CITY OF CLEVELAND, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

WALKER & ASSOCIATES, CPA'S, PC

CITY OF CLEVELAND
FISCAL YEAR ENDED JUNE 30, 2010
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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

William D. Walker, CPA
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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 unit, each major fund, and the aggregate remaining fund information of City of Cleveland, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cleveland, Georgia, as of June 30, 2010, 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 November 15, 2010, on our consideration of the City of Cleveland, Georgia's internal control over financial reporting and on 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 considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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, Georgia's basic financial statements as a whole. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, are fairly stated in all material aspects in relation to the financial statements taken as a whole.

Sincerely,

Walker & Associates
Certified Public Accountants
November 15, 2010

CITY OF CLEVELAND, GEORGIA

Statement of Net Assets

June 30, 2010

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
Assets				
Cash and cash equivalents	$ 2,966,500	$ 2,624,869	$ 5,591,369	$ -
Receivables (net)	270,486	180,744	451,230	-
Other current assets	13,429	95,587	109,016	-
Prepaid Expenses	2,731	-	2,731	-
Construction in progress	-	294,241	294,241	-
Nondepreciable capital assets	-	158,299	158,299	-
Depreciable capital assets, net	869,416	5,209,536	6,078,952	-
Total assets	4,122,562	8,563,276	12,685,838	-
Liabilities				
Current Liabilities:				
Accounts payable and other liabilities	104,051	256,457	360,508	-
Deferred Revenue	-	40,718	40,718	-
Internal balances	232,939	(232,939)	-	-
Accrued balances	23,186	14,404	37,590	-
Total current liabilities	360,176	78,640	438,816	-
Noncurrent liabilities:				
Due within one year	-	150,996	150,996	-
Due in more than one year	55,493	451,293	506,786	-
Total long term liabilities	55,493	602,289	657,782	-
Total liabilities	415,669	680,929	1,096,598	-
Net assets				
Invested in capital assets,net of related debt	869,416	5,106,215	5,975,631	-
Restricted for:				
Capital projects	2,328,607	-	2,328,607	-
Law enforcement	950	-	950	-
Unrestricted	507,920	2,776,132	3,284,052	-
Total net assets	$ 3,706,893	$ 7,882,347	$ 11,589,240	$ -

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

CITY OF CLEVELAND, GEORGIA

Statement of Activities

For the Year Ended June 30, 2010

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities								
General government	$ 701,204	$ 550,957	$ 3,000	$ 525,956	$ 378,709		$ 378,709	
Public safety	910,326	87,328	11,455	-	(811,543)		(811,543)	
Streets and sanitation	585,801	-	-	211,800	(374,001)		(374,001)	
Health and welfare	-	-	-	-	-		-	
Culture and recreation	7,112	-	-	-	(7,112)		(7,112)	
Miscellaneous government	-	-	6,000	-	6,000		6,000	
Interest on long term debt	-	-	-	-	-		-	
Total governmental activities	2,204,443	638,285	20,455	737,756	(807,947)		(807,947)	
Business-type activities								
Water and Sewer	1,249,730	1,446,445	-	100,000		$ 296,715	296,715	
Total business-type activities	1,249,730	1,446,445	-	100,000		296,715	296,715	
Total primary government	$ 3,454,173	$ 2,084,730	$ 20,455	$ 837,756			(511,232)	
Component units:								
Downtown Development Authority	$ -	$ -	$ -	$ -				$ -
Total component units	$ -	$ -	$ -	$ -				$ -
Taxes:								
Property taxes, levied for general purposes					326,058	-	326,058	
Franchise tax					175,980	-	175,980	
Sales taxes					617,335	-	617,335	
Interest and investment earnings					5,393	38,210	43,603	
Miscellaneous					12,798	7,547	20,345	
Transfers					(119,362)	119,362	-	
Total general revenues, special items, and transfers					1,018,202	165,119	1,183,321	
Change in net assets					210,255	461,834	672,089	
Beginning net assets					3,496,638	7,420,513	10,917,151	-
Ending net assets					$ 3,706,893	$ 7,882,347	$11,589,240	$ -

