



ANNUAL COMPREHENSIVE FINANCIAL REPORT 2021

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2021

CITY OF
Cleveland, Texas

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www.clevelandtexas.com | 281.592.2667

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*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Cleveland, Texas

**For the Year Ended
September 30, 2021**

Prepared by:

Leslie Herrera
Finance Director

Stacy Williams
City Manager

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City of Cleveland, Texas

TABLE OF CONTENTS

September 30, 2021

INTRODUCTORY SECTION

Letter of Transmittal	i-iv
Organizational Chart	v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of Elected and Appointed Officials	vii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	7

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	18
Statement of Activities	22

Fund Financial Statements

Governmental Funds:

Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33

Proprietary Funds:

Statement of Net Position	34
Statement of Revenues, Expenses, and Changes in Fund Net Position	36
Statement of Cash Flows	37

Notes to Financial Statements	39
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	76
Schedule of Changes in Net Pension Liability and Related Ratios	78
Schedule of Employer Contributions to Pension Plan	80
Schedule of Changes in OPEB Liability and Related Ratios	82

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Debt Service Fund	88
Court Technology	89
Court Security	90
Money Seizures Fund	91
Hotel/Motel Fund	92
TIRZ #1	93

STATISTICAL SECTION

Net Position by Component	96
Changes in Net Position	98
Fund Balances, Governmental Funds	102
Changes in Fund Balance, Governmental Funds	104
Assessed Value and Estimated Actual Value of Taxable Property	109
Property Tax Rates – Direct and Overlapping Governments	110
Principal Property Taxpayers	113
Property Tax Levies and Collections	114
Ratios of Outstanding Debt by Type	116
Ratio of General Bonded Debt Outstanding	118
Direct and Overlapping Governmental Activities Debt	120
Demographic and Economic Statistics	121
Principal Employers	122
Full-Time Equivalent City Employees by Function	123
Operating Indicators by Function	124
Capital Asset Statistics by Function/Program	126

INTRODUCTORY SECTION

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Mayor, Richard Boyett
May Pro-Tem, James Franklin
City Council
Carolyn McWaters
Marilyn Clay
Delores Terry
Danny Lee



907 E. Houston St.
Cleveland, Texas 77327
Phone (281) 592-2667
Fax (281) 592-6624

Stacy Williams, Interim City Manager
Angela Smith, City Secretary

March 8, 2022

The Honorable Mayor and City Council
of the City of Cleveland:

The Texas Local Government Code states that a municipality shall have its records and accounts audited annually and shall have annual financial statements prepared based on the audit. The Annual Comprehensive Financial Report (ACFR) of the City of Cleveland, Texas (the “City”) for the year ended September 30, 2021, is hereby submitted to fulfill that requirement.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to gain an understanding of the City’s financial affairs have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BrooksWatson & Company, PLLC, has issued an unmodified (“clean”) opinion on the City of Cleveland’s financial statements for the year ended September 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (the “MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF CLEVELAND

The City of Cleveland, founded in 1836, located approximately 40 miles northeast of Houston and 22 miles east of Conroe with a population of 8,475, based on the projections of the latest US Census estimates. The City is a Home Rule Charter City and operates under the “Council-Manager Government”. The elected body is made up of a Mayor and five Council members who are elected at large. The length of office for all Council members and the Mayor are staggered two-year terms. The City Council appoints the City Manager, the City Attorney, and the Municipal Court Judge. All other staff members work under the direction of the City Manager with the exception of the EDC Director, who also serves at the pleasure of the corporation board.

The Combined Financial Statements of the City of Cleveland include all government activities,

organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in GASB Statement No. 61, "The Financial Reporting Entity". Based on this criterion the City of Cleveland Economic Development Corporation is included in this report.

The City Council appoints several boards and commissions, which do not meet the established criteria for inclusion in the reporting entity, and are therefore excluded from this report. They are the following:

1. Library Board
2. Housing Board of Adjustments
3. Zoning Commission
4. Zoning Board of Adjustments
5. Charter Review Commission
6. Building and Standards Commission
7. Airport Advisory Board
8. Reinvestment Zone 1/Zone 2

The City provides services to its citizens that are considered necessary and meaningful and that can be provided by the City at a reasonable cost. Major services provided under general government and enterprise functions are: police and fire protection, water, wastewater and solid waste, parks, library services, street upkeep and maintenance, and general administrative services. Other services include code enforcement, building inspection, animal control, cemetery, airport, civic center and economic development. The City operates a municipal court as established by the City's charter.

LOCAL ECONOMY:

The City of Cleveland has experienced steady economic growth over the last several years with continued expansion expected. Cleveland is growing into a community of opportunity and prosperity, while retaining the peacefulness of a Texas country town. Innovative businesses, including those that specialize in green energy, forestry, and manufacturing, have found Cleveland to be the ideal home for new business growth and expansion. Through the continual development efforts in the Grand Oaks Reserve, recent approval has set forth the development of section seven and eight that consist of additional single-family homes. The LGI development known as Pinewood Trails constructed 111 single-family homes in the fiscal year and is preparing the wastewater treatment plant to support additional homes in the upcoming phases. The master plan of this improvement will consist of a 4-acre park, a party pavilion, picnic areas, and water amenities. BNSF is developing a 1,200-acre logistics center near Fostoria and Hi-Way 105. This industrial park will serve multiple rail-customers including light manufacturers and laydown yards. The City expects additional retail and commercial development once residential homes are established. The City's major sources of revenue are sales and ad valorem property taxes and have fluctuated according to prevailing business conditions.

The unemployment rate was 7.3% in Liberty County as of December 2021, which has decreased by 3.5%. The City as well as the area's economic development groups have combined efforts to make City of Cleveland a better place to live and work. The Economic Development Corporation is committed to marketing the City's assets and encouraging small business and entrepreneurial activity. With projects such as Downtown Revitalization Phase II, which is an effort to beautify the downtown central business district that houses many local businesses.

LONG-TERM FINANCIAL PLANNING

The City adopts a one-year operating budget, including a five-year capital improvement program. Even though a one-year budget is adopted, the budget implements the activities and milestones planned for Fiscal Year 2022 through Fiscal Year 2026. Capital improvements projects are very important for planning and managing the growth and development, as well as maintaining existing infrastructure. It implements some of the community's goals and objectives and encourages discussion of the City's long-term vision.

Major goals for this year ending September 30, 2021, was splash pad project located at Campbell Park and the engineering and design of a new fire station.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis. The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City division. Budgets are reviewed by the City Manager who submits a recommended budget to the City Council. The City Council approves all budget amendments. The City adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

MAJOR INITIATIVES

The City has multiple capital programs currently in design or in construction phase, several are of major initiatives. Many of these projects have been proposed for some time, even prior to the COVID-19. Some projects were paused in 2020 due to economic uncertainty; however, local demands on housing construction and hyper growth within the local school district require these projects to advance as quickly as manageable.

Projects undertaken in this fiscal year include:

- Purchase and replacement of equipment needed for efficient operation of Fire, Police and other departments
- Engineering and design of a new fire station
- Splash pad amenity for the community
- Automatic Meter Reading Tower and Software
- Major restoration of water system tanks
- Municipal Sports Park Electrical Improvements

Projects planned for the future include:

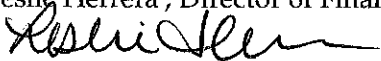
- Purchase and replacement of equipment needed for efficient operation
- Upgrade Airport Runway Lighting System
- Repaving of selected streets
- Police Evidence Facility
- Depot and Stencil Pavilion Projects
- Elevated Storage Tank No. 1 and No. 2 Rehab
- Tanglewood Elevated Storage Tank
- Downtown Revitalization Phase II
- Cleveland Municipal Airport lighted marquee sign
- Financing Fire Apparatus

OTHER INFORMATION

Acknowledgments:

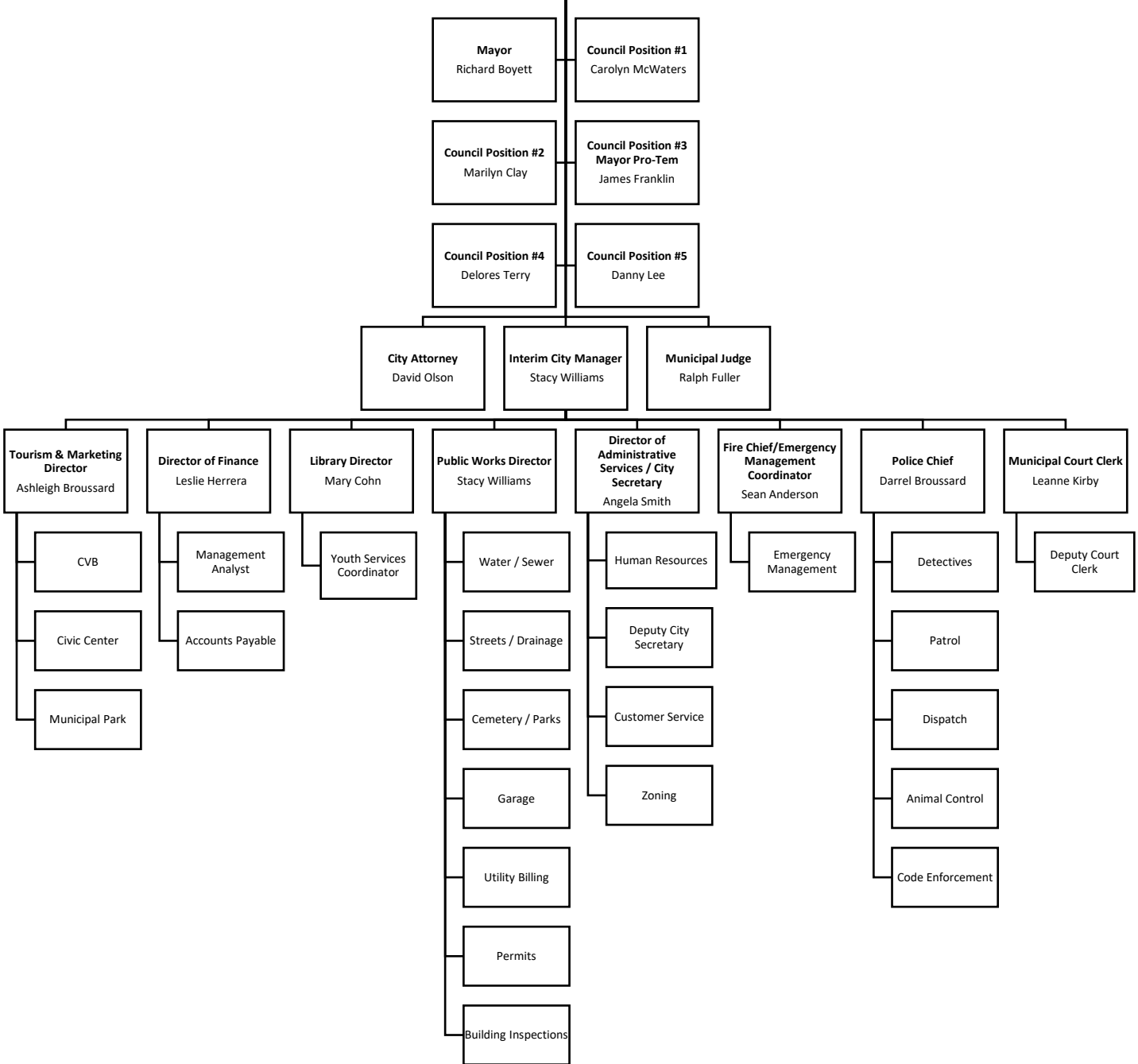
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff. I would like to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Due credit is also given to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,
Leslie Herrera, Director of Finance





Organizational Chart
Citizens of Cleveland
 2020 Census - Official Population 7,471





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cleveland
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Cleveland, Texas

PRINCIPAL OFFICIALS

September 30, 2021

City Council

Richard Boyett	Mayor
James Franklin	Mayor Pro Tem (Place 3)
Carolyn McWaters	Council Member Place 1
Marilyn Clay	Council Member Place 2
Dolores Terry	Council Member Place 4
Danny Lee	Council Member Place 5

Appointed Officials

Stacy Williams	City Manager
David Olson	City Attorney
Ralph Fuller	Municipal Court Judge

City Management

Leslie Herrera	Director of Finance
Darrel Broussard	Police Chief
Sean Anderson	Fire Chief
Robert Reynolds	EDC Director
Angela Smith	Director of Administrative Services/City Secretary
Stacy Williams	Director of Public Works
Leanne Kirby	Municipal Court Administrator
Mary Cohn	Library Director
Ashleigh Broussard	Tourism & Marketing Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Cleveland, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Cleveland, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City as of September 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to corrections to capital outlay, capital assets, and grant revenue in the prior year, the City restated beginning net position/fund balance within governmental activities and the general fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in postemployment benefits other than pensions and related ratios, and budgetary comparison information as listed in the table on contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Cleveland, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022 on our consideration of the City'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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 8, 2022

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2021

As management of the City of Cleveland, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) by \$36,288,806 at September 30, 2021. Of this, \$9,356,507 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balance of \$15,434,131, an increase of \$7,852,756.
- As of the end of the year, the unassigned fund balance of the general fund was \$6,859,673 or 74% of total general fund expenditures.
- The City had an overall increase in net position of \$3,664,503, which is primarily a result of primary government revenues exceeding expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, transportation, culture and recreation, and economic development. The business-type activities of the City include water, sewer, and sanitation services.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

The City adopts an annual appropriated budget for its general, debt service, and certain special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the respective budget.

