular A-133, The City of Cleveland, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2012.

JOHN LINDSEY
CHIEF ADMINISTRATIVE
OFFICER

Finding

Corrective Action Plan Detail

PAUL MOUNCE
CITY CLERK

2012-1

a. Name of contact person responsible for corrective action:

Name: John Lindsey
Title: City Administrative Officer/City Clerk
Phone: 662-846-1471

CHARLES BINGHAM
CHIEF OF POLICE

b. Corrective Action Planned:

Inventory procedures will be reviewed and corrective action taken.

JOHN M. TROTTER
ASSISTANT
CHIEF OF POLICE

JAMIE JACKS
CITY ATTORNEY

c. Anticipated Completion Date:

September 2013

BRETT MOORMAN
DIRECTOR OF
COMMUNITY DEVELOPMENT

RAY BELL
DIRECTOR OF
PUBLIC WORKS

STEPHEN GLORIOSO
DIRECTOR OF
PARKS & RECREATION

2012-2

a. Name of contact person responsible for corrective action:

Name: John Lindsey
Title: City Administrative Officer/City Clerk
Phone: 662-846-1471

GREG KORB
CITY ENGINEER

b. Corrective Action Planned:

The City's ability to record receipts and disbursements will be reviewed and corrective measures taken.

c. Anticipated Completion Date:

September, 2013

- 2012-3
- a. Name of contact person responsible for corrective action:
Name: John Lindsey
Title: City Administrative Officer/City Clerk
Phone: 662-846-1471
 - b. Corrective Action Planned:

The City's ability to record receipts and disbursements will be reviewed and corrective measures taken.
 - c. Anticipated Completion Date:

September, 2013


City Clerk