The accompanying notes are an integral part of these financial statements

CITY OF CLEVELAND, GEORGIA
Balance Sheet
Governmental Funds

June 30, 2010

Assets	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	$ 705,821	$ 2,259,729	$ 950	$ 2,966,500
Due from other governments	53,228	68,878	11,454	133,560
Receivables (net)	136,926	-	-	136,926
Prepaid expenses	2,731	-	-	2,731
Other assets	13,429	-	-	13,429
Due from other funds	28,169	-	29,005	57,174
Total assets	$ 940,304	$ 2,328,607	$ 41,409	$ 3,310,320
Liabilities				
Accounts payable	$ 78,598	$ 24,448	$ 1,005	$ 104,051
Accrued expenses	23,186	-	-	23,186
Due to other funds	29,005	249,654	11,454	290,113
Deferred revenue	79,258	-	-	79,258
Total liabilities	210,047	274,102	12,459	496,608
Fund balance				
Reserved, reported in:				
Capital projects funds	-	2,054,505	-	2,054,505
Special revenue funds				
Confiscated Asset Fund	-	-	950	950
Grant fund	-	-	28,000	28,000
Unreserved and undesignated	730,257	-	-	730,257
Total fund balance	730,257	2,054,505	28,950	2,813,712
Total liabilities and fund balance	$ 940,304	$ 2,328,607	$ 41,409	$ 3,310,320

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, 2010

Total fund balances - governmental funds	$ 2,813,712
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	2,143,037
Less: Accumulated depreciation	(1,273,621)
Accrued personal leave not reported in governmental funds	(55,493)
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.	79,258
Net assets of governmental activities	$ 3,706,893

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, 2010

Revenues	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	$ 326,058	$ -	$ -	$ 326,058
Sales taxes	647,542	538,231	-	1,185,773
Franchise tax	175,980	-	-	175,980
Fines and forfeitures	80,478	-	-	80,478
Charges for services	537,628	-	13,329	550,957
Interest	5,392	19,941	1	25,334
Contributions	217,800	-	-	217,800
Miscellaneous	12,798	-	21,305	34,103
Total Revenue	2,003,676	558,172	34,635	2,596,483
Expenditures				
Current				
General government	673,339	-	13,329	686,668
Public safety	881,009	-	17,954	898,963
Streets and sanitation	515,321	270,663	-	785,984
Culture and recreation	4,481	-	-	4,481
Total Expenditures	2,074,150	270,663	31,283	2,376,096
Excess revenues over (under) expenditures	(70,474)	287,509	3,352	220,387
Other financing sources (uses)				
Transfers in	100,000	-	-	100,000
Transfers out	-	(219,362)	-	(219,362)
Total other financing sources (uses)	100,000	(219,362)	-	(119,362)
Net change in fund balance	29,526	68,147	3,352	101,025
Beginning fund balances	700,731	1,986,358	25,598	2,712,687
Ending fund balances	$ 730,257	$ 2,054,505	$ 28,950	$ 2,813,712

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, 2010

Net change in fund balances-total governmental funds	$	101,025
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 net capital outlay ($278,163) exceeded depreciation ($107,371) in the current period.		170,792
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 changed by this amount from prior year		861
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 from prior year		(62,423)
Change in net assets of governmental activities	$	210,255

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

CITY OF CLEVELAND, GEORGIA

Statement of Fund Net Assets

Proprietary Fund

June 30, 2010

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash	$ 2,624,869
Accounts Receivable (net)	167,362
Due from other Funds	249,654
Due from others	13,382
Accrued Revenue	80,091
Total Current Assets	3,135,358
Noncurrent Assets:	
Capital assets	
Land	158,299
Infrastructure	1,717,730
Buildings and improvements	6,021,995
New facilities	191,916
Machinery and equipment	1,069,808
Construction in progress	294,241
Less accumulated depreciation	(3,791,913)
Total capital assets (net of accumulated depreciation)	5,662,076
Deferred Charge	15,496
Total noncurrent assets	5,677,572
Total Assets	8,812,930
Liabilities	
Current Liabilities:	
Accounts Payable	110,260
Accrued Expenses	60,832
Deferred Revenue	40,718
Due to Other Funds	16,715
Due to Others	8,227
Current Portion of Long-Term Debt	150,996
Total Current Liabilities	387,748
Noncurrent Liabilities:	
Customer Deposits	137,970
Notes payable (Net of Current Portion)	404,865
Total Noncurrent Liabilities	542,835
Total Liabilities	930,583
Fund net assets	
Invested in capital assets, net of related debt	5,106,215
Unrestricted	2,776,132
Total fund net assets	$ 7,882,347