Proprietary Funds

The City's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer and sanitation services. All activities associated with providing such services are accounted for in these funds, including administration, water production, sewer and sanitation services, and other operating costs. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and solid waste funds, all of which are considered to be major funds of the City.

Component Units

The City maintains the accounting and financial statements for two component units. The Cleveland Economic Development Corporation is a discretely presented component unit displayed on the government-wide financial statements. The Tax Increment Reinvestment Zone No. 1 Fund ("TIRZ #1") is a blended component unit and presented as a nonmajor governmental fund.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. RSI can be found after the basic financial statements.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Cleveland, assets and deferred outflows exceeded liabilities and deferred inflows by \$36,288,806 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$25,254,801, reflects its investments in capital assets (e.g., land, municipal buildings, streets, and water/sewer systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 19,179,371	\$ 3,046,142	\$ 22,225,513	\$ 8,934,746	\$ 2,707,935	\$ 11,642,681
Internal balances	(1,791,168)	1,791,168	-	25,064	(25,064)	-
Capital assets, net	19,901,734	17,151,971	37,053,705	19,309,707	17,070,580	36,380,287
Total Assets	37,289,937	21,989,281	59,279,218	28,269,517	19,753,451	48,022,968
Deferred Outflows of Resources	501,967	109,109	611,076	397,003	87,656	484,659
Other liabilities	2,684,826	836,232	3,521,058	1,523,410	1,019,067	2,542,477
Long-term liabilities	14,509,647	5,189,634	19,699,281	9,525,185	3,433,093	12,958,278
Total Liabilities	17,194,473	6,025,866	23,220,339	11,048,595	4,452,160	15,500,755
Deferred Inflows of Resources	292,871	88,278	381,149	303,195	79,374	382,569
Net Position:						
Net investment						
in capital assets	13,187,163	12,067,638	25,254,801	10,844,439	13,809,538	24,653,977
Restricted	1,677,498	-	1,677,498	528,756	-	528,756
Unrestricted	5,439,899	3,916,608	9,356,507	5,941,535	1,500,035	7,441,570
Total Net Position	\$ 20,304,560	\$ 15,984,246	\$ 36,288,806	\$ 17,314,730	\$ 15,309,573	\$ 32,624,303

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Activities:

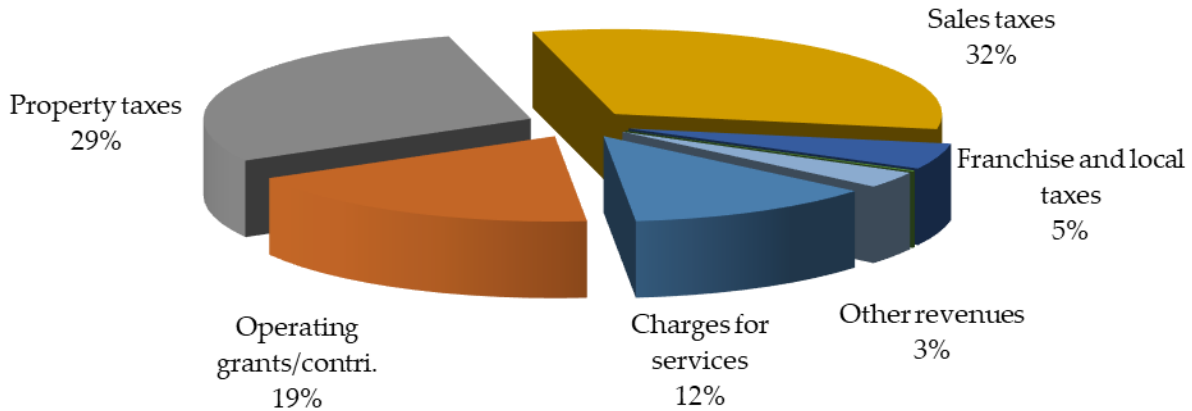
The following table provides a summary of the City's changes in net position:

	<u>For the Year Ended September 30, 2021</u>			<u>For the Year Ended September 30, 2020</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,345,779	\$ 3,805,008	\$ 5,150,787	\$ 1,055,052	\$ 3,528,833	\$ 4,583,885
Operating grants/contri.	2,434,293	-	2,434,293	477,781	-	477,781
Capital grants/contri.	324,468	31,175	355,643	314,546	272,676	587,222
General revenues:						
Property taxes	3,586,950	-	3,586,950	3,188,794	-	3,188,794
Sales taxes	3,923,615	-	3,923,615	3,513,801	-	3,513,801
Franchise and local taxes	608,222	-	608,222	597,880	-	597,880
Investment income	24,262	3,612	27,874	92,382	15,517	107,899
Other revenues	386,309	7,349	393,658	284,478	61,817	346,295
Total Revenues	12,633,898	3,847,144	16,481,042	9,524,714	3,878,843	13,403,557
Expenses						
General government	1,529,229	-	1,529,229	1,416,600	-	1,416,600
Public safety	4,427,708	-	4,427,708	3,982,916	-	3,982,916
Public works	706,638	-	706,638	459,795	-	459,795
Transportation	940,466	-	940,466	761,901	-	761,901
Culture and recreation	1,397,441	-	1,397,441	1,316,044	-	1,316,044
Economic development	135,014	-	135,014	144,123	-	144,123
Interest and fiscal charges	390,359	206,253	596,612	267,390	98,924	366,314
Water & sewer	-	3,083,431	3,083,431	-	3,004,360	3,004,360
Total Expenses	9,526,855	3,289,684	12,816,539	8,348,769	3,103,284	11,452,053
Change in Net Position						
Before Transfers	3,107,043	557,460	3,664,503	1,175,945	775,559	1,951,504
Transfers	(117,213)	117,213	-	(891,288)	891,288	-
Total	(117,213)	117,213	-	(891,288)	891,288	-
Change in Net Position	2,989,830	674,673	3,664,503	284,657	1,666,847	1,951,504
Beginning Net Position	17,314,730	15,309,573	32,624,303	17,030,073	13,642,726	30,672,799
Ending Net Position	\$ 20,304,560	\$ 15,984,246	\$ 36,288,806	\$ 17,314,730	\$ 15,309,573	\$ 32,624,303

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

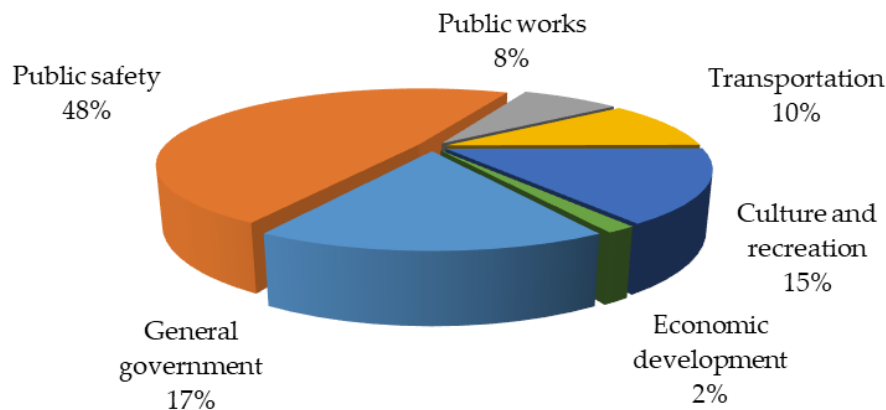
Governmental Activities - Revenues



For the year ended September 30, 2021, revenues from governmental activities totaled \$12,633,898. Property tax, sales tax and grants/contributions are the City's largest revenue sources. Operating grants and contributions increased by \$1,956,512 primarily due to nonrecurring FEMA, CDBG and SAFER grants received in the current year. Charges for services increased by \$290,727 or 28% primarily due to greater building permit revenues resulting from new local developments in the current year. Property taxes increased by \$398,156 or 12% resulting from rising appraised property values. Sales taxes increased by \$409,814 or 12% due to economic growth fueled by greater local purchases. Investment income decreased by \$68,120 or 74% primarily due to the realization of lower interest rates. Other revenues increased by \$101,831 or 36% primarily as a result of nonrecurring insurance reimbursements received for repairs to the civic center. All other revenues remained relatively consistent when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

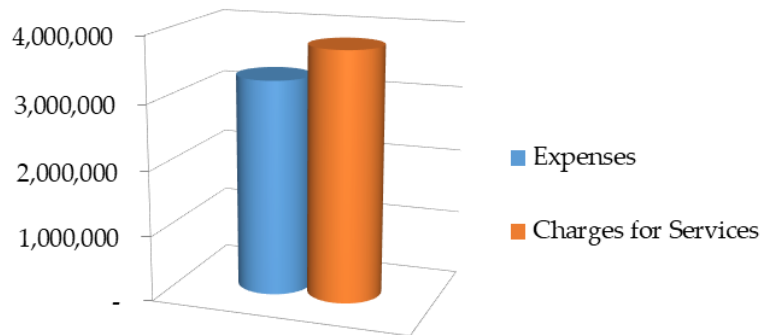


City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

For the year ended September 30, 2021, expenses for governmental activities totaled \$9,526,855. This represents an increase of \$1,178,086 or 14% from the prior year. The City's largest functional expense is public safety of \$4,427,708, which increased by \$444,792 or 11%. This change is primarily a result of increased fire and emergency response related salaries and overtime related to COVID-19 planning and assistance. In addition, the City incurred nonrecurring fire truck maintenance expenses in the current year. General government expenses increased by \$112,629 or 8% primarily due to greater legal expenses, software maintenance, and utility costs. Public works expenses increased by \$246,843 or 54% due to greater building inspection fees for new local developments over the course of the year. Transportation expenses increased by \$178,565 or 23% primarily due to greater road maintenance and routine airport maintenance in the current year. Culture and recreation expenses increased by \$81,397 or 6% as a result of increased personnel costs for the library and nonrecurring professional services relating to the municipal sports park. Interest and fiscal charges increased by \$122,969 or 46% primarily due to nonrecurring bond issuance costs recognized in the current year. All other expenditures remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$3,805,008. This represents an increase of \$276,175 or 8% from the previous year, which is primarily due to increased sewer consumption and a growing customer base for garbage collection over the course of the year.

Total expenses amounted to \$3,289,684, an increase of \$186,400 or 6% during the year. Water and sewer expenses totaling \$3,083,431 remained relatively consistent with the prior year. Interest and fiscal charges increased by \$107,329 as a result of nonrecurring bond issuance costs recognized in the current year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a fund balance of \$6,979,422. Of this, \$38,488 is considered committed for the purchase of capital assets. Unassigned fund balance totaled \$6,859,673 as of yearend. The general fund increased by \$454,120 primarily as a result of greater than anticipated revenues and less than anticipated expenditures.

The debt service fund had an ending fund balance of \$622,532 at yearend, an increase of \$333,490 from the prior year. The increase was primarily a result of greater than anticipated revenues. Total principal and interest payments made during the year were \$935,000 and \$251,520, respectively.

The capital projects fund had an ending fund balance of \$7,026,469, an increase of \$6,859,673 compared to the prior year. The increase was primarily a result of new bond proceeds received in the current year.

There was an overall increase in governmental fund balance of \$7,852,756 from the prior year. The increase was primarily a result of bond proceeds received in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$1,442,844 and a positive expenditure variance of \$806,831 for the year. Other financing sources had an overall negative budget variance of \$157,969. Intergovernmental revenues and license and permit fees were the two revenue sources significantly greater than budgeted revenues. Final budgeted revenues increased by \$629,900 compared to the original budgeted revenues. Final budgeted expenditures increased by \$1,434,212 compared to the original expense appropriations. General government, public safety, transportation, and capital outlay were under the final budget amounts. Two general fund departments and transfers out exceeded appropriations at the legal level of control. Budget amendments were made primarily to account for additional capital outlay and revised revenue estimates.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$19,901,734 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$17,151,971 in a variety of capital assets and infrastructure, net of accumulated depreciation. Major capital asset events during the current year include the following:

- Improvements to civic center totaling \$339,840.
- Downtown sidewalk renovations for \$91,760.
- Fire station No. 2 improvements totaling \$317,794.
- Municipal Sports Park electrical improvements for \$320,492.
- Splashpad improvements for \$165,962.
- Drainage culvert addition on Houston St. for \$103,025.
- Purchase of new Chevrolet Tahoe for police department totaling \$47,617.
- Purchase of police body cameras for \$23,980.
- Tank rehabilitation project improvements for \$74,000.
- New elevated storage tank for \$99,796.
- AMR tower project improvements totaling \$138,336.
- Purchased generator for water plant #3 for \$154,469.
- Purchase street sweeper for \$165,725.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and notes outstanding of \$17,960,000. During the year, the City refunded \$3,180,000 of Certificates of Obligation. The City also issued \$1,915,000 worth of General Obligation Refunding Bonds and \$5,745,000 worth of Certificates of Obligation. Principal payments of \$935,000 were made during the year. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Cleveland and improving services provided to their public citizens. The City is considering budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Cleveland's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Department, 907 Houston St. Cleveland, Texas 77327.

