

CITY OF CLEVELAND, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

WALKER & ASSOCIATES, CPA'S, PC

CITY OF CLEVELAND
FISCAL YEAR ENDED JUNE 30, 2008
TABLE OF CONTENTS

FINANCIAL SECTION
Report of Independent Certified Public Accountant 1

Basic Financial Statements
Government-Wide Financial Statements
Statement of Net Assets 2
Statement of Activities 3

Fund Financial Statements
Governmental Fund Financial Statements
Balance Sheet 4
Reconciliation of the Govermental Funds Balance Sheet to the Statement of Net Assets 5
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds 6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .. 7
Proprietary Fund Financial Statements
Statement of Net Assets 8
Statement of Revenues, Expenses, and Changes in Fund Net Assets 9
Statement of Cash Flows 10
Notes to Financial Statements 11

Required Supplementary Information (other than MD&A)
Budgetary Comparison Schedules
General Fund 21
Notes to Required Supplementary Information on Budgetary Accounting and Control 22

Other Governmental Funds
Combining Fund Balance Sheet 23
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 24

Compliance Section
Report on Internal Control over Financial Reporting and on Compliance and on Other Matters based on an audit of Financial Statements performed in accordance with Government Auditing Standards 25
Schedule of Findings and Responses 27
Independent Auditor's Report on Special Purpose Local Option one percent Sales and Use Tax 28
Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary 29
Plan of Corrective Action 30

Certified Public Accountants

Walker & Associates

A Professional Corporation

American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants
AICPA Employee Benefit
Quality Audit Center
AICPA Governmental
Audit Quality Center

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Independent Auditor's Report

To the City Council
City of Cleveland, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cleveland, Georgia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Cleveland, Georgia's management. Our responsibility is to express opinions 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 aspects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, and the aggregate remaining fund of City of Cleveland, Georgia, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the 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 October 31, 2008 on our consideration of the City of Cleveland, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 read in conjunction with this report in considering the results of our audit. In addition, in accordance with the Official Code of Georgia, we have issued a report dated October 31, 2008 on the schedule of Special Purpose Local Option Sales Tax.

The City of Cleveland, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The management's budgetary comparison information on pages 21 through 22 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and 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's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Sincerely,

Walker & Associates

Walker & Associates
Certified Public Accountants
October 31, 2008

CITY OF CLEVELAND, GEORGIA

Statement of Net Assets

June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Activities	Total	
Assets				
Cash and cash equivalents	$ 2,558,489	$ 2,318,929	$ 4,877,418	$ -
Receivables (net)	340,717	109,810	450,527	-
Other current assets	13,429	81,123	94,552	-
Construction in progress	-	1,846,390	1,846,390	-
Nondepreciable capital assets	-	158,299	158,299	-
Depreciable capital assets, net	516,980	3,354,448	3,871,428	-
Total assets	3,429,615	7,868,999	11,298,614	-
Liabilities				
Current Liabilities:				
Accounts payable and other liabilities	66,943	177,958	244,901	-
Internal balances	(23,044)	23,044	-	-
Accrued balances	63,430	42,657	106,087	-
Total current liabilities	107,329	243,659	350,988	-
Long term liabilities:				
Due within one year	-	139,443	139,443	-
Due in more than one year	-	700,965	700,965	-
Total long term liabilities	-	840,408	840,408	-
Total liabilities	107,329	1,084,067	1,191,396	-
Net assets				
Invested in capital assets	516,980	4,518,727	5,035,707	-
Restricted for:				
Capital projects	2,176,842	-	2,176,842	-
Customer deposits	-	134,014	134,014	-
Unrestricted	628,464	2,132,191	2,760,655	-
Total net assets	$ 3,322,286	$ 6,784,932	$ 10,107,218	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Activities