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

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Fund

For the Year Ended June 30, 2010

	Water and Sewer Enterprise Fund
Operating revenues	
Charges for service	$ 1,430,812
Connection fees	15,633
Miscellaneous income	7,547
Total operating revenues	1,453,992
Operating expenses	
Personal services	
Compensation	371,141
Employment taxes	25,678
Benefits	88,292
Total Personal Services	485,111
Expenses	
Purchased water	75,776
Supplies	81,019
Repairs and maintenance	51,132
Utilities	137,020
Miscellaneous	38,912
Depreciation	236,326
Insurance	59,244
Engineering, lab fees and training	55,842
Total expenses	735,271
Total operating expenses	1,220,382
Operating income	233,610
Non-operating revenues (expenses)	
Interest income	38,210
Interest expense on loans	(29,348)
Total non-operating revenues (expenses)	8,862
Income before contributions and transfers	242,472
Capital contributions	100,000
Transfers out	(100,000)
Transfers in	219,362
Change in fund net assets	461,834
Total fund net assets - beginning	7,420,513
Total fund net assets - ending	$ 7,882,347

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, 2010

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 1,518,992
Payments to suppliers	(775,268)
Payments to employees	(485,111)
Net cash provided (used) by operating activities:	258,613
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfer out	(100,000)
Contributions	100,000
Net cash provided by non-capital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer in from SPLOST fund	219,362
Purchase of capital assets	(396,252)
Debt payments, principal and interest and deferred charge	(170,022)
Net cash provided (used) by capital and related financing activities	(346,912)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	38,210
Net cash provided by investing activities	38,210
Net decrease in cash and cash equivalents	(50,089)
Cash and cash equivalents - beginning of year	2,674,958
Cash and cash equivalents - end of year	$ 2,624,869
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 233,610
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	236,326
Changes in assets and liabilities:	
Increase in receivables and accrued revenue	(289,626)
Increase in accounts payable	80,908
Increase in accrued expenses	10,069
Decrease in other liabilities	(12,674)
Net cash provided by operating activities	$ 258,613

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

CITY OF CLEVELAND, GEORGIA
Notes to Financial Statements
June 30, 2010

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 a 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 activities) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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 proprietary 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 proprietary 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 subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

All business-type activities and proprietary 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.

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

Cash and Cash Equivalents

The City considers short-term liquid investments 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 to be cash equivalents. Only investments with original maturities of three months or less meet this definition.

Investments

As of June 30, 2010, the City did not have any investments.

Restricted Assets

These assets are held in the capital projects and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are 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 interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund 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, Georgia 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, 2010.

Property Tax Calendar

The City set its mileage rate for 2009 on July 23, 2009 at 3.456 mils. Property tax bills were mailed on August 18, 2009 and were due November 15, 2009. 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 15, 2009. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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 $5,000 (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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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, 2010, there were 33 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, 2010, were $91,463, which is 7.76% of total compensation, $1,178,591, and 10% of covered compensation, $914,630. 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, 2010, there were three employees 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, 2010, the employees contributed $2,940 to the plan.

NOTE 2. CASH [Primary government]

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

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 collateral agreement with the bank. The City does not have foreign credit risk.

At June 30, 2010, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES [Primary government]

The following is a summary of amounts due from others at June 30, 2010.

Receivable from:		
Governmental funds:		
Due from other governments		$133,560
Taxes receivable, net		84,242
Accounts receivable, net		52,684
	Total	$ 270,486
Business-Type funds:		
Receivables, net		$180,744
	Total	$180,744

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 $15,496.

NOTE 6. LONG-TERM DEBT [Primary government]

The City's long-term debt consists 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 $986,128 at June 30, 2010.