FINANCIAL STATEMENTS

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 17,389,176	\$ 2,381,933	\$ 19,771,109
Receivables, net	1,708,934	664,209	2,373,143
Prepays	81,261	-	81,261
Internal balances	(1,791,168)	1,791,168	-
Due from primary government	-	-	-
Total Current Assets	17,388,203	4,837,310	22,225,513
Capital assets:			
Non-depreciable	4,071,130	490,753	4,561,883
Net depreciable capital assets	15,830,604	16,661,218	32,491,822
Total Noncurrent Assets	19,901,734	17,151,971	37,053,705
Total Assets	37,289,937	21,989,281	59,279,218
<u>Deferred Outflows of Resources</u>			
Pension outflows	403,921	96,588	500,509
OPEB outflows	52,360	12,521	64,881
Deferred charges on refunding	45,686	-	45,686
Total Deferred Outflows of Resources	501,967	109,109	611,076

Component Unit
Cleveland
EDC

\$ 1,573,713
-
-
-
15,354

1,589,067

1,013,293
163,882

1,177,175

2,766,242

-
-
-

-

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,329,571	\$ 154,029	\$ 1,483,600
Customer deposits	-	353,892	353,892
Accrued interest payable	28,715	35,443	64,158
Due to component unit	15,354	-	15,354
Compensated absences, current	116,186	17,868	134,054
Long-term debt due in one year	1,195,000	275,000	1,470,000
	<u>2,684,826</u>	<u>836,232</u>	<u>3,521,058</u>
Noncurrent liabilities:			
Compensated absences, noncurrent	12,909	1,985	14,894
Net pension liability	1,395,569	333,717	1,729,286
OPEB liability	262,803	62,843	325,646
Long-term debt due in more than one year	12,838,366	4,791,089	17,629,455
	<u>14,509,647</u>	<u>5,189,634</u>	<u>19,699,281</u>
Total Liabilities	<u>17,194,473</u>	<u>6,025,866</u>	<u>23,220,339</u>
<u>Deferred Inflows of Resources</u>			
Pension inflows	264,147	63,165	327,312
OPEB inflows	28,724	6,869	35,593
Deferred gain on bond refunding	-	18,244	18,244
Total Deferred Inflows of Resources	<u>292,871</u>	<u>88,278</u>	<u>381,149</u>
<u>Net Position</u>			
Net investment in capital assets	13,187,163	12,067,638	25,254,801
Restricted for:			
Capital projects	1,020,709	-	1,020,709
Municipal court	34,257	-	34,257
Debt service	622,532	-	622,532
Unrestricted	5,439,899	3,916,608	9,356,507
Total Net Position	<u>\$ 20,304,560</u>	<u>\$ 15,984,246</u>	<u>\$ 36,288,806</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,529,229	\$ -	\$ 2,236,128	\$ -
Public safety	4,427,708	243,245	-	-
Public works	706,638	764,131	-	307,289
Transportation	940,466	288,005	-	17,179
Culture and recreation	1,397,441	50,398	8,965	-
Economic development	135,014	-	189,200	-
Interest and fiscal charges	390,359	-	-	-
Total Governmental Activities	9,526,855	1,345,779	2,434,293	324,468
Business-Type Activities				
Water & Sewer	3,289,684	3,805,008	-	31,175
Total Business-Type Activities	3,289,684	3,805,008	-	31,175
Total Primary Government	\$ 12,816,539	\$ 5,150,787	\$ 2,434,293	\$ 355,643
Component Unit				
Cleveland EDC	659,547	9,000	-	-
Total Component Unit	\$ 659,547	\$ 9,000	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Insurance recoveries
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

- Beginning Net Position
- Ending Net Position**

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Cleveland EDC
\$ 706,899	\$ -	\$ 706,899	\$ -
(4,184,463)	-	(4,184,463)	-
364,782	-	364,782	-
(635,282)	-	(635,282)	-
(1,338,078)	-	(1,338,078)	-
54,186	-	54,186	-
(390,359)	-	(390,359)	-
<u>(5,422,315)</u>	<u>-</u>	<u>(5,422,315)</u>	<u>-</u>
-	546,499	546,499	-
-	546,499	546,499	-
<u>(5,422,315)</u>	<u>546,499</u>	<u>(4,875,816)</u>	<u>-</u>
			(650,547)
			<u>\$ (650,547)</u>
3,586,950	-	3,586,950	-
3,923,615	-	3,923,615	724,240
608,222	-	608,222	-
24,262	3,612	27,874	16,879
320,433	7,349	327,782	-
65,876	-	65,876	-
(117,213)	117,213	-	-
<u>8,412,145</u>	<u>128,174</u>	<u>8,540,319</u>	<u>741,119</u>
2,989,830	674,673	3,664,503	90,572
17,314,730	15,309,573	32,624,303	2,664,156
<u>\$ 20,304,560</u>	<u>\$ 15,984,246</u>	<u>\$ 36,288,806</u>	<u>\$ 2,754,728</u>

City of Cleveland, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 6,764,041	\$ 620,505	\$ 8,939,841	\$ 1,064,789
Receivables, net	1,434,706	198,262	-	75,966
Prepays	81,261	-	-	-
Due from other funds	40,102	2,028	-	34,257
Total Assets	\$ 8,320,110	\$ 820,795	\$ 8,939,841	\$ 1,175,012
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 878,165	\$ -	\$ 87,168	\$ 364,238
Due to component unit	15,354	-	-	-
Due to other funds	36,285	-	1,826,204	5,066
Total Liabilities	929,804	-	1,913,372	369,304
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	410,884	198,263	-	-
Total Deferred Inflows of Resources	410,884	198,263	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	81,261	-	-	-
Restricted for:				
Capital projects	-	-	7,026,469	-
Municipal court	-	-	-	34,257
Debt service	-	622,532	-	-
Tourism	-	-	-	546,192
TIRZ	-	-	-	119,608
Public safety	-	-	-	108,496
Committed for:				
Purchase of capital assets	38,488	-	-	-
Unassigned reported in:				
General fund	6,859,673	-	-	-
Nonmajor funds	-	-	-	(2,845)
Total Fund Balances	6,979,422	622,532	7,026,469	805,708
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 8,320,110	\$ 820,795	\$ 8,939,841	\$ 1,175,012

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 17,389,176
1,708,934
81,261
76,387

\$ 19,255,758

\$ 1,329,571
15,354

1,867,555

3,212,480

609,147

609,147

81,261

7,026,469

34,257

622,532

546,192

119,608

108,496

38,488

6,859,673

(2,845)

15,434,131

\$ 19,255,758

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City of Cleveland, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

Fund Balances - Total Governmental Funds	\$ 15,434,131
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	4,071,130
Capital assets - net depreciable	15,830,604
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	609,147
Deferred outflows (inflows) of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension outflows	403,921
Pension inflows	(264,147)
OPEB outflows	52,360
OPEB inflows	(28,724)
Deferred charge on refunding	45,686
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(28,715)
Compensated absences	(129,095)
Net pension liability	(1,395,569)
OPEB liability	(262,803)
Bond premium	(728,366)
Bonds, notes, and capital leases	(13,305,000)
Net Position of Governmental Activities	<u>\$ 20,304,560</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Revenues				
Property tax	\$ 2,312,830	\$ 1,205,252	\$ -	\$ 68,868
Sales tax	3,672,200	-	-	251,415
Franchise and local taxes	608,222	-	-	-
Intergovernmental	1,484,404	190,664	1,020,630	2,173
Contributions	189,200	-	-	-
Charges for services	509,508	-	-	-
License and permits	764,131	-	-	-
Fines and forfeitures	230,194	-	-	13,051
Investment income	16,931	1,156	4,858	1,317
Other revenue	64,376	-	-	-
Total Revenues	9,851,996	1,397,072	1,025,488	336,824
Expenditures				
General government:				
Administration	1,015,827	-	-	-
City council	22,172	-	-	-
Technology	395,742	-	-	-
Public safety:				
Municipal court	201,686	-	-	692
Police department	2,570,980	-	-	3,974
Animal control	55,504	-	-	-
Fire and ambulance	1,463,275	-	-	-
Emergency management	17,427	-	-	-
Public works:				
Development services	446,380	-	-	-
Garbage department	7,599	-	-	-
Transportation:				
Street department	590,608	-	-	-
Airport department	174,316	-	-	-
Culture and recreation:				
Library department	442,651	-	-	-
Cemetery and parks	402,471	-	-	-
Civic/community	199,796	-	-	-
Sports facilities	106,060	-	-	-
Economic development	-	-	-	137,840
Debt service:				
Principal	-	935,000	-	-
Interest and fiscal charges	-	251,520	-	-
Bond issuance costs	-	-	168,158	-
Capital outlay	1,167,413	-	104	354,299
Total Expenditures	9,279,907	1,186,520	168,262	496,805

**Total
Governmental
Funds**

\$ 3,586,950
3,923,615
608,222
2,697,871
189,200
509,508
764,131
243,245
24,262
64,376

12,611,380

1,015,827
22,172
395,742

202,378
2,574,954
55,504
1,463,275
17,427

446,380
7,599

590,608
174,316

442,651
402,471
199,796
106,060
137,840

935,000
251,520
168,158
1,521,816

11,131,494

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 572,089	\$ 210,552	\$ 857,226	\$ (159,981)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	122,938	-	-
Transfers (out)	(119,469)	-	(120,682)	-
Insurance proceeds	-	-	-	320,433
Sale of capital assets	1,500	-	-	-
Bond issuance	-	-	5,745,000	-
Premium on bond issuance	-	-	423,150	-
Total Other Financing Sources	(117,969)	122,938	6,047,468	320,433
Net Change in Fund Balances	454,120	333,490	6,904,694	160,452
Beginning fund balances	6,525,302	289,042	121,775	645,256
Ending Fund Balances	\$ 6,979,422	\$ 622,532	\$ 7,026,469	\$ 805,708

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 1,479,886

122,938

(240,151)

320,433

1,500

5,745,000

423,150

6,372,870

7,852,756

7,581,375

\$ 15,434,131

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City of Cleveland, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 7,852,756
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,555,266
Depreciation expense	(963,239)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(128,310)
--	-----------

Payment from EDC for contract receivable	(171,105)
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(17,456)
Accrued interest	(10,653)
Pension expense	89,700
OPEB expense	(23,951)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of deferred charges on refunding	(16,490)
Amortization of debt premium	56,462
Bond issuance	(5,745,000)
Current year bond premium	(423,150)
Principal payments	935,000

Change in Net Position of Governmental Activities	\$ 2,989,830
--	---------------------

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF NET POSITION PROPRIETARY FUND (Page 1 of 2)

September 30, 2021

	<u>Water & Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 2,381,933
Receivables, net	664,209
Due from other funds	1,826,204
Total Current Assets	<u>4,872,346</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	490,753
Net depreciable capital assets	16,661,218
Total Noncurrent Assets	<u>17,151,971</u>
Total Assets	<u>22,024,317</u>
<u>Deferred Outflows of Resources</u>	
Pension outflows	96,588
OPEB outflows	12,521
Total Deferred Outflows of Resources	<u>109,109</u>

City of Cleveland, Texas

STATEMENT OF NET POSITION PROPRIETARY FUND (Page 2 of 2)

September 30, 2021

	<u>Water & Sewer</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	154,029
Due to other funds	35,036
Customer deposits	353,892
Accrued interest payable	35,443
Long-term debt - current portion	275,000
Compensated absences - current portion	17,868
Total Current Liabilities	<u>871,268</u>
<u>Noncurrent Liabilities</u>	
Net pension liability	333,717
OPEB liability	62,843
Long-term debt - noncurrent portion	4,791,089
Compensated absences - noncurrent portion	1,985
Total Liabilities	<u>6,060,902</u>
<u>Deferred Inflows of Resources</u>	
Pension inflows	63,165
OPEB inflows	6,869
Deferred gain on bond refunding	18,244
Total Deferred Inflows of Resources	<u>88,278</u>
<u>Net Position</u>	
Net investment in capital assets	12,067,638
Unrestricted	3,916,608
Total Net Position	<u>\$ 15,984,246</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2021

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 3,805,008
Total Operating Revenues	3,805,008
<u>Operating Expenses</u>	
Administration	385,368
Water production	944,168
Sewer department	812,739
Sanitation services	288,747
Other	6,774
Depreciation	645,635
Total Operating Expenses	3,083,431
Operating Income	721,577
<u>Nonoperating Revenues (Expenses)</u>	
Insurance recoveries	7,349
Investment income	3,612
Interest expense	(206,253)
Total Nonoperating Revenues (Expenses)	(195,292)
Income (Loss) Before Transfers and Capital Contributions	526,285
<u>Transfers and Capital Contributions</u>	
Capital contributions	31,175
Transfers in	240,151
Transfers (out)	(122,938)
Change in Net Position	674,673
Beginning net position	15,309,573
Ending Net Position	\$ 15,984,246

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2021

	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 3,894,889
Payments to suppliers	(4,174,944)
Payments to employees	(428,821)
Net Cash Provided (Used) by Operating Activities	<u>(708,876)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer in	240,151
Transfer (out)	(122,938)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>117,213</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(727,026)
Capital contributions	31,175
Insurance recoveries	7,349
Debt refunding	23,412
Deferred gain on refunding	19,764
Proceeds from capital debt	2,056,050
Principal paid on debt	(225,000)
Interest paid on debt	(209,385)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>976,339</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	722,464
Interest on investments	3,612
Net Cash Provided by Investing Activities	<u>726,076</u>
Increase (Decrease) in Cash and Cash Equivalents	1,110,752
Beginning cash and cash equivalents	1,271,181
Ending Cash and Cash Equivalents	<u>\$ 2,381,933</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