For the Year Ended June 30, 2008

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Constributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Acitivities	Business-Type Activities	Total	Component Unit
Primary government:								
Governmental activities								
General government	$ 649,825	$ 743,890	$ -	$ -	$ 94,065		$ 94,065	
Public safety	986,164	103,736	30,000	-	(852,428)		(852,428)	
Streets and sanitation	498,864	-	-	-	(498,864)		(498,864)	
Health and welfare	-	-	-	-	-		-	
Culture and recreation	6,821	-	-	-	(6,821)		(6,821)	
Miscellaneous government	-	-	68,000	-	68,000		68,000	
Interest on long term debt	-	-	-	-	-		-	
Total governmental activities	2,141,674	847,626	98,000	-	(1,196,048)		(1,196,048)	
Business-type activities								
Water and Sewer	1,212,672	1,472,460	-	-		$ 259,788	259,788	
Total business-type activities	1,212,672	1,472,460	-	-		259,788	259,788	
Total primary government	$ 3,354,346	$ 2,320,086	$ 98,000	$ -			(936,260)	
Component units:								
Downtown Development Authority	$ -	$ -	$ -	$ -				$ -
Total component units	$ -	$ -	$ -	$ -				$ -
General revenues:								
Taxes:								
Property taxes, levied for general purposes					386,028	-	386,028	
Franchise tax					22,978	-	22,978	
Sales taxes					1,350,183	-	1,350,183	
Interest and investment earnings					112,192	62,021	174,213	
Miscellaneous					47,460	53,148	100,608	
Transfers					(1,376,989)	1,376,989	-	
Total general revenues, special items, and transfers					541,852	1,492,158	2,034,010	
Change in net assets					(654,196)	1,751,946	1,097,750	
Beginning net assets					3,976,482	5,032,986	9,009,468	-
Ending net assets					$ 3,322,286	$ 6,784,932	$ 10,107,218	$ -

The accompanying notes are an integral part of these financial statements

CITY OF CLEVELAND, GEORGIA

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 498,383	$ 2,060,106	$ -	$ 2,558,489
Due from other governments	105,514	126,872	-	232,386
Receivables (net)	108,331	-	-	108,331
Other assets	13,429	-	-	13,429
Due from other funds	23,068	-	26,480	49,548
Total assets	$ 748,725	$ 2,186,978	$ 26,480	$ 2,962,183
Liabilities				
Accounts payable	$ 56,807	$ 10,136	$ -	$ 66,943
Accrued expenses	9,603	-	-	9,603
Due to other funds	26,480	24	-	26,504
Deferred revenue	115,385	55,894	-	171,279
Total liabilities	208,275	66,054	-	274,329
Fund balance				
Capital project funds	-	2,120,924	-	2,120,924
Special revenue funds				
Hotel/Motel tax-Tourism	-	-	1,480	1,480
Grant fund-Downtown development	-	-	25,000	25,000
Unreserved and undesignated	540,450	-	-	540,450
Total fund balance	540,450	2,120,924	26,480	2,687,854
Total liabilities and fund equity	$ 748,725	$ 2,186,978	$ 26,480	$ 2,962,183

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets

June 30, 2008

Total fund balances - governmental funds	$ 2,687,854
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 governmental funds.	
Governmental capital assets	1,577,536
Less: Accumulated depreciation	(1,060,556)
Accrued personal leave not reported in governmental funds	(53,827)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	171,279
Net assets of governmental activities	$ 3,322,286

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2008

Revenues	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	$ 370,286	$ -	$ -	$ 370,286
Sales taxes	599,566	765,209	-	1,364,775
Franchise tax	22,978	-	-	22,978
Fines and forfeitures	171,736	-	-	171,736
Charges for services	726,790	-	17,100	743,890
Interest	22,967	89,225	-	112,192
Miscellaneous	47,460	-	30,000	77,460
Total Revenue	1,961,783	854,434	47,100	2,863,317
Expenditures				
Current				
General government	700,467	-	17,321	717,788
Public safety	1,054,833	-	60,000	1,114,833
Streets and sanitation	357,172	-	-	357,172
Culture and recreation	4,190	-	-	4,190
Capital outlay	-	136,489	-	136,489
Total Expenditures	2,116,662	136,489	77,321	2,330,472
Excess revenues over (expenditures)	(154,879)	717,945	(30,221)	532,845
Other financing sources (uses)				
Transfer in	-	-	30,000	30,000
Transfers out	(30,000)	(1,376,989)	-	(1,406,989)
Total other financing sources and uses	(30,000)	(1,376,989)	30,000	(1,376,989)
Net change in fund balance	(184,879)	(659,044)	(221)	(844,144)
Beginning fund balances	725,329	2,779,968	26,701	3,531,998
Ending fund balances	$ 540,450	$ 2,120,924	$ 26,480	$ 2,687,854