Long term debt details:

Governmental activities:	July 1, 2009	Additions	Reductions	June 30, 2010	Due within One year
Compensated Absenses	$ -	$ 55,493	$ -	$ 55,493	$ -

Business-type activities:

	Total	Current Portion	Long-term Portion
Note payable to Georgia Environmental Facilities Authority, matures 11/01/2013. Quarterly payments of $42,746. Interest rate is 4.0%; unsecured. Original loan proceeds - $2,346,263.	$ 555,861	$ 150,996	$ 404,865

Five year payment schedule

Year Ending	Total Payments	Principal	Interest
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	7,478
6/30/2014	85,073	84,231	842
	$ 598,028	$ 555,861	$ 42,167

	July 1, 2009	Additions	Reductions	June 30, 2010	Due within One year
Compensated absenses	$ -	$ 46,428	$ -	$ 46,428	$ -
GEFA note	700,966	-	145,105	555,861	150,996
Totals	$ 700,966	$ 46,428	$ 145,105	$ 602,289	$ 150,996

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 2010 was $43,437.

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 costs 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 $101,921 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, 2010, 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 100% of the tax collected.

Tax Collections:	$ 13,329
Amount Provided to both organizations	$ 13,329
Promotion Expenditures:	$ 13,329

NOTE 10. CAPITAL ASSETS [Primary government]

Depreciation expense was charged to functions as follows:

Governmental activities:		Business-type activities:	
General government	$14,244	Water and Sewer	$236,326
Public safety	78,842		
Streets and sanitation	11,654		
Culture and recreation	2,631		
Total depreciation	$ 107,371		

Note 10. CAPITAL ASSETS (Continued)
Capital asset activity for the year ended June 30, 2010, was as follows:

Primary Government	Beginning Balances 7/1/2009	Increases	Decreases	Ending Balances 6/30/2010
Governmental activities:				
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	562,775	-	-	562,775
Infrastructure	256,067	211,800	49,767	418,100
Equipment	1,046,032	116,130	-	1,162,162
Total capital assets being depreciated	1,864,874	327,930	49,767	2,143,037
Accumulated depreciation:				
Buildings	403,535	7,132	-	410,667
Infrastructure	876	5,157	-	6,033
Equipment	761,839	95,082	-	856,921
Total accumulated depreciation	1,166,250	107,371	-	1,273,621
Total governmental capital assets being depreciated, net	698,624	220,559	49,767	869,416
Total governmental activities capital assets, net	$ 698,624	$ 220,559	$ 49,767	$ 869,416
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 158,299	$ -	$ -	$ 158,299
Construction in progress	115,037	237,858	58,654	294,241
Total capital assets not being depreciated	273,336	237,858	58,654	452,540
Capital assets being depreciated:				
Vehicles	-	-	-	-
Buildings	8,000	-	-	8,000
Equipment	1,934,295	39,812	1,094,293	879,814
Sewerage treatment plant/water lines	6,842,106	1,271,529	-	8,113,635
Total capital assets being depreciated	8,784,401	1,311,341	1,094,293	9,001,449
Accumulated depreciation:				
Buildings	2,000	200	-	2,200
Equipment	767,266	62,369	-	829,635
Water and sewer system	2,786,321	173,757	-	2,960,078
Total accumulated depreciation	3,555,587	236,326	-	3,791,913
Total capital assets being depreciated, net	5,228,814	1,075,015	1,094,293	5,209,536
Total Business-type activities capital assets, net	$ 5,502,150	$ 1,312,873	$ 1,152,947	$ 5,662,076

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)	$ 2,298,237	$2,074,150	$ -
Hotel/Motel Tax Special Revenue Fund	$ 18,000	$ 13,329	$ -
Grant Fund	$ 25,000	$ 11,455	$ -
Confiscated Fund	$ 6,851	$ 6,499	$ -

Note 12. DEFERRED REVENUE (Primary Government)
Deferred revenue in the governmental fund financial statements:

Property tax revenues	$79,258	Taxes earned in the current year but received beyond the City's period of availability.
Total	$79,258	