	<u>Water & Sewer</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 721,577
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	645,635
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	50,081
Net pension liability	(24,990)
OPEB liability	4,685
Due to (from) other funds	(1,816,232)
Deferred Outflows of Resources:	
Pension	(16,383)
OPEB	(5,070)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(306,284)
Customer deposits	39,800
Compensated absences	7,645
Deferred Inflows of Resources:	
Pension	(10,574)
OPEB	1,234
Net Cash Provided (Used) by Operating Activities	\$ (708,876)

See Notes to Financial Statements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Cleveland, Texas (the “City”) is a municipal corporation governed by an elected mayor and five-member governing council. Pursuant to its provisions and subject only to its limitations imposed by the State Constitution and by the City’s charter, all powers of the City shall be vested in an elective Council composed of four Council Members and a Mayor, collectively known as the City Council. The City Council enacts local legislation, adopts budgets, determines policies, and appoints the City Manager, who in turn is responsible to the City Council for the execution of laws and the administration of the government of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The Cleveland Economic Development Corporation (“CEDC”) is legally separate and presented as a discretely presented component unit. The Tax Increment Reinvestment Zone No. 1 Fund (“TIRZ #1”) is a blended component unit and presented as a nonmajor governmental fund. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally,

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Cleveland Economic Development Corporation (“CEDC”)

The Cleveland Economic Development Corporation was established as a nonprofit industrial development corporation on November 27, 2001. The primary purpose of the CEDC is to (1) enhance appearance, housing and education, (2) envision improvements and plan for progress in the local economy and (3) create and develop opportunities for enhancing the quality of life. The CEDC receives funding primarily through sales and use taxes levied for the benefit of the CEDC. The CEDC is exempt from Federal income taxes under Section 501(c) 6 of the Internal Revenue Code. The CEDC is managed by a five-member board of directors who are appointed by the City Council of the City of Cleveland, Texas.

Blended Component Unit

Tax Increment Reinvestment Zone No. 1 Fund (“TIRZ #1”)

The Tax Increment Reinvestment Zone No. 1 fund was created to encourage and accelerate planned development within the City limits. The fund accounts for all tax and expenditure activity associated with the fund’s primary purpose. The tax increment is derived from the difference in appraised value between the year in which the reinvestment zone is established (base year) and each year the reinvestment zone is in existence. The Board is comprised of nine members who serve two and one-year terms. The City is responsible for appointing at least six members to the Board, Liberty County shall appoint one, one member is from the state senate of the district, and one from the state house of representatives. City Council has all decision-making authority over the TIRZ and is the governing body. Which makes the City Council and TIRZ governing bodies are substantively the same. In addition, any debt outstanding of the TIRZ would be paid for by pledged property tax revenue of the City. These circumstances are the basis for blending the component unit. Separate audited financial statements are not available.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is the main operating fund of the City and is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, transportation, and culture and recreation.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel,

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The government reports the following major enterprise fund:

Water and Sewer Fund

The water and sewer fund is used to account for the provision of water & wastewater collection and wastewater treatment operations. Activities of the fund include administration, operations and maintenance of the water and sewer system, and sanitation services. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the hotel/motel fund, the money seizures fund, the fire department restoration fund, court technology fund, court security fund, and TIRZ #1 funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (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" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. 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 are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 10 years
Furniture and equipment	5 to 20 years
Water & sewer system	5 to 50 years
Buildings and improvements	10 to 50 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

11. Compensated Absences

The City employees are paid for absences due to vacation according to a prescribed policy. Accordingly, the government-wide and proprietary fund financial statements reflect the accrual for vacation leave at September 30, 2021. Compensated absences are liquidated by the general fund and proprietary fund.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, capital leases, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Other Postemployment Benefits (“OPEB”)

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary, calculated based on the employee’s actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, and certain special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year.

A. Expenditures in Excess of Appropriations

For the current year, expenditures exceeded appropriations at the legal level of control as follows:

General fund:	
Development services	\$ 95,785
Library department	23,916
Transfers (out)	154,469

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Debt Service fund:	
Principal & Interest	\$ 34,211
Money Seizures fund:	
Police department	\$ 1,924

B. Deficit Fund Equity

The court technology fund had a deficit fund balance of \$2,845 as of September 30, 2021. This deficit will be replenished through the future operating surpluses.

C. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted fund balance for governmental funds was \$8,457,554, of which, \$580,449 is restricted by enabling legislation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,410,566	0.10
Total fair value	\$ 1,410,566	
Portfolio weighted average maturity		0.10

As of September 30, 2021, the discretely presented component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 311,550	0.10
Total fair value	\$ 311,550	
Portfolio weighted average maturity		0.10

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	<u>Total</u>
Property taxes	\$ 410,884	\$ 198,262	\$ -	\$ -	\$ 609,146
Sales taxes	794,251	-	-	-	794,251
Occupancy taxes	-	-	27,565	-	27,565
Grant	175,919	-	-	39,192	215,111
Other	53,652	-	48,401	-	102,053
Accounts	-	-	-	738,945	738,945
Allowance	-	-	-	(113,928)	(113,928)
	<u>\$ 1,434,706</u>	<u>\$ 198,262</u>	<u>\$ 75,966</u>	<u>\$ 664,209</u>	<u>\$ 2,373,143</u>

C. Contract Receivable

The City was required to return federal funding of \$716,105 received in prior years due to a failure to fulfill the terms for which the funding was received. The City and the CEDC entered into a contract to reimburse the City the amount of \$716,105 with annual payments that will conclude in 2021. The CEDC made a final payment of \$171,105 and repaid the balance in full during the current year.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,381,017	\$ -	\$ -	\$ 2,381,017
Construction in progress	454,265	1,235,848	-	1,690,113
Total capital assets not being depreciated	<u>2,835,282</u>	<u>1,235,848</u>	<u>-</u>	<u>4,071,130</u>
Capital assets, being depreciated:				
Buildings and improvements	21,740,868	167,267	-	21,908,135
Furniture & equipment	5,337,864	152,151	(43,465)	5,446,550
Total capital assets being depreciated	<u>27,078,732</u>	<u>319,418</u>	<u>(43,465)</u>	<u>27,354,685</u>
Less accumulated depreciation				
Buildings and improvements	(6,841,725)	(657,401)	-	(7,499,126)
Furniture & equipment	(3,762,582)	(305,838)	43,465	(4,024,955)
Total accumulated depreciation	<u>(10,604,307)</u>	<u>(963,239)</u>	<u>43,465</u>	<u>(11,524,081)</u>
Net capital assets being depreciated	<u>16,474,425</u>	<u>(643,821)</u>	<u>-</u>	<u>15,830,604</u>
Total Net Capital Assets	<u><u>\$ 19,309,707</u></u>	<u><u>\$ 592,027</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,901,734</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 105,532
Public safety	220,246
Public works	146,197
Transportation	177,195
Culture and recreation	314,069
Total Governmental Activities Depreciation Expense	<u><u>\$ 963,239</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 178,621	\$ -	\$ -	\$ 178,621
Construction in progress	3,774,434	335,574	(3,797,876)	312,132
Total capital assets not being depreciated	<u>3,953,055</u>	<u>335,574</u>	<u>(3,797,876)</u>	<u>490,753</u>
Capital assets, being depreciated:				
Buildings and improvements	47,997	-	-	47,997
Furniture and equipment	1,822,845	179,423	-	2,002,268
Water system	11,841,356	154,469	-	11,995,825
Sewer system	16,371,523	57,560	3,797,876	20,226,959
Total capital assets being depreciated	<u>30,083,721</u>	<u>391,452</u>	<u>3,797,876</u>	<u>34,273,049</u>
Less accumulated depreciation				
Buildings and improvements	(33,128)	(1,408)	-	(34,536)
Furniture and equipment	(1,232,940)	(135,913)	-	(1,368,853)
Water system	(4,072,737)	(247,641)	-	(4,320,378)
Sewer system	(11,627,391)	(260,673)	-	(11,888,064)
Total accumulated depreciation	<u>(16,966,196)</u>	<u>(645,635)</u>	<u>-</u>	<u>(17,611,831)</u>
Net capital assets being depreciated	<u>13,117,525</u>	<u>(254,183)</u>	<u>3,797,876</u>	<u>16,661,218</u>
Total Net Capital Assets	<u>\$ 17,070,580</u>	<u>\$ 81,391</u>	<u>\$ -</u>	<u>\$ 17,151,971</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 645,635
Total Business-type Activities Depreciation Expense	<u>\$ 645,635</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 949,951	\$ 63,342	\$ -	\$ 1,013,293
Construction in progress	93,861	-	(93,861)	-
Total capital assets not being depreciated	<u>1,043,812</u>	<u>63,342</u>	<u>(93,861)</u>	<u>1,013,293</u>
Capital assets, being depreciated:				
Buildings and improvements	83,952	-	-	83,952
Machinery & equipment	85,000	-	-	85,000
Total capital assets being depreciated	<u>168,952</u>	<u>-</u>	<u>-</u>	<u>168,952</u>
Less accumulated depreciation				
Buildings and improvements	(700)	(1,679)	-	(2,379)
Furniture & equipment	(991)	(1,700)	-	(2,691)
Total accumulated depreciation	<u>(1,691)</u>	<u>(3,379)</u>	<u>-</u>	<u>(5,070)</u>
Net capital assets being depreciated	<u>167,261</u>	<u>(3,379)</u>	<u>-</u>	<u>163,882</u>
Total Net Capital Assets	<u><u>\$ 1,211,073</u></u>	<u><u>\$ 59,963</u></u>	<u><u>\$ (93,861)</u></u>	<u><u>\$ 1,177,175</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

E. Long-term Debt

The following is a summary of changes in the City's total long-term debt for the year ended. In general, the City uses the debt service fund to liquidate certain governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunding</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Certificates of Obligation General Obligation	\$ 3,210,000	\$ 5,745,000	\$ (280,000)	\$ -	\$ 8,675,000	\$ 525,000
Refunding Bonds	5,285,000	-	(655,000)	-	4,630,000	670,000
Less: Deferred Amounts Issuance Premium	361,678	423,150	(56,462)	-	728,366	-
Total Governmental Activities	<u>\$ 8,856,678</u>	<u>\$ 6,168,150</u>	<u>\$ (991,462)</u>	<u>\$ -</u>	<u>\$ 14,033,366</u>	<u>\$ 1,195,000</u>
Long-term Liabilities Due in More than One Year					<u>\$ 12,838,366</u>	
Business-Type Activities:						
Certificates of Obligation General Obligation	\$ 3,180,000	\$ 1,915,000	\$ (225,000)	\$ (2,955,000)	\$ 1,915,000	\$ 80,000
Refunding Bonds	-	-	-	2,740,000	2,740,000	195,000
Less: Deferred Amounts Issuance Premium	60,007	141,050	(28,380)	238,412	411,089	-
Total Business-Type Activities	<u>\$ 3,240,007</u>	<u>\$ 2,056,050</u>	<u>\$ (253,380)</u>	<u>\$ 23,412</u>	<u>\$ 5,066,089</u>	<u>\$ 275,000</u>
Long-term Liabilities Due in More than One Year					<u>\$ 4,791,089</u>	
Component Unit Activities:						
Contract payable to primary government	\$ 171,105	\$ -	\$ (171,105)	\$ -	\$ -	\$ -
Total Component Unit Activities	<u>\$ 171,105</u>	<u>\$ -</u>	<u>\$ (171,105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term Liabilities Due in More than One Year					<u>\$ -</u>	

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Balance</u>	<u>Current Balance</u>
Governmental Activities:				
2017 Certificates of obligation	3.-3.25%	2037	\$ 3,920,000	\$ 2,930,000
2013 General Obligation Refunding	2%-3%	2026	7,860,000	2,750,000
2019 General Obligation Refunding	2%	2032	2,030,000	1,880,000
2021 Certificates of obligation	2%-4%	2046	5,745,000	5,745,000
	Total Governmental Activities		<u>\$ 19,555,000</u>	<u>\$ 13,305,000</u>
Business-Type Activities:				
2021 Certificate of Obligation	2%-4%	2046	\$ 1,915,000	\$ 1,915,000
2021 General Obligation Refunding	2%-4%	2033	2,740,000	2,740,000
	Total Business Type Activities		<u>\$ 4,655,000</u>	<u>\$ 4,655,000</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		
	Principal	Interest	Total
2022	\$ 525,000	\$ 239,795	\$ 764,795
2023	575,000	223,295	798,295
2024	587,500	205,858	793,358
2025	603,750	187,989	791,739
2026	616,250	169,689	785,939
2027	632,500	150,958	783,458
2028	448,750	134,739	583,489
2029	456,250	121,164	577,414
2030	463,750	105,620	569,370
2031	482,500	87,845	570,345
2032	280,000	75,189	355,189
2033	283,750	67,984	351,734
2034	283,750	60,877	344,627
2035	291,250	53,833	345,083
2036	295,000	46,605	341,605
2037	290,000	39,349	329,349
2038	183,750	33,924	217,674
2039	191,250	30,174	221,424
2040	195,000	26,067	221,067
2041	198,750	21,638	220,388
2042	150,000	17,620	167,620
2043	153,750	14,013	167,763
2044	157,500	10,219	167,719
2045	161,250	6,234	167,484
2046	168,750	2,109	170,859
Total	\$ 8,675,000	\$ 2,132,787	\$ 10,807,787