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2008

Net change in fund balances-total governmental funds	$ (844,144)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($87,920) exceeded capital outlay ($289,064) in the current period.	201,144
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures	
Compensated absence liability	(12,346)
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	
Deferred revenues changed by this amount this year.	1,150
Net change in assets of governmental activities	$ (654,196)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Net Assets

Proprietary Fund

June 30, 2008

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash	$ 2,318,929
Accounts Receivable (net)	96,428
Due from others	13,382
Accrued Revenue	56,767
Total Current Assets	2,485,506
Noncurrent Assets:	
Capital assets	
Land	158,299
Buildings and improvements	5,734,997
Machinery and equipment	957,409
Construction in progress	1,846,390
Less accumulated depreciation	(3,337,960)
Total capital assets (net of accumulated depreciation)	5,359,135
Deferred Charge	24,358
Total noncurrent assets	5,383,493
Total Assets	$ 7,868,999
Liabilities	
Current Liabilities:	
Accounts Payable	$ 29,989
Accrued Expenses	42,657
Due to Other Funds	23,044
Due to Others	13,955
Current Portion of Long Term Debt	139,443
Total Current Liabilities	249,088
Noncurrent Liabilities:	
Customer Deposits	134,014
Notes payable (Net of Current Portion)	700,965
Total Noncurrent Liabilities	834,979
Total Liabilities	1,084,067
Net assets	
Invested in capital assets, net of related debt	4,518,727
Restricted for Customer Despoits	134,014
Unrestricted	2,132,191
Total net assets	$ 6,784,932

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Water and Sewer Enterprise Fund
Operating revenue	
Charges for service	$ 1,378,577
Connection fees	52,310
Miscellaneous income	94,720
Total operating revenue	1,525,607
Operating expenese	
Personal services	
Compensation	336,431
Employment taxes	23,868
Benefits	80,720
Total Personal Services	441,019
Expenses	
Purchased water	74,967
Supplies	94,290
Repairs and maintenance	53,560
Utilities	126,054
Miscellaneous	52,851
Depreciation	188,710
Insurance	34,709
Engineering, lab fees and training	102,703
Total expenses	727,844
Total operating expenses	1,168,863
Operating income	356,744
Nonoperating revenues (expenses)	
Interest income	62,021
Interest expense on loans	(43,808)
Total nonoperating revenues (expenses)	18,213
Income before contributions and transfers	374,957
Transfers in	1,376,989
Change in net assets	1,751,946
Total net assets - beginning	5,032,986
Total net assets - ending	$ 6,784,932

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2008

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 1,525,607
Payments to suppliers	(509,227)
Payments to employees	(441,019)
Net cash provided (used) by operating activities:	575,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer in	1,376,989
Net cash provided by noncapital financing activities	1,376,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(1,380,302)
Debt payments, principal and interest and deferred charge	(173,410)
Net cash provided (used) by capital and related financing activities	(1,553,712)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest expense	(43,808)
Interest income	62,021
Net cash provided by investing activities	18,213
Net increase in cash and cash equivalents	416,851
Balances - beginning of year	1,897,377
Balances - end of year	$ 2,314,228
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 356,744
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	188,710
Changes in assets and liabilities:	
Receivables and accrued revenue	53,835
Accounts payable	(18,037)
Accrued expenses	4,918
Other liabilities	(10,809)
Net cash provided by operating activities	$ 575,361

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Notes to Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Cleveland, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standard Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The City of Cleveland, Georgia is a municipal corporation governed by an elected mayor and four member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Discretely presented component units. The Downtown Development Authority is governed by a separate board and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Cleveland for the purpose of revitalizing and developing the central business district of Cleveland, Georgia.