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	Grant Fund	Total
Due to	General Fund	$ -	$ 16,715	$ -	$ 11,454	$ 28,169
	Capital Projects	-	-	-	-	-
	Hotel/Motel	1,005	-	-	-	1,005
	Water and Sewer	-	-	249,654	-	249,654
	Enterprise Fund	-	-	-	-	-
	Grant Fund	28,000	-	-	-	28,000
	Total	$ 29,005	$ 16,715	$ 249,654	$ 11,454	$ 306,828

Interfund Transfers

		Transfer To				
		General Fund	Water and Sewer	Capital Projects	Grant Fund	Totals
Transfer From	Capital Projects	$ -	$ 219,362	$ -	$ -	$ 219,362
	Water and Sewer	100,000	-	-	-	100,000
	General Fund	-	-	-	-	-
	Total	$ 100,000	$ 219,362	$ -	$ -	$ 319,362

NOTE 13. INTERNAL FUND BALANCES AND TRANSFERS(continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14. ALLOWANCE FOR UNCOLLECTABLE TAXES AND ACCOUNTS

The balance of taxes and accounts receivable at June 30, 2010 are net of the following allowances for doubtful accounts.

Fund	Taxes	Accounts
General	$ 842	$17,025
Enterprise	-0-	89,379
	$ 842	$106,404

NOTE 15. 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. During its year ended June 30, 2010, the City paid $2,694 in such dues. 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, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary	Budget to GAAP Differences Over / (Under)	Actual Amounts GAAP Basis	Variance with Final Budget Over / (Under)
Revenues						
Property Taxes	$ 323,325	$ 323,325	$ 326,058	$ -	$ 326,058	$ 2,733
Sales Taxes	700,000	700,000	647,542	-	647,542	(52,458)
Franchise Taxes	185,000	185,000	175,980	-	175,980	(9,020)
Fines and Forfeitures	89,805	89,805	80,478	-	80,478	(9,327)
Fund Balance	227,771	328,587	-	-	-	(328,587)
Charges for Services	550,320	550,320	537,628	-	537,628	(12,692)
Interest	6,200	6,200	5,392	-	5,392	(808)
Contributions	-	-	217,800	-	217,800	217,800
Miscellaneous	115,000	115,000	12,798	-	12,798	(102,202)
Transfers In	-	-	100,000	-	100,000	100,000
Total Revenues	2,197,421	2,298,237	2,103,676	-	2,103,676	(194,561)
Expenditures						
Current Operating:						
General Government	850,470	850,470	673,339	-	673,339	(177,131)
Public Safety	915,996	915,996	881,009	-	881,009	(34,987)
Streets and Sanitation	414,505	515,321	515,321	-	515,321	-
Culture and Recreation	16,450	16,450	4,481	-	4,481	(11,969)
Total Expenditures	2,197,421	2,298,237	2,074,150	-	2,074,150	(224,087)
Other Financing Sources						
Net change in fund balances	-	-	29,526	-	29,526	29,526
Fund Balance - Beginning	730,257	730,257	730,257	-	730,257	-
Fund Balance - Ending	$ 730,257	$ 730,257	$ 759,783	$ -	$ 759,783	$ 29,526

CITY OF CLEVELAND, GEORGIA
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2010

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 AMENDMENTS

Amendments to the original budget appropriations were properly approved by the City Council. For the year ended June 30, 2010, the following supplemental increases and decreases in appropriations were approved:

Fund Type	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund	$ 2,197,421	$ 100,816	$ -	$ 2,298,237

CITY OF CLEVELAND, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds			
	Hotel/Motel Fund	Grant Fund	Confiscated Asset Fund	Totals
Assets				
Cash	$ -	$ -	$ 950	$ 950
Due from General Fund	1,005	-	-	1,005
Due from Other Funds	-	28,000	-	28,000
Due from other governments	-	11,454	-	11,454
Total assets	$ 1,005	$ 39,454	$ 950	$ 41,409
Liabilities				
Accounts Payable	$ 1,005	$ -	$ -	$ 1,005
Due to other funds	-	11,454	-	11,454
Total liabilities	1,005	11,454	-	12,459
Fund Balance				
Reserved	-	28,000	950	28,950
Total liabilities and fund balances	$ 1,005	$ 39,454	$ 950	$ 41,409