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

<u>Year ending September 30,</u>	<u>General Obligation Refunding</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 670,000	\$ 94,200	\$ 764,200
2023	700,000	77,776	777,776
2024	710,000	63,205	773,205
2025	725,000	47,677	772,677
2026	745,000	31,060	776,060
2027	170,000	20,696	190,696
2028	175,000	17,108	192,108
2029	180,000	13,416	193,416
2030	180,000	9,672	189,672
2031	185,000	5,876	190,876
2032	190,000	1,976	191,976
Total	<u>\$ 4,630,000</u>	<u>\$ 382,662</u>	<u>\$ 5,012,662</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		
	Principal	Interest	Total
2022	\$ 80,000	\$ 51,773	\$ 131,773
2023	95,000	49,148	144,148
2024	97,500	46,261	143,761
2025	101,250	43,280	144,530
2026	103,750	40,205	143,955
2027	107,500	37,036	144,536
2028	111,250	33,755	145,005
2029	113,750	30,380	144,130
2030	116,250	26,348	142,598
2031	122,500	21,573	144,073
2032	55,000	18,505	73,505
2033	56,250	17,253	73,503
2034	56,250	16,058	72,308
2035	58,750	14,908	73,658
2036	60,000	13,720	73,720
2037	60,000	12,520	72,520
2038	61,250	11,308	72,558
2039	63,750	10,058	73,808
2040	65,000	8,689	73,689
2041	66,250	7,213	73,463
2042	50,000	5,873	55,873
2043	51,250	4,671	55,921
2044	52,500	3,406	55,906
2045	53,750	2,078	55,828
2046	56,250	703	56,953
Total	\$ 1,915,000	\$ 526,722	\$ 2,441,722

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
2022	\$ 195,000	\$ 104,017	\$ 299,017
2023	215,000	80,400	295,400
2024	220,000	71,700	291,700
2025	230,000	62,700	292,700
2026	235,000	53,400	288,400
2027	250,000	43,700	293,700
2028	265,000	33,400	298,400
2029	270,000	24,050	294,050
2030	280,000	15,800	295,800
2031	285,000	8,750	293,750
2031	145,000	4,450	149,450
2032	150,000	1,500	151,500
Total	<u>\$ 2,740,000</u>	<u>\$ 503,867</u>	<u>\$ 3,243,867</u>

F. Current Year Refunding

On July 1, 2021, the City issued \$2,740,000 worth of General Obligation Refunding Bonds, Series 2021, with average interest rates of 3%. The bonds will be used to pay \$2,955,000 worth of 2011 and 2012 Certificates of Obligation, with average interest rates of 3.35%. The reacquisition price was less than the net carrying amount of the old debt by \$19,764. This amount is being amortized over the remaining life of the refunding debt. This current refunding reduced its total debt service payments by \$292,631 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$275,372.

G. Deferred Charges (Gains) on Refunding

A deferred charge resulting from the issuance of the 2013 and 2019 General Obligation Refunding Bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$45,686. Current year amortization expense for governmental activities totaled \$16,490.

A deferred gain resulting from the issuance of the 2021 General Obligation Refunding Bonds has been recorded as a deferred inflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for business-type activities totaled \$18,244. Current year amortization expense for business-type activities totaled \$1,520.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

H. Other Long-term Liabilities

The following is a summary of changes in the City's total other long-term liabilities for the year ended. In general, the City uses the general and proprietary fund to liquidate governmental compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Other liabilities:					
Compensated Absences	\$ 111,639	\$ 118,477	\$ (101,021)	\$ 129,095	\$ 116,186
Total Governmental Activities	<u>\$ 111,639</u>	<u>\$ 118,477</u>	<u>\$ (101,021)</u>	<u>\$ 129,095</u>	<u>\$ 116,186</u>
Long-term liabilities due in more than one year				<u>\$ 12,909</u>	
Business-Type Activities:					
Other liabilities:					
Compensated Absences	\$ 12,208	\$ 22,878	\$ (15,233)	\$ 19,853	\$ 17,868
Total Business-Type Activities	<u>\$ 12,208</u>	<u>\$ 22,878</u>	<u>\$ (15,233)</u>	<u>\$ 19,853</u>	<u>\$ 17,868</u>
Long-term liabilities due in more than one year				<u>\$ 1,985</u>	

I. Customer Deposits

The City had customer deposits of \$353,892 in the water and sewer fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

J. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2021 were as follows:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
General	\$ -	\$ -	\$ 5,066	\$ 35,036	\$ 40,102
Debt service	2,028	-	-	-	2,028
Water and sewer	-	1,826,204	-	-	1,826,204
Nonmajor governmental	34,257	-	-	-	34,257
Total	<u>\$ 36,285</u>	<u>\$ 1,826,204</u>	<u>\$ 5,066</u>	<u>\$ 35,036</u>	<u>\$ 1,902,591</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Interfund balances resulted from the timing difference 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. All balances are expected to be paid in the subsequent year.

The primary government owed the CEDC \$15,354 as of September 30, 2021.

Transfers between the primary government funds during the 2021 year were as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Water & Sewer</u>	
Debt service	\$ -	\$ -	\$ 122,938	122,938
Water & sewer	119,469	120,682	-	240,151
Total	<u>\$ 119,469</u>	<u>\$ 120,682</u>	<u>\$ 122,938</u>	<u>\$ 363,089</u>

During the current year, the CEDC contributed \$190,664 to the debt service fund. The funds were presented as intergovernmental revenue within the governmental fund statements.

Amounts transferred between funds relate to amounts collected by the governmental and enterprise funds for various operating capital expenditures and principal and interest payments.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with more than 2,800 other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Public Funds Investment & Collateral Acts

State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances. In addition, the City is required to adopt certain standards as it relates to the investment and maintenance of public funds. The City was in compliance with the requirement Public Funds Investment Act and the Public Funds Collateral Act.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and reviews the estimate for this potential liability annually. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2021

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	78
Active employees	<u>95</u>
Total	<u>224</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Cleveland, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Cleveland, Texas were 10.53% and 10.50% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$476,535, and equaled the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General

City of Cleveland, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 3,843,185	\$ 1,729,286	\$ 8,755

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 13,355,425	\$ 11,626,526	\$ 1,728,899
Changes for the year:			
Service Cost	509,750	-	509,750
Interest	901,287	-	901,287
Difference between expected and actual experience	149,698	-	149,698
Changes of assumptions	-	-	-
Contributions – employer	-	463,526	(463,526)
Contributions – employee	-	220,099	(220,099)
Net investment income	-	882,655	(882,655)
Benefit payments, including refunds of emp. contributions	(515,803)	(515,803)	-
Administrative expense	-	(5,711)	5,711
Other changes	-	(221)	221
Net changes	1,044,932	1,044,545	387
Balance at 12/31/20	\$ 14,400,357	\$ 12,671,071	\$ 1,729,286

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$334,887.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (327,312)
Differences between expected and actual economic experience	120,307	-
Pension assumption changes	27,133	-
Contributions subsequent to the measurement date	353,069	-
Total	\$ 500,509	\$ (327,312)

The City reported \$353,069 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (46,964)
2022	65,439
2023	(178,770)
2024	(19,577)
2025	-
Thereafter	-
	\$ (179,872)

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	11
Active employees	95
Total	143

The City’s contributions to the TMRS SDBF for the years ended 2020 and 2021 were \$3,951 and \$8,117, respectively, which equaled the required contributions each year.

Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.11%	0.11%	100.0%
2020	0.09%	0.09%	100.0%
2021	0.21%	0.21%	100.0%

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 394,374	\$ 325,646	\$ 272,489

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 280,309
Changes for the year:	
Service Cost	20,249
Interest	7,932
Difference between expected and actual experience	(19,894)
Changes of assumptions	41,012
Benefit payments	(3,962)
Net changes	45,337
Balance at 12/31/20	\$ 325,646

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$32,948.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 57,819	\$ -
Difference between expected and actual experience	-	(35,593)
Contributions subsequent to measurement date	7,062	-
Total	\$ 64,881	\$ (35,593)

The City reported \$7,062 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ 4,767
2022	1,209
2023	8,730
2024	6,251
2025	1,269
Thereafter	-
	\$ 22,226

E. Restatement

Due to corrections to capital outlay, capital assets, and grant revenue, the City restated its beginning net position/fund balance within governmental activities and the general fund. The restatement to beginning net position/fund balance is as follows:

	Governmental Activities	General
Prior year ending net position/fund balance, as reported	\$ 17,226,250	6,459,426
Record prior year capital outlay	-	(23,250)
Correction to grant revenue	89,126	89,126
Correction to capital asset depreciation	(646)	-
Restated beginning net position/fund balance	\$ 17,314,730	\$ 6,525,302

F. Subsequent Events

There were no material subsequent events through March 8, 2022, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cleveland, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2) GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 2,265,887	\$ 2,265,887	\$ 2,312,830	\$ 46,943
Sales tax	3,613,954	3,613,954	3,672,200	58,246
Franchise and local taxes	493,414	493,414	608,222	114,808
Intergovernmental	12,400	633,400	1,484,404	851,004
Contributions	191,921	191,921	189,200	(2,721)
Charges for services	587,718	587,718	509,508	(78,210)
License and permits	214,900	214,900	764,131	549,231
Fines and forfeitures	332,577	332,577	230,194	(102,383)
Investment income	11,075	11,075	16,931	5,856
Other revenue	55,406	64,306	64,376	70
Total Revenues	7,779,252	8,409,152	9,851,996	1,442,844
Expenditures				
General government:				
Administration	1,035,906	1,035,906	1,015,827	20,079
City council	47,600	47,600	22,172	25,428
Technology	396,300	396,300	395,742	558
Public safety:				
Municipal court	273,840	273,840	201,686	72,154
Police department	2,738,170	2,738,170	2,570,980	167,190
Animal control	59,350	59,350	55,504	3,846
Fire and ambulance	1,002,230	1,623,230	1,463,275	159,955
Emergency management	35,727	35,727	17,427	18,300
Public works:				
Development services	350,595	350,595	446,380	(95,785) *
Garbage department	12,200	12,200	7,599	4,601
Transportation:				
Street department	556,080	692,160	590,608	101,552
Airport department	213,854	261,849	174,316	87,533
Culture and recreation:				
Library department	418,735	418,735	442,651	(23,916) *
Cemetery and parks	513,480	522,380	402,471	119,909
Civic/community	280,609	280,609	199,796	80,813
Sports facilities	25,850	113,850	106,060	7,790
Capital outlay	692,000	1,224,237	1,167,413	56,824
Total Expenditures	8,652,526	10,086,738	9,279,907	806,831
Revenues Over (Under)				
Expenditures	(873,274)	(1,677,586)	572,089	2,249,675

City of Cleveland, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2) GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	\$ -	\$ 35,000	\$ (119,469)	\$ (154,469) *
Sale of capital assets	5,000	5,000	1,500	(3,500)
Total Other Financing Sources (Uses)	5,000	40,000	(117,969)	(157,969)
Net Change in Fund Balance	\$ (868,274)	\$ (1,637,586)	454,120	\$ 2,091,706
Beginning fund balance			6,525,302	
Ending Fund Balance			\$ 6,979,422	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Cleveland, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total pension liability				
Service cost	\$ 509,750	\$ 437,356	\$ 395,063	\$ 385,239
Interest	901,287	837,773	797,496	747,381
Differences between expected and actual experience	149,698	52,935	(136,743)	81,087
Changes of assumptions	-	65,894	-	-
Benefit payments, including refunds of participant contributions	(515,803)	(462,603)	(497,953)	(454,374)
Net change in total pension liability	<u>1,044,932</u>	<u>931,355</u>	<u>557,863</u>	<u>759,333</u>
Total pension liability - beginning	<u>13,355,425</u>	<u>12,424,070</u>	<u>11,866,207</u>	<u>11,106,874</u>
Total pension liability - ending (a)	<u>14,400,357</u>	<u>13,355,425</u>	<u>12,424,070</u>	<u>11,866,207</u>
Plan fiduciary net position				
Contributions - employer	\$ 463,526	\$ 408,197	\$ 363,729	\$ 350,699
Contributions - members	220,099	189,496	170,286	166,051
Net investment income	882,655	1,540,427	(306,841)	1,239,934
Benefit payments, including refunds of participant contributions	(515,803)	(462,603)	(497,953)	(454,374)
Administrative expenses	(5,711)	(8,701)	(5,926)	(6,422)
Other	(221)	(261)	(310)	(325)
Net change in plan fiduciary net position	<u>1,044,545</u>	<u>1,666,555</u>	<u>(277,015)</u>	<u>1,295,563</u>
Plan fiduciary net position - beginning	<u>11,626,526</u>	<u>9,959,971</u>	<u>10,236,986</u>	<u>8,941,423</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,671,071</u>	<u>\$ 11,626,526</u>	<u>\$ 9,959,971</u>	<u>\$ 10,236,986</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,729,286</u>	<u>\$ 1,728,899</u>	<u>\$ 2,464,099</u>	<u>\$ 1,629,221</u>
 Plan fiduciary net position as a percentage of the total pension liability	88%	87%	80%	86%
Covered payroll	\$ 4,401,986	\$ 3,789,910	\$ 3,405,719	\$ 3,321,023
Fund's net pension liability as a percentage of covered payroll	39%	46%	72%	49%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	¹
\$ 361,883	\$ 310,615	\$ 289,352	
699,231	693,226	668,798	
106,870	(125,466)	(146,722)	
-	36,902	-	
(478,284)	(492,054)	(454,110)	
<u>689,700</u>	<u>423,223</u>	<u>357,318</u>	
<u>10,417,174</u>	<u>9,993,951</u>	<u>9,636,633</u>	
<u>11,106,874</u>	<u>10,417,174</u>	<u>9,993,951</u>	
\$ 308,931	\$ 306,308	\$ 285,365	
156,659	143,537	143,400	
567,304	12,441	457,872	
(478,284)	(492,054)	(454,110)	
(6,406)	(7,578)	(4,780)	
(345)	(373)	(393)	
<u>547,859</u>	<u>(37,719)</u>	<u>427,354</u>	
<u>8,393,564</u>	<u>8,431,283</u>	<u>8,003,929</u>	
<u>\$ 8,941,423</u>	<u>\$ 8,393,564</u>	<u>\$ 8,431,283</u>	
<u>\$ 2,165,451</u>	<u>\$ 2,023,610</u>	<u>\$ 1,562,668</u>	
81%	81%	84%	
\$ 3,133,188	\$ 2,870,749	\$ 2,868,009	
69%	70%	54%	

City of Cleveland, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially determined employer contributions	\$ 476,535	\$ 442,354	\$ 395,012	\$ 357,632
Contributions in relation to the actuarially determined contribution	\$ 476,535	\$ 442,354	\$ 395,012	\$ 357,632
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 4,535,082	\$ 4,179,243	\$ 3,674,680	\$ 3,357,437
Employer contributions as a percentage of covered payroll	10.51%	10.58%	10.75%	10.65%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 341,779	\$ 323,843	\$ 293,516
<u>\$ 341,779</u>	<u>\$ 323,843</u>	<u>\$ 293,516</u>
\$ -	\$ -	\$ -
\$ 3,286,315	\$ 3,215,934	\$ 2,803,135
10.40%	10.07%	10.47%

City of Cleveland, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> ¹
Total OPEB liability				
Service cost	\$ 20,249	\$ 9,475	\$ 10,217	\$ 8,635
Interest	7,932	8,942	8,824	8,827
Differences between expected and actual experience	(19,894)	(14,494)	(25,357)	-
Changes of assumptions	41,012	42,175	(14,913)	18,684
Benefit payments, including refunds of participant contributions	(3,962)	(4,169)	(3,746)	(3,985)
Net change in total OPEB liability	<u>45,337</u>	<u>41,929</u>	<u>(24,975)</u>	<u>32,161</u>
Total OPEB liability - beginning	<u>\$ 280,309</u>	<u>\$ 238,380</u>	<u>\$ 263,355</u>	<u>\$ 231,194</u>
Total OPEB liability - ending	<u><u>\$ 325,646</u></u>	<u><u>\$ 280,309</u></u>	<u><u>\$ 238,380</u></u>	<u><u>\$ 263,355</u></u>
Covered-employee payroll	\$ 4,401,986	\$ 3,789,910	\$ 3,405,719	\$ 3,321,023
City's total OPEB liability as a percentage of covered-employee payroll	7.40%	7.40%	7.00%	7.93%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

City of Cleveland, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	<u>Hotel/Motel Fund</u>	<u>Money Seizures Fund</u>	<u>Fire Department</u>	<u>Court Technology</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 814,848	\$ 129,540	\$ 793	\$ -
Receivables, net	75,966	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 890,814	\$ 129,540	\$ 793	\$ -
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 342,401	\$ 21,837	\$ -	\$ -
Due to other funds	2,221	-	-	2,845
Total Liabilities	344,622	21,837	-	2,845
<u>Fund Balances</u>				
Restricted for:				
Tourism	546,192	-	-	-
TIRZ	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	107,703	793	-
Unassigned	-	-	-	(2,845)
Total Fund Balances	546,192	107,703	793	(2,845)
Total Liabilities and Fund Balances	\$ 890,814	\$ 129,540	\$ 793	\$ -

<u>Court Security</u>	<u>TIRZ #1</u>	<u>Total</u>
\$ -	\$ 119,608	\$ 1,064,789
-	-	75,966
34,257	-	34,257
<u>\$ 34,257</u>	<u>\$ 119,608</u>	<u>\$ 1,175,012</u>

\$ -	\$ -	\$ 364,238
-	-	5,066
<u>-</u>	<u>-</u>	<u>369,304</u>

-	-	546,192
-	119,608	119,608
34,257	-	34,257
-	-	108,496
-	-	(2,845)
<u>34,257</u>	<u>119,608</u>	<u>805,708</u>

<u>\$ 34,257</u>	<u>\$ 119,608</u>	<u>\$ 1,175,012</u>
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City of Cleveland, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Hotel/Motel Fund	Money Seizures Fund	Fire Department	Court Technology
Revenues				
Sales taxes	\$ 251,415	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	2,173	-	-
Fines and forfeitures	-	4,315	-	3,292
Investment income	1,136	3	2	-
Total Revenues	252,551	6,491	2	3,292
Expenditures				
Economic development	137,840	-	-	-
Municipal court	-	-	-	692
Police department	-	3,974	-	-
Capital outlay	354,299	-	-	-
Total Expenditures	492,139	3,974	-	692
Revenues Over (Under)				
Expenditures	(239,588)	2,517	2	2,600
Other Financing Sources (Uses)				
Insurance proceeds	320,433	-	-	-
Total Other Financing (Uses)	320,433	-	-	-
Net Change in Fund Balances	80,845	2,517	2	2,600
Beginning fund balances	465,347	105,186	791	(5,445)
Ending Fund Balances	\$ 546,192	\$ 107,703	\$ 793	\$ (2,845)

<u>Court Security</u>	<u>TIRZ #1</u>	<u>Total</u>
\$ -	\$ -	\$ 251,415
-	68,868	68,868
-	-	2,173
5,444	-	13,051
-	176	1,317
<u>5,444</u>	<u>69,044</u>	<u>336,824</u>
-	-	137,840
-	-	692
-	-	3,974
-	-	354,299
<u>-</u>	<u>-</u>	<u>496,805</u>
<u>5,444</u>	<u>69,044</u>	<u>(159,981)</u>
-	-	320,433
<u>-</u>	<u>-</u>	<u>320,433</u>
5,444	69,044	160,452
28,813	50,564	645,256
<u>\$ 34,257</u>	<u>\$ 119,608</u>	<u>\$ 805,708</u>

City of Cleveland, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2021

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 1,150,809	\$ 1,205,252	\$ 54,443
Intergovernmental revenue	-	190,664	190,664
Investment income	1,499	1,156	(343)
Total Revenues	1,152,308	1,397,072	244,764
 <u>Expenditures</u>			
Debt Service:			
Principal	670,000	935,000	(265,000)
Interest and fiscal charges	482,309	251,520	230,789
Total Expenditures	1,152,309	1,186,520	(34,211) *
Revenues Over (Under) Expenditures	(1)	210,552	210,553
 <u>Other Financing Sources (Uses)</u>			
Transfers in	-	122,938	122,938
Total Other Financing Sources (Uses)	-	122,938	122,938
Net Change in Fund Balances	\$ (1)	333,490	\$ 333,491
Beginning fund balances		289,042	
Ending Fund Balances		\$ 622,532	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Cleveland, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COURT TECHNOLOGY
For the Year Ended September 30, 2021

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and fees	\$ 6,500	\$ 3,292	\$ (3,208)
Total Revenues	6,500	3,292	(3,208)
 <u>Expenditures</u>			
Municipal court	6,500	692	5,808
Total Expenditures	6,500	692	5,808
Revenues Over (Under) Expenditures	-	2,600	2,600
Net Change in Fund Balances	\$ -	2,600	\$ 2,600
Beginning fund balances		(5,445)	
Ending Fund Balances		\$ (2,845)	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Cleveland, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COURT SECURITY
For the Year Ended September 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Fines and fees	\$ 5,000	\$ 5,444	\$ 444
Total Revenues	<u>5,000</u>	<u>5,444</u>	<u>444</u>
<u>Expenditures</u>			
Municipal court	5,000	-	5,000
Total Expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>5,444</u>	<u>5,444</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>5,444</u>	<u>\$ 5,444</u>
Beginning fund balances		28,813	
Ending Fund Balances		<u>\$ 34,257</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Cleveland, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MONEY SEIZURES FUND
For the Year Ended September 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Intergovernmental	\$ 2,000	\$ 2,173	\$ 173
Fines and forfeitures	-	4,315	4,315
Investment income	50	3	(47)
Total Revenues	<u>2,050</u>	<u>6,491</u>	<u>4,441</u>
<u>Expenditures</u>			
Police department	2,050	3,974	(1,924) *
Total Expenditures	<u>2,050</u>	<u>3,974</u>	<u>(1,924)</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>2,517</u>	<u>2,517</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>2,517</u>	<u>\$ 2,517</u>
Beginning fund balances		105,186	
Ending Fund Balances		<u>\$ 107,703</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Cleveland, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOTEL/MOTEL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes	\$ 237,840	\$ 237,840	\$ 251,415	\$ 13,575
Investment income	500	500	1,136	636
Other income	-	272,031	-	(272,031)
Total Revenues	238,340	510,371	252,551	(257,820)
<u>Expenditures</u>				
Economic development	224,350	224,350	137,840	86,510
Capital outlay	325,000	597,031	354,299	242,732
Total Expenditures	549,350	821,381	492,139	329,242
Revenues Over (Under) Expenditures	(311,010)	(311,010)	(239,588)	71,422
<u>Other Financing Sources (Uses)</u>				
Insurance proceeds	-	272,031	320,433	48,402
Net Change in Fund Balances	\$ (311,010)	\$ (38,979)	80,845	\$ 119,824
Beginning fund balances			465,347	
Ending Fund Balances			\$ 546,192	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Cleveland, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TIRZ #1
For the Year Ended September 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Taxes	\$ 46,485	\$ 68,868	\$ 22,383
Investment income	235	176	(59)
Total Revenues	<u>46,720</u>	<u>69,044</u>	<u>22,324</u>
<u>Expenditures</u>			
TIRZ expenses	46,720	-	46,720
Total Expenditures	<u>46,720</u>	<u>-</u>	<u>46,720</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>69,044</u>	<u>69,044</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>69,044</u>	<u>\$ 69,044</u>
Beginning fund balances		50,564	
Ending Fund Balances		<u>\$ 119,608</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
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Financial Trends	96
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	109
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	116
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	121
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	123
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Cleveland, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities				
Net investment in capital assets	\$ 7,473,754	\$ 5,596,033	\$ 6,699,709	\$ 7,323,498
Restricted	258,725	360,818	1,067,370	1,219,152
Unrestricted	1,819,640	2,644,703	2,829,266	2,728,204
Total Governmental Activities Net Position	<u>\$ 9,552,119</u>	<u>\$ 8,601,554</u>	<u>\$ 10,596,345</u>	<u>\$ 11,270,854</u>
Business-type Activities				
Net investment in capital assets	\$ 5,729,830	\$ 8,480,412	\$ 8,985,230	\$ 9,362,131
Restricted	423,569	429,909	218,270	-
Unrestricted	1,021,382	1,091,334	1,538,343	1,791,936
Total Business-type Activities Net Position	<u>\$ 7,174,781</u>	<u>\$ 10,001,655</u>	<u>\$ 10,741,843</u>	<u>\$ 11,154,067</u>
Primary Government				
Net investment in capital assets	\$ 13,203,584	\$ 14,076,445	\$ 15,684,939	\$ 16,685,629
Restricted	258,725	360,818	1,067,370	1,219,152
Unrestricted	2,841,022	3,736,037	4,367,609	4,520,140
Total Primary Government Net Position	<u>\$ 16,303,331</u>	<u>\$ 18,173,300</u>	<u>\$ 21,119,918</u>	<u>\$ 22,424,921</u>

Source: City's Audited Financial Statements

2016	2017	2018	2019	2020	2021
\$ 9,300,893	\$ 7,530,596	\$ 8,525,256	\$ 10,618,793	\$ 10,844,439	\$ 13,187,163
1,480,473	1,524,020	1,482,062	1,019,640	528,756	1,677,498
3,632,188	3,301,477	5,108,055	5,391,640	5,941,535	5,439,899
<u>\$ 14,413,554</u>	<u>\$ 12,356,093</u>	<u>\$ 15,115,373</u>	<u>\$ 17,030,073</u>	<u>\$ 17,314,730</u>	<u>\$ 20,304,560</u>
\$ 10,020,518	\$ 12,222,622	\$ 12,060,753	\$ 12,736,499	\$ 13,809,538	\$ 12,067,638
-	-	-	-	-	-
1,882,829	2,113,244	1,431,007	906,227	1,500,035	3,916,608
<u>\$ 11,903,347</u>	<u>\$ 14,335,866</u>	<u>\$ 13,491,760</u>	<u>\$ 13,642,726</u>	<u>\$ 15,309,573</u>	<u>\$ 15,984,246</u>
\$ 19,321,411	\$ 19,753,218	\$ 20,586,009	\$ 23,355,292	\$ 24,653,977	\$ 25,254,801
1,480,473	1,524,020	1,482,062	1,019,640	528,756	1,677,498
5,515,017	5,414,721	6,539,062	6,297,867	7,441,570	9,356,507
<u>\$ 26,316,901</u>	<u>\$ 26,691,959</u>	<u>\$ 28,607,133</u>	<u>\$ 30,672,799</u>	<u>\$ 32,624,303</u>	<u>\$ 36,288,806</u>

City of Cleveland, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2012	2013	2014	2015
Expenses				
Governmental activities:				
General government:	\$ 832,552	\$ 780,377	\$ 1,032,297	\$ 1,137,071
Public safety	3,797,176	3,357,473	3,338,605	3,309,784
Public works	292,486	259,242	201,985	194,942
Transportation	634,128	687,793	555,593	510,621
Culture and recreation:	959,573	1,023,999	1,183,225	1,175,514
Grants	-	91,750	2,410	4,999
Economic development	147,739	94,043	113,922	111,417
Debt service	373,910	348,691	267,293	245,038
Total governmental activities	<u>7,037,564</u>	<u>6,643,368</u>	<u>6,695,330</u>	<u>6,689,386</u>
Business-type activities:				
Water and sewer	2,357,343	2,486,227	2,359,368	2,451,573
Total business-type activities	<u>2,357,343</u>	<u>2,486,227</u>	<u>2,359,368</u>	<u>2,451,573</u>
Total primary government	<u>\$ 9,394,907</u>	<u>\$ 9,129,595</u>	<u>\$ 9,054,698</u>	<u>\$ 9,140,959</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 1,029,968	\$ 844,629	\$ 884,880	\$ 891,522
Public works	60,453	80,099	80,207	51,185
Transportation	70,024	83,883	103,060	102,983
Culture and recreation	141,599	157,737	178,229	193,888
Operating grants and contributions	89,085	335,583	298,828	329,660
Capital grants and contributions	37,166	636,284	601,858	358,958
Total governmental activities	<u>1,428,295</u>	<u>2,138,215</u>	<u>2,147,062</u>	<u>1,928,196</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,057,831	3,114,693	3,275,919	3,371,678
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	151,283	335,199	23,752
Total business-type activities	<u>3,057,831</u>	<u>3,265,976</u>	<u>3,611,118</u>	<u>3,395,430</u>
Total primary government	<u>\$ 4,486,126</u>	<u>\$ 5,404,191</u>	<u>\$ 5,758,180</u>	<u>\$ 5,323,626</u>
Net (Expense)/Revenue				
Governmental activities	\$ (5,609,269)	\$ (4,505,153)	\$ (4,548,268)	\$ (4,761,190)
Business-type activities	700,488	779,749	1,251,750	943,857
Total primary government	<u>\$ (4,908,781)</u>	<u>\$ (3,725,404)</u>	<u>\$ (3,296,518)</u>	<u>\$ (3,817,333)</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	1,103,435	\$ 1,183,915	\$ 1,285,000	\$ 1,447,736	\$ 1,416,600	\$ 1,529,229
	3,337,458	3,436,830	3,555,562	3,703,467	3,982,916	4,427,708
	216,938	196,678	485,250	461,180	459,795	706,638
	752,884	933,812	678,439	757,647	761,901	940,466
	1,161,286	1,254,290	1,243,431	1,395,381	1,316,044	1,397,441
	-	716,105	-	-	-	-
	198,116	204,066	272,960	202,728	144,123	135,014
	269,796	368,281	316,888	286,837	267,390	390,359
	<u>7,039,913</u>	<u>8,293,977</u>	<u>7,837,530</u>	<u>8,254,976</u>	<u>8,348,769</u>	<u>9,526,855</u>
	<u>2,638,757</u>	<u>2,731,814</u>	<u>2,854,161</u>	<u>3,000,660</u>	<u>3,103,284</u>	<u>3,289,684</u>
	<u>2,638,757</u>	<u>2,731,814</u>	<u>2,854,161</u>	<u>3,000,660</u>	<u>3,103,284</u>	<u>3,289,684</u>
\$	<u>9,678,670</u>	<u>\$ 11,025,791</u>	<u>\$ 10,691,691</u>	<u>\$ 11,255,636</u>	<u>\$ 11,452,053</u>	<u>\$ 12,816,539</u>
\$	655,966	\$ 440,672	\$ 527,371	\$ 478,081	\$ 267,966	\$ 243,245
	64,024	188,800	443,939	218,940	286,355	764,131
	101,303	103,074	106,371	149,134	289,370	288,005
	176,264	158,459	180,669	192,845	211,361	50,398
	299,135	311,487	230,653	288,387	477,781	2,434,293
	1,977,877	17,375	-	248,843	314,546	324,468
	<u>3,274,569</u>	<u>1,219,867</u>	<u>1,489,003</u>	<u>1,576,230</u>	<u>1,847,379</u>	<u>4,104,540</u>
	3,432,391	3,471,283	3,503,244	3,545,253	3,528,833	3,805,008
	-	-	-	-	-	-
	220,248	320,273	-	43,882	272,676	31,175
	<u>3,652,639</u>	<u>3,791,556</u>	<u>3,503,244</u>	<u>3,589,135</u>	<u>3,801,509</u>	<u>3,836,183</u>
\$	<u>6,927,208</u>	<u>\$ 5,011,423</u>	<u>\$ 4,992,247</u>	<u>\$ 5,165,365</u>	<u>\$ 5,648,888</u>	<u>\$ 7,940,723</u>
\$	(3,765,344)	\$ (7,074,110)	\$ (6,348,527)	\$ (6,678,746)	\$ (6,501,390)	\$ (5,422,315)
	1,013,882	1,059,742	649,083	588,475	698,225	546,499
\$	<u>(2,751,462)</u>	<u>\$ (6,014,368)</u>	<u>\$ (5,699,444)</u>	<u>\$ (6,090,271)</u>	<u>\$ (5,803,165)</u>	<u>\$ (4,875,816)</u>

City of Cleveland, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,304,674	\$ 2,618,204	\$ 2,609,697	\$ 2,721,030
Sales and other taxes	2,405,630	2,537,158	2,734,039	2,858,816
Franchise taxes	502,327	489,104	529,300	468,169
Earnings on investments	38,950	39,452	23,661	33,378
Gain on sale of assets	1,800	10,000	-	79,000
Grants and contributions not restricted to specific programs	-	-	-	-
Proceeds from insurance	759	39,371	32,749	40,852
Miscellaneous	47,522	51,030	40,425	62,866
Transfers	-	-	-	-
Total governmental activities	<u>5,301,662</u>	<u>5,784,319</u>	<u>5,969,871</u>	<u>6,264,111</u>
Business-type activities:				
Investment earnings	33,547	54,129	53,986	43,938
Proceeds from insurance	17,002	500	7,640	16,365
Transfers	-	-	-	-
Total business-type activities	<u>50,549</u>	<u>54,629</u>	<u>61,626</u>	<u>63,566</u>
Total primary government	<u>\$ 5,352,211</u>	<u>\$ 5,838,948</u>	<u>\$ 6,031,497</u>	<u>\$ 6,327,677</u>
Change in Net Position				
Governmental activities	\$ (307,607)	\$ 1,279,166	\$ 1,421,603	\$ 1,502,921
Business-type activities	751,037	834,378	1,313,376	1,007,423
Total primary government	<u>\$ 443,430</u>	<u>\$ 2,113,544</u>	<u>\$ 2,734,979</u>	<u>\$ 2,510,344</u>

Source: City's Audited Financial Statements

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	2,677,409	\$ 2,760,419	\$ 2,901,329	\$ 3,063,702	\$ 3,188,794	\$ 3,586,950
	3,096,142	3,004,420	3,268,102	4,348,951	3,513,801	3,923,615
	497,207	490,642	522,006	475,052	597,880	608,222
	46,808	51,997	65,180	119,109	92,382	24,262
	2,860	3,830	147,514	5,000	9,025	-
	-	-	716,105	80,930	-	-
	29,941	28,826	125,738	11,112	-	320,433
	9,676	20,132	14,960	15,643	275,453	65,876
	-	-	-	473,947	(891,288)	(117,213)
	<u>6,360,043</u>	<u>6,360,266</u>	<u>7,760,934</u>	<u>8,593,446</u>	<u>6,786,047</u>	<u>8,412,145</u>
	39,255	29,160	40,798	33,129	15,517	3,612
	3,310	-	41,037	3,309	61,817	7,349
	-	-	-	(473,947)	891,288	117,213
	<u>42,565</u>	<u>29,160</u>	<u>81,835</u>	<u>(437,509)</u>	<u>968,622</u>	<u>128,174</u>
\$	<u>6,402,608</u>	<u>\$ 6,389,426</u>	<u>\$ 7,842,769</u>	<u>\$ 8,155,937</u>	<u>\$ 7,754,669</u>	<u>\$ 8,540,319</u>
\$	2,594,699	\$ (713,844)	\$ 1,412,407	\$ 1,914,700	\$ 284,657	\$ 2,989,830
	1,056,447	1,088,902	730,918	150,966	1,666,847	674,673
\$	<u>3,651,146</u>	<u>\$ 375,058</u>	<u>\$ 2,143,325</u>	<u>\$ 2,065,666</u>	<u>\$ 1,951,504</u>	<u>\$ 3,664,503</u>

City of Cleveland, Texas
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund:				
Restricted	\$ 7,484	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	81,256	5,400	81,867	-
Committed	-	22,669	98,488	38,488
Assigned	128,316	-	-	-
Unassigned	692,564	1,478,340	2,188,473	3,416,854
Total general fund	<u>\$ 909,620</u>	<u>\$ 1,506,409</u>	<u>\$ 2,368,828</u>	<u>\$ 3,455,342</u>
All other governmental funds:				
Restricted	3,850,092	743,614	874,818	1,106,039
Nonspendable	-	1,935	24,570	24,570
Committed	-	-	756	762
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 3,850,092</u>	<u>\$ 745,549</u>	<u>\$ 900,144</u>	<u>\$ 1,131,371</u>

Source: City's Audited Financial Statements

Note: The City implemented GASB Statement 54 in fiscal year 2011.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
51,259	-	-	-	-	-
38,488	38,488	38,488	38,488	38,488	38,488
-	-	-	-	-	-
<u>4,322,500</u>	<u>4,069,926</u>	<u>5,867,923</u>	<u>6,324,013</u>	<u>6,486,814</u>	<u>6,940,934</u>
<u>\$ 4,412,247</u>	<u>\$ 4,108,414</u>	<u>\$ 5,906,411</u>	<u>\$ 6,362,501</u>	<u>\$ 6,525,302</u>	<u>\$ 6,979,422</u>
1,313,553	3,123,318	2,133,350	2,321,334	1,061,518	8,457,554
482	-	-	-	-	-
768	773	779	785	-	-
-	-	-	-	(5,445)	(2,845)
<u>\$ 1,314,803</u>	<u>\$ 3,124,091</u>	<u>\$ 2,134,129</u>	<u>\$ 2,322,119</u>	<u>\$ 1,056,073</u>	<u>\$ 8,454,709</u>

City of Cleveland, Texas
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	2012	2013	2014	2015
Revenues				
Property taxes	\$ 2,308,925	\$ 2,599,261	\$ 2,635,087	\$ 2,716,197
Sales and other taxes	2,405,630	2,537,158	2,734,039	2,858,816
Franchise taxes	502,327	489,104	529,300	468,169
Licenses, permits, & fees	60,453	80,099	80,207	51,185
Charges for services	478,608	283,151	350,717	405,936
Fines and forfeitures	852,388	802,348	815,114	782,457
Intergovernmental	79,271	464,165	319,459	397,886
Earnings on investments	38,950	39,452	23,661	33,378
Contributions	47,902	206,125	307,266	290,732
Miscellaneous	51,247	51,030	35,252	62,866
Total Revenues	6,825,701	7,551,893	7,830,102	8,067,622
Expenditures				
General government	1,029,772	982,326	980,612	1,006,268
Public safety	3,491,151	2,846,988	3,107,436	3,123,370
Public works	69,039	257,891	200,634	195,298
Transportation	481,126	541,573	405,080	370,696
Culture and recreation	819,431	884,398	920,494	917,806
Grants	-	91,750	2,410	4,999
Economic Development	147,739	94,043	113,922	112,555
Capital outlay	971,351	3,909,333	783,769	510,956
Debt service:				
Principal	575,744	835,209	1,193,877	1,098,865
Interest	359,955	239,772	287,476	266,820
Bond issuance costs	138,609	136,503	2,156	-
Total Expenditures	8,083,917	10,819,786	7,997,866	7,607,633
Revenues Over (Under)				
Expenditures	(1,258,216)	(3,267,893)	(167,764)	459,989

	2016	2017	2018	2019	2020	2021
\$	2,705,538	\$ 2,695,641	\$ 2,929,142	\$ 3,059,338	\$ 3,188,794	\$ 3,586,950
	3,096,142	3,004,420	3,268,102	4,348,951	3,513,801	3,923,615
	497,207	490,642	522,006	475,052	597,880	608,222
	56,771	188,172	427,083	210,299	286,355	764,131
	405,417	384,906	442,047	489,458	500,731	509,508
	524,092	312,075	381,190	324,470	267,966	243,245
	2,001,438	29,417	3,145	279,434	502,498	2,697,871
	46,808	51,997	65,180	119,109	92,382	24,262
	273,924	300,693	577,508	378,726	365,982	189,200
	22,603	24,736	22,990	41,528	271,246	64,376
	<u>9,629,940</u>	<u>7,482,699</u>	<u>8,638,393</u>	<u>9,726,365</u>	<u>9,587,635</u>	<u>12,611,380</u>
	1,034,477	1,116,386	1,194,425	1,362,220	1,314,318	1,433,741
	3,114,285	3,117,794	3,216,720	3,384,659	3,833,182	4,313,538
	215,059	189,159	470,129	446,155	324,175	453,979
	610,752	656,843	399,755	472,316	587,956	764,924
	896,788	967,403	947,367	1,073,846	1,034,135	1,117,528
	-	716,105	-	-	-	-
	197,764	202,139	269,810	200,911	147,198	137,840
	3,075,355	345,281	1,649,264	1,125,002	1,078,543	1,555,266
	1,089,755	1,055,000	1,145,000	1,180,000	1,210,000	935,000
	255,863	247,358	354,223	316,123	279,110	251,520
	33,043	124,186	-	-	64,009	168,158
	<u>10,523,141</u>	<u>8,737,654</u>	<u>9,646,693</u>	<u>9,561,232</u>	<u>9,872,626</u>	<u>11,131,494</u>
	(893,201)	(1,254,955)	(1,008,300)	165,133	(284,991)	1,479,886

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS (Continued)

Last Ten Years

(modified accrual basis of accounting)

	2012	2013	2014	2015
Other Financing Sources (Uses)				
Proceeds from sale of assets	\$ 1,800	\$ 10,000	\$ 13,500	\$ 79,000
Proceeds from insurance	759	39,371	32,749	40,852
Debt issuance	4,059,413	-	111,115	-
Capital contributions from CEDC	-	302,327	285,213	-
Refunding bonds issued	-	7,860,000	-	-
Premium on bonds issued	191,048	301,219	-	-
Payment to refunded bond escrow agent	-	(8,339,049)	-	-
Transfers in (out)	415,853	586,271	742,201	737,900
Total Other Financing Sources (Uses)	4,668,873	760,139	1,184,778	857,752
Net Change in Fund Balances	\$ 3,410,657	\$ (2,507,754)	\$ 1,017,014	\$ 1,317,741
Ratio of total debt service expenditures to noncapital	13%	16%	21%	19%

Source: City's Audited Financial Statements

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 2,860	\$ 3,830	\$ 147,514	\$ 5,000	\$ 9,025	\$ 1,500
29,941	28,826	125,738	-	-	320,433
930,000	4,071,371	-	-	-	5,745,000
-	-	-	-	-	-
-	-	-	-	2,030,000	-
-	-	-	-	-	423,150
-	-	-	-	(1,965,991)	-
<u>829,903</u>	<u>(1,343,617)</u>	<u>1,543,083</u>	<u>473,947</u>	<u>(891,288)</u>	<u>(117,213)</u>
<u>1,792,704</u>	<u>2,760,410</u>	<u>1,816,335</u>	<u>478,947</u>	<u>(818,254)</u>	<u>6,372,870</u>
<u>\$ 899,503</u>	<u>\$ 1,505,455</u>	<u>\$ 808,035</u>	<u>\$ 644,080</u>	<u>\$ (1,103,245)</u>	<u>\$ 7,852,756</u>
18%	16%	19%	18%	17%	12%

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City of Cleveland, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2012	\$ 358,923,846	\$ 72,096,880	\$ 128,230,514	\$ 302,790,212	0.68500
2013	357,885,728	71,807,780	127,970,345	301,723,163	0.78000
2014	359,515,324	69,482,615	129,132,213	299,865,726	0.78000
2015	363,166,223	75,472,640	130,724,194	307,914,669	0.78000
2016	369,727,809	72,325,740	134,373,899	307,679,650	0.78000
2017	395,521,819	72,821,800	147,714,711	320,628,908	0.77000
2018	415,083,171	76,313,630	152,650,865	338,745,936	0.77000
2019	444,489,345	80,052,474	168,524,489	356,017,330	0.77000
2020	480,262,595	77,063,810	18,043,269	539,283,136	0.77000
2021	546,116,904	80,106,470	211,549,453	414,673,921	0.76000

Note: Tax rates per \$100 of assessed valuation.

Source: Liberty County Appraisal District

City of Cleveland, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct Rates:				
City of Cleveland - Operating	0.47200	0.48310	0.50230	0.53950
City of Cleveland - Debt Service	0.21300	0.29690	0.27770	0.24050
Total Direct Rate	<u>0.68500</u>	<u>0.78000</u>	<u>0.78000</u>	<u>0.78000</u>
Overlapping Rates:				
Liberty County	0.56000	0.56000	0.57880	0.57880
Cleveland ISD	<u>1.31500</u>	<u>1.31500</u>	<u>1.31500</u>	<u>1.31500</u>
Total Entities	<u>1.87500</u>	<u>1.87500</u>	<u>1.89380</u>	<u>1.89380</u>

Tax rates per \$100 of assessed valuation.

Source: Liberty County Appraisal Districts and City records.

2016	2017	2018	2019	2020	2021
0.54200	0.56568	0.53568	0.54450	0.54450	0.50280
0.23800	0.20432	0.23432	0.22550	0.22550	0.25720
0.78000	0.77000	0.77000	0.77000	0.77000	0.76000
0.57880	0.57880	0.57880	0.57880	0.57880	0.55430
1.31500	1.38000	1.41500	1.41500	1.34500	1.24970
1.89380	1.95880	1.99380	1.99380	1.92380	1.80400

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City of Cleveland, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Property Tax Payer	2021			2012		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Mckinley Development Co Inc.	\$ 13,750,910	1	3.32%	\$ -	n/a	-
Entergy Texas Inc.	8,945,910	2	2.16%	-	n/a	-
Wal-Mart Real Estate	8,677,800	3	2.09%	-	n/a	-
Wal-Mart Stores of Texas, LLC	5,935,610	4	1.43%	-	n/a	-
CISH Acquisition LLC	5,832,610	5	1.41%	-	n/a	-
Cleveland Auto Properties	4,087,720	6	0.99%	-	n/a	-
Orange Marketplace LP	3,555,960	7	0.86%	-	n/a	-
Love's Travel Stops and Country Stores Inc.	3,473,700	8	0.84%	-	n/a	-
TSM Investments LLC DBA Campbell Concrete & Materials, LP	3,396,730	9	0.82%	-	n/a	-
NHCI of Hillsboro Inc.	-	n/a	-	9,758,380	1	3.22%
Wal-Mart Real Estate	-	n/a	-	8,127,150	2	2.68%
Cleveland Diagnostic Plaza	-	n/a	-	7,589,950	3	2.51%
Wal-Mart Stores of Texas, LLC	-	n/a	-	6,590,880	4	2.18%
Entergy Texas Inc.	-	n/a	-	4,546,810	5	1.50%
Southwestern Bell Telephone LP	-	na	-	3,634,710	6	1.20%
Cleveland Regional Medical Corp.	-	n/a	-	3,589,110	7	1.19%
Tobin Ben Co.	-	n/a	-	3,009,370	8	0.99%
Sleepy Hollow Holdings LP	-	n/a	-	2,821,660	9	0.93%
Campbell Concrete & Materials, LP	-	n/a	-	2,638,100	10	0.87%
Total	\$ 60,954,770		14.70%	\$ 52,306,120		17.27%
Total Assessed Valuation	\$ 414,673,921		100%	\$ 302,790,212		100%

Source: Liberty Central Appraisal District

Note: Property is assessed as of January 1 and certified to the City by July 25 for taxable values.

City of Cleveland, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Tax levy	\$ 2,515,519	\$ 2,506,143	\$ 2,572,991	\$ 2,588,336
Current tax collected	\$ 2,064,737	\$ 2,264,894	\$ 2,343,786	\$ 2,386,148
Percent of current tax collections	82.08%	90.37%	91.09%	92.19%
Delinquent tax collections	\$ 364,742	\$ 155,209	\$ 198,075	\$ 165,259
Total tax collections	\$ 2,429,479	\$ 2,420,103	\$ 2,541,861	\$ 2,551,407
Total collections as a percentage of levy	96.6%	96.6%	98.8%	98.6%

Source: Dallas and Collin County reports.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	2,665,275	\$ 2,815,854	\$ 2,994,333	\$ 3,183,951	\$ 3,186,119	\$ 3,560,554
\$	2,467,612	\$ 2,509,840	\$ 2,696,797	\$ 2,864,968	\$ 3,031,165	\$ 3,419,960
	92.58%	89.13%	90.06%	89.98%	95.14%	96.05%
\$	159,790	\$ 261,169	\$ 241,390	\$ 236,016	\$ 54,791	\$ -
\$	2,627,402	\$ 2,771,009	\$ 2,938,187	\$ 3,100,984	\$ 3,085,956	\$ 3,419,960
	98.6%	98.4%	98.1%	97.4%	96.9%	96.1%

City of Cleveland, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:				
Deferred amounts:				
Premium	\$ 186,654	\$ 462,932	\$ 430,317	\$ 397,702
Certificates of Obligation	10,585,000	11,350,000	10,270,000	2,775,000
General Obligation Refunding Bonds	-	-	-	6,385,000
Tax Notes	-	-	-	105,000
Notes payable	201,591	106,382	103,620	9,755
Business-type activities:				
Certificates of Obligation	\$ 4,760,000	\$ 5,110,000	\$ 4,890,000	\$ 4,670,000
Premium		94,078	89,233	84,388
General Obligation Refunding Bonds	-	-	-	-
Total primary government	<u>\$ 15,733,245</u>	<u>\$ 17,123,392</u>	<u>\$ 15,783,170</u>	<u>\$ 14,426,845</u>
Percentage of personal income (1)	10.44%	11.42%	10.51%	9.55%
Per capita (1)	\$ 2,041	\$ 2,232	\$ 2,054	\$ 1,867

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and population data is disclosed on page 117.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 365,087	\$ 482,555	\$ 442,210	\$ 401,865	\$ 361,678	\$ 728,366
2,565,000	6,275,000	5,935,000	5,570,000	3,210,000	8,675,000
5,770,000	5,115,000	4,505,000	3,885,000	5,285,000	4,630,000
780,000	590,000	395,000	200,000	-	-
-	-	-	-	-	-
\$ 4,440,000	\$ 4,210,000	\$ 3,975,000	\$ 3,400,000	\$ 3,180,000	\$ 1,915,000
79,543	74,698	69,853	65,008	60,007	411,089
-	-	-	-	-	2,740,000
<u>\$ 13,999,630</u>	<u>\$ 16,747,253</u>	<u>\$ 15,322,063</u>	<u>\$ 13,521,873</u>	<u>\$ 12,096,685</u>	<u>\$ 19,099,455</u>
9.09%	10.84%	9.80%	8.58%	7.37%	11.64%
\$ 1,777	\$ 2,119	\$ 1,916	\$ 1,677	\$ 1,441	\$ 2,275

City of Cleveland, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2012	2013	2014	2015
NET TAXABLE ASSESSED VALUE				
All property	\$ 302,790,212	\$ 301,723,163	\$ 299,865,726	\$ 307,914,669
NET BONDED DEBT (1)				
Gross bonded debt	15,531,654	17,017,010	15,679,550	14,312,090
Less: debt service funds	104,705	160,024	265,282	366,997
Net Bonded Debt	\$ 15,426,949	\$ 16,856,986	\$ 15,414,268	\$ 13,945,093
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	5.09%	5.59%	5.14%	4.53%
POPULATION	7,708	7,671	7,684	7,728
NET BONDED DEBT PER CAPITA	\$ 2,001	\$ 2,197	\$ 2,006	\$ 1,804

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 307,679,650	\$ 320,628,908	\$ 338,745,936	\$ 356,017,330	\$ 539,283,136	\$ 414,673,921
13,219,630	16,157,253	14,927,063	13,321,873	12,096,685	19,099,455
537,878	585,724	595,066	282,175	289,042	620,505
<u>\$ 12,681,752</u>	<u>\$ 15,571,529</u>	<u>\$ 14,331,997</u>	<u>\$ 13,039,698</u>	<u>\$ 11,807,643</u>	<u>\$ 18,478,950</u>
4.12%	4.86%	4.23%	3.66%	2.19%	4.46%
7,879	7,904	7,998	8,061	8,396	8,396
\$ 1,610	\$ 1,970	\$ 1,792	\$ 1,618	\$ 1,406	\$ 2,201

City of Cleveland, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2021

Governmental Unit	Gross Bonded Debt Outstanding (a)	Estimated Percentage Applicable (b)	Estimated Share of Overlapping Debt (a * b)
Debt repaid with property taxes			
Cleveland I.S.D	\$ 307,549,989 **	1.35%	\$ 4,136,547
Liberty County	32,463,353 ***	6.58%	2,136,089
	340,013,342		
Subtotal, overlapping debt			6,272,636
City Direct Debt			14,033,366
Total Direct and Overlapping Debt			\$ 20,306,002

Sources: Taxing Entities and City, Dallas Central Appraisal District, and the Collin County Appraisal District.

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

** As of 8/31/2021

*** As of 9/30/2020

City of Cleveland, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

<u>Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
				<u>Liberty County</