The above component unit's financial statements are reflected on the City's Financial Statements under the Discretely Presented Component Unit caption. The Authority is currently inactive and is without assets, liabilities, revenue or expenditures. No separate statements are available.

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. The following entity is a related organization of the City of Cleveland, Georgia and operations are not included in this report:

Cleveland Housing Authority

Based upon GASB criteria, the following entities are not considered component units of the City of Cleveland, Georgia and operations are not included in this report:

Turner Creek Water Treatment Plant Management Fund

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation-Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund. This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for purposes approved by referendum.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund accounts for the operations of The City's water and sewer services.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non operating revenues and expenses, such as subsides, investment earnings or interest expense, result from non exchange transactions or ancillary activities.

Measurement, Focus, Basis of Accounting

Government-wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All business-type activities and enterprise funds of the City follow FASB Statements and interpretations issued before or after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Accounting Change

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statemets-and Management's Discussion and Analysis-for State and Local Governments.* Certain of the significant changes in the Statement include the following:

Currently the financial statements should include:

A Management Discussion and Analysis (MD&A) section providing an analysis of The City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's activities, including reporting infrastructure assets (roads, bridges, etc.).

A change in the fund financial statements to focus on the *major* funds.

1-C Assets, Liabilities, and Equity [Primary government]

Cash and Cash Equivalents

The City considers short-term liquid investment that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates – only investments with original maturities of three months or less meet this definition.

Investments

As of June 30, 2008 the City did not have any investments.

Restricted Assets

These assets are held in the capital project and special revenue funds for specific purposes defined by statute, referendum, or grant contract and not generally available for general government operations.

Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfold loans) or "advances to / from other funds" (i.e., the non-current portion of interfold loans.) All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables, including those for the City of Cleveland, are shown net of an allowance for uncollectibles. Trade accounts receivable, in the Water and Sewer Fund, in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles,,for that fund. In the General Fund the property tax receivable allowance is equal to 1 percent of outstanding property taxes at June 30, 2008.

Property Tax Calendar

The City set its milage rate for 2007 on July 26, 2007 at 3.457 mils. Property tax bills were mailed on September 22, 2007 and were due December 20, 2007. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed on December 21, 2007. The City contracts with the White County Tax Commissioner's office to process tax bills, collect and remit tax payments. The fee for this service is $5.00 per tax bill.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Retirement Plans

The City's pension retirement plan, City of Cleveland, Pension Plan, is a defined contribution pension plan, and covers substantially all employees. At June 30, 2008 there were 31 employees participating in the Plan. Contributions to the Plan are funded on a monthly basis. The City is required to contribute on behalf of each participant 10% of annual compensation. All employees of the City are eligible to participate in the plan once they have completed one (1) year of service (as defined by the provisions of the plan) and have reached the age of 21. Contributions required and paid to the plan during the plan year ending June 30, 2008, were $90,396, which is 7.96% of total compensation, $1,071,287 and 10% of covered compensation, $898,876. The City of Cleveland is the administrator for this plan and may amend the plan at it's discretion. Contributions are paid into a trust which holds and invests the assets. Investment decisions are made by an employee benefits committee made up of city employees. Employee contributions are not permitted.

The City also sponsors the Deferred Compensation Plan of the City of Cleveland, a Section 457 defined contribution plan for the benefit of its employees. At June 30, 2008 there was one employee participating in the plan. Contributions to the plan are funded on a monthly basis. The City does not match employee contributions. All employees are eligible to participate in the plan. Employees can begin to participate in the plan the following month after employment begins. The plan holds its assets in a separate trust invested in annuity contracts in the name of each participant and consequently is not reported on the City's financial statements. As administrator of the plan, the City, may amend the plan at its discretion. For the year ending June 30, 2008 the employees contributed $2,475 to the plan.

NOTE 2. CASH [Primary government]

The City's cash balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name. The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the security agreement with the bank. The City does not have a foreign credit risk.

At June 30, 2008 the carrying amount of the City's deposits was $4,881,068 and the related bank deposits totaled $4,881,068. Of these bank deposits, $4,881,068 was fully covered by FDIC insurance or collateral held by the City's agent in the City's name.

NOTE 3. RECEIVABLES [Primary government]

The following is a summary of amounts due from others at June 30, 2008.

Receivable from:		
Governmental funds:		
Due from other governments		$226,502
Taxes receivable, net		68,449
Accounts receivable, net		45,766
	Total	$ 340,717
Business-Type funds:		
Accounts receivable, net		109,810
	Total	$109,810

NOTE 4. LITIGATION [Primary government]

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 5. DEFERRED CHARGE [Primary government]

Debt issuance cost in the proprietary fund is capitalized as a deferred charge on the balance sheet and is amortized over the life of the bonded indebtedness. The amount reported on the balance sheet is net of amortization of $24,358.

NOTE 6. LONG TERM DEBT [Primary government]

The City's long term debt consist of a loan from the Georgia Environmental Facilities Authority to construct the City's sewer processing plant. The City constructed and operates a sewerage treatment plant with the loan proceeds which has a historical cost of $2,378,602 and accumulated depreciation of $867,198 at 6/30/08.

Long Term Debt Details	Total	Current Portion	Long-Term Portion
Business Type Activities			
Note Payable to Georgia Environmental Facilities Authority, Matures 11/01/14. Eight quarterly payments of $42,746. Interest rate is 4.00%; unsecured. Original loan proceeds - $2,346,263.	$840,408	$139,443	$700,965

Business Type Activiteies

Five year repayment schedule:

Year Ending	Total Payments	Principal	Interest
6/30/2009	170,985	139,442	31,543
6/30/2010	170,985	145,105	25,880
6/30/2011	170,985	150,996	19,989
6/30/2012	170,985	157,127	13,858
6/30/2013	170,985	163,507	7,477
2014	256,471	84,231	842
Totals	$1,111,396	$840,408	$99,589

Business Type Activities

Summary of Debt Activity:	July 1, 2007	Additions	Reductions	June 30, 2008	Due within one year
GEFA note	$974,412	$0	$134,004	$840,408	$139,442

NOTE 7. RISK MANAGEMENT [Primary government]

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2008 was $35,959.

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 8. COMPENSATED ABSENCES [Primary government]

Governmental Accounting Standards Board Statement 16, effective for fiscal years beginning after June 15, 1993, requires that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated. Accrued Vacation and Personal Leave in the amount of $89,836 is included in the government wide financial statements.

NOTE 9. HOTEL-MOTEL TAX COMPLIANCE [Primary government]

The City collects a 5 percent hotel/motel tax of which 40 percent is required to be spent on promotion of tourism and trade. At June 30, 2008 the City funds the White County Historical Society and the White County Chamber of Commerce with tax proceeds. The amount spent for the promotion of tourism and trade was 101% of the tax collected.

Tax Collections:	$ 17,100 ✓
Amount Provided to both organizations	$ 17,321 ✓
Promotion Expenditures:	$ 17,321

NOTE 10. CAPITAL ASSETS [Primary government]

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 17,426
Public safety	55,125
Streets and sanitation	12,738
Culture and recreation	2,631
Total depreciation	$ 87,920 ✗

Business-type activities:	
Water and Sewer	$188,710

Note 10. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2008, was as follows:

Primary Government	Beginning Balances 7/1/2007	Increases	Decreases	Ending Balances 6/30/2008
Governmental activities:				
Capital assets not being depreciated:				
Land	$ -	-	-	$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	285,611	277,164	-	562,775
Vehicles	413,272	-	413,272	-
Equipment	589,566	702,359	277,164	1,014,761
Total capital assets being depreciated	1,288,449	979,523	690,436	1,577,536
Total capital assets				
Accumulated depreciation:				
Buildings	299,588	118,138	21,324	396,402
Vehicles	365,107	-	365,107	-
Equipment	307,918	356,236	-	664,154
Total accumulated depreciation	972,613	474,374	386,431	1,060,556
Total governmental capital assets being depreciated, net	315,836	505,149	304,005	516,980
Total governmental capital assets	315,836	505,149	304,005	516,980
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	158,299	-	-	158,299
Construction in progress	537,580	1,381,690	72,881	1,846,389
Total capital assets not being depreciated	695,879	1,381,690	72,881	2,004,688
Capital assets being depreciated:				
Vehicles	27,301	-	27,301	-
Buildings	8,000	-	-	8,000
Equipment	892,391	65,020	-	957,411
Sewerage treatment plant/water lines	5,654,116	72,881	-	5,726,997
Total capital assets being depreciated	6,581,808	137,901	27,301	6,692,408
Total capital assets	7,277,687	1,519,591	100,182	8,697,096
Accumulated depreciation:				
Vehicles	13,330	-	13,330	-
Buildings	1,600	200	-	1,800
Equipment	511,711	85,372	-	597,083
Water and sewer system	2,622,609	116,468	-	2,739,077
Total accumulated depreciation	3,149,250	202,040	13,330	3,337,960
Total capital assets being depreciated, net	3,432,558	(64,139)	13,971	3,354,448
Business-type activity assets, net	$ 4,128,437	$ 1,317,551	$ 86,852	$ 5,359,136

NOTE 11. BUDGETS [Primary government]
The following are Governmental Funds for which budgets were legally adopted:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund (at the legal level of control)	$ 2,187,010	$2,116,662	-
Hotel/Motel Tax Special Revenue Fund	$ 18,000	$ 17,321	-
Grant Fund	$ 60,000	$ 60,000	-

Note 12. DEFERRED REVENUE (Primary Government)

Deferred revenue in the governmental fund financial statements:

Sales tax	$115,385	Taxes earned in the current year but received beyond the City's period of availability.
Property tax revenues	55,894	Taxes earned in the current year but received beyond the City's period of availability.
Total	$171,279	

NOTE 13. INTERNAL FUND BALANCES AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled All Others. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

These transfers have been eliminated from the government wide financial statements.

Interfund Balances

		Due from			
		General Fund	Water and Sewer	Capital Projects	Total
Due to	General Fund	$ -	$ 23,044	$ 24	$ 23,068
	Capital Projects		-		-
	Hotel/Motel	1,480	-		1,480
	Water and Sewer Enterprise Fund	-	-	-	-
	Grant Fund	25,000	-		25,000
	Total	$ 26,480	$ 23,044	$ 24	$ 49,548

Interfund Transfers

		Transfer To		
		Water and Sewer	Grant Fund	Totals
Transfer From	Capital Projects	$1,376,989		$1,376,989
	General Fund		$ 30,000	30,000
	Total	$ 1,376,989	$ 30,000	$1,406,989

NOTE 15 - ALLOWANCE FOR UNCOLLECTABLE TAXES AND ACCOUNTS

The balance of taxes and accounts receivable at June 30, 2008 are net of the following allowances for doubtful accounts.

Fund	Taxes	Accounts
General	$ 504	$11,463
Enterprise	-0-	43,121
	$ 504	$54,584

NOTE 16 - JOINT VENTURES

Under Georgia law, the City in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development center (RDC) and required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Georgia Mountains Regional Development Center
1310 W. Ridge Road
Gainesville, GA 30501

CITY OF CLEVELAND, GEORGIA

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Budget to Differences Over / (Under)	Actual GAAP Basis	Variance with Final Budget Positive / (Negative)
REVENUES						
Property Taxes	$ 362,935	$ 362,935	$ 370,286	$ -	$ 370,286	$ 7,351
Sales Taxes	680,000	680,000	599,566	-	599,566	(80,434)
Franchise Taxes	30,500	30,500	22,978	-	22,978	(7,522)
Fines and Forfeitures	93,075	93,075	171,736	-	171,736	78,661
Fund Balance	260,000	434,408	-	-	-	(434,408)
Charges for Services	728,500	728,500	726,790	-	726,790	(1,710)
Interest	17,000	17,000	22,967	-	22,967	5,967
Miscellaneous	15,000	15,000	47,460	-	47,460	32,460
Total Revenues	$ 2,187,010	$ 2,361,418	$ 1,961,783	$ -	$ 1,961,783	$ (399,635)
EXPENDITURES						
Current Operating:						
General Government	$ 884,550	$ 884,550	$ 700,467	$ -	$ 700,467	$ 184,083
Public Safety	880,425	1,054,833	1,054,833	-	1,054,833	-
Streets and Sanitation	407,585	407,585	357,172	-	357,172	50,413
Culture and Recreation	14,450	14,450	4,190	-	4,190	10,260
Total Expenditures	$ 2,187,010	$ 2,361,418	$ 2,116,662	$ -	$ 2,116,662	$ 244,756

See accompanying notes are an integral part of these financial statements.

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to June 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

BUDGET REQUIREMENTS

Amendments to the original budget appropriations were properly approved by the City Council. For the year ended June 30, 2008 the following supplemental increases and decreases in appropriations were approved:

Fund Type	Orginal Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General government				
Public safety	$ 880,425	$ 174,408	$ -	$ 1,054,833

CITY OF CLEVELAND, GEORGIA

Combining Fund Balance Sheet

Other Governmental Funds

June 30, 2008

	Special Revenue Funds		
	Hotel/Motel Fund	Grant Fund	Totals
Assets			
Due from General Fund	$ 1,480	$ -	$ 1,480
Due from other governments	-	25,000	25,000
Total assets	$ 1,480	$ 25,000	$ 26,480
Liabilities			
Due to other funds	$ -	$ -	$ -
Total liabilities	-	-	-
Fund Balance			
Reserved	1,480	25,000	26,480
Total liabilities and fund balances	$ 1,480	$ 25,000	$ 26,480

CITY OF CLEVELAND, GEORGIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year ended June 30, 2008

	Special Revenue Funds		
	Hotel/Motel Fund	Grant Fund	Total
Revenues			
Revenue	$ 17,100	$ 30,000	$ 47,100
Total revenues	17,100	30,000	47,100
Expenditures			
Current:			
General government	17,321	60,000	77,321
Total expenditures	17,321	60,000	77,321
Excess (deficiency) of revenues over expenditures	(221)	(30,000)	(30,221)
Other financing sources and (uses)			
Transfers in	-	30,000	30,000
Transfers out	-	-	-
Total other financing sources and uses	-	30,000	30,000
Net changes in fund balance	(221)	-	(221)
Fund balance - beginning	1,701	25,000	26,701
Fund balance - ending	$ 1,480	$ 25,000	$ 26,480

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Walker & Associates

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American Institute of
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Georgia Society of
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AICPA Employee Benefit
Quality Audit Center
AICPA Governmental
Audit Quality Center

William D. Walker, CPA
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Wayne Tuck, CPA
Gail Stepp
Martha P. Smith
Teresa Standridge

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Cleveland
Cleveland, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cleveland, Georgia as of and for the year ended June 30, 2008 which collectively comprise the City of Cleveland's basic financial statements and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the aforementioned significant deficiency also to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the City of Cleveland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.*

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

This report is intended solely for the information of the audit committee, management, others within the organization, participants, 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.

Walker & Associates CPA's, PC
October 31, 2008

CITY OF CLEVELAND
Schedule of Findings and Responses
For the Year Ended June 30, 2008

FINDINGS-FINANCIAL STATEMENT AUDIT

Compliance

NONE

Internal Control

B-1	Condition:	The City does not possess adequate capabilties to prepare financial statements in accordance with accounting principals generally accepted in the United States.
	Criteria:	The City should possess the abiltity to prepare its own financial statements or have access with someone with adequate technical training and education to review the financial statements prepared by others.
	Effect:	The City does not possess the ability to detect material misstatements in financial statements prepared by others.
	Recommendation:	The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.
B-2	Condition:	Client did not have adequate documentation to withhold various deductions from employees earnings.
	Criteria:	The finance officer should possess adequate documentation signed by employees for various deductions to reduce their gross pay.
	Effect:	The City could be subject to claims by employees for withholding erroneous amounts not approved by the employee.
	Recommendation:	The City should consider updating these various records annually with employees authorization.
B-3	Condition:	The City's purchasing policy requires approval from the mayor and council for purchases over $100
	Criteria:	The Council should update their policy to increase this amount.
	Effect:	The City is not complying with their purchasing policy to have all purchases over $100 approved by the mayor and council.
	Recommendation:	The City should update their policy manual and increase the amount.

Management Response: See page 30 "Plan of Corrective Action"

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INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE LOCAL OPTION ONE PERCENT SALES AND USE TAX

To the Board of Commissioners
City of Cleveland, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Cleveland, Georgia for the year ended June 30, 2008. This schedule is the responsibility of the City of Cleveland, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. 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 opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described on Note 1 and is not intended to be a complete presentation of the City of Cleveland, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Cleveland, Georgia's resolution or ordinance calling for the tax for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

Walker & Associates

Walker & Associates
Certified Public Accountants
Gainesville, Georgia
October 31, 2008

CITY OF CLEVELAND, GEORGIA

Schedule of Special Purpose Local Option Sales Tax
Estimated Cost of Expenditure Summary
For the Year Ended June 30, 2008

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 1999					
Construction and repair of roads, streets and bridges	$ 2,800,000	$ 2,800,000	$ 1,524,944	$ 102,388	$ 1,627,332
SPLOST 2004					
Water and Sewer Improvements	2,600,000	2,600,000	518,063	1,376,989	1,895,052
Downtown Redevelopment	400,000	400,000	68,748	34,101	102,849
Total SPLOST 2004	$ 5,800,000	$ 5,800,000	$ 2,111,755	$ 1,513,478	$ 3,625,233

MAYOR
Donald Stanley

CITY CLERK
Connie Tracas

CITY ADMINISTRATOR



COUNCIL MEMBERS
Bradley Greene
Rush Mauney
Annie Sutton
Edward Young

85 South Main Street
Cleveland, GA 30528
Telephone 706-865-2017
Fax 706-219-3220

Mr. Ed Blaha, Director
Georgia Department of Audits and Accounts
Nonprofit and Local Government Audits
254 Washington Street, S.W., Suite 322
Atlanta, GA 30334-8400

Re: Planned Corrective Action
Fiscal Year Ending June 30, 2008

Dear Mr. Blaha:

City of Cleveland respectfully submits the following corrective action plan for the year ending June 30, 2008. The firm of Walker & Associates, CPA's, PC Post Office Box 385, Gainesville, Georgia 30501 has conducted an audit for the period ending June 30, 2008. The findings are numbered consistently with the numbers assigned in the schedule.

Compliance:

B-1: Condition: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principals generally accepted in the United States.

Criteria: The City should possess the ability to prepare its own financial statements or have access with someone with adequate technical training and education to review the financial statements prepared by others.

Effect: The City does not possess the ability to detect material misstatements in financial statements prepared by others.

Recommendation: The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.

Plan of Action: The mayor and council have discussed the findings and recommendations with our auditors. After considering our options, the mayor and council have determined that it is not economically feasible to follow the recommendation at this time.

Internal Control:

B-2 Condition: Client did not have adequate documentation to withhold various deductions from employee earnings.

Criteria: The finance officer should possess adequate documentation, signed by employees, for various deductions to reduce their gross pay.

Effect: The City could be subject to claims by employees for withholding erroneous amounts not approved by the employee.

Recommendation: The City should consider updating these various records annually with employee authorization.

Plan of Action: The City will update all records concerning employee payroll deductions and conduct an annual audit of the files.

B-3 Condition: The City's purchasing policy requires approval from the mayor and council for purchases over $100.00.

Criteria: The council should update their policy to increase this amount.

Effect: The City is not complying with their purchasing policy to have all purchases over $100 approved by the mayor and council.

Recommendation: The council should update their policy to increase this amount.

Plan of Action: The mayor and council will update the purchasing policy to have all purchases over $500 approved by the mayor and council.

If you have any questions regarding the Plan of Corrective Action, please contact me at 706-865-2017.

Sincerely,

Mayor Donald Stanley

File