CITY OF CLEVELAND, GEORGIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year ended June 30, 2010

	Special Revenue Funds			
	Hotel/Motel Fund	Grant Fund	Confiscated Fund	Total
Revenues				
Revenue	$ 13,329	$ 14,455	$ 6,851	$ 34,635
Total revenues	13,329	14,455	6,851	34,635
Expenditures				
Current:				
General government	13,329	11,455	6,499	31,283
Total expenditures	13,329	11,455	6,499	31,283
Excess (deficiency) of revenues over expenditures	-	3,000	352	3,352
Other financing sources and				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net changes in fund balance	-	3,000	352	3,352
Fund balance - beginning	-	25,000	598	25,598
Fund balance - ending	$ -	$ 28,000	$ 950	$ 28,950

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Audit Quality Center

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 City of Cleveland, Georgia as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cleveland, Georgia'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 of Cleveland, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cleveland, Georgia'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 Responses, 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of significant 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 Responses, B-1 through B-4, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cleveland, Georgia'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* Standard.

The City of Cleveland, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Cleveland, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, 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

Walker & Associates, CPA's, PC
Gainesville, Georgia
November 15, 2010

Findings – Financial Statement Audit

Internal Control

B-1	Condition:	The City is not proactively pursuing the collection of several large dollar utility receivables due the Water and Sewer Fund.
	Criteria:	The City should actively pursue the collection of all funds for services owed the City.
	Cause:	The City is not proactively pursuing the collection of several large dollar utility receivables owed the City's Water and Sewer Fund.
	Effect:	The longer utility receivables are outstanding the more difficult collections become.
	Recommendation:	The City should adopt a policy to aggressively pursue the collection of all receivables legally owed to the City.
	Response:	The City agrees with the finding and will adopt new procedures for debt collections.
B-2	Condition:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Criteria:	The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.
	Cause:	The City staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Effect:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Recommendation:	The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.
	Response:	While the City agrees with the finding, it is not economically feasible to follow this recommendation.

B-3	Condition:	The City is not charging all businesses doing business in the City an occupational tax.
	Criteria:	The City should review their policies and procedures with respect to occupational taxes to determine the proper businesses that should be charged.
	Cause:	The City's ordinance is vague in determining who is liable for the tax.
	Effect:	The City is not collecting occupational taxes from all businesses doing business in the City.
	Recommendation:	The City should review their policies and procedures annually to determine that they are collecting taxes from all businesses doing business in the City.
	Response:	The City is in agreement with the finding and is to address updating their policies and procedures relating to occupational taxes.
B-4	Condition:	The City needs to write off outstanding water and sewer accounts receivable balances that are over 8 years old.
	Criteria:	The City should review their accounts receivable balances annually and write off old balances.
	Cause:	The City is not being proactive in their collections of outstanding receivable balances.
	Effect:	The City is effectively overstating their receivables.
	Recommendation:	The City should review their accounts receivable balances annually to determine which accounts need to be written off.
	Response:	The City is in agreement with the finding, and they plan to review receivable balances annually to determine if they are collectible or need to be written off.

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

To the City Council
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, 2010. 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, 2010, in conformity with accounting principles generally accepted in the United States of America.

Walker & Associates
Certified Public Accountants
Gainesville, Georgia
November 15, 2010

CITY OF CLEVELAND, GEORGIA

Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2010

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 1999					
Construction and repair of streets and bridges	$2,800,000	$ 2,800,000	$2,018,191	$ 232,329	$2,250,520
SPLOST 2004					
Water and Sewer Improvements	2,600,000	2,600,000	2,088,389	-	2,088,389
Downtown Redevelopment	400,000	400,000	354,597	38,334	392,931
Total SPLOST 2004	3,000,000	3,000,000	2,442,986	38,334	2,481,320
SPLOST 2009					
Purchase of Administrative, police and fire facilities	250,000	250,000	-	-	-
Water and Sewer Infrastructure	3,130,000	3,130,000	54,559	219,362	273,921
Total SPLOST 2009	3,380,000	3,380,000	54,559	219,362	273,921
Total SPLOST	$9,180,000	$ 9,180,000	$4,515,736	$ 490,025	$5,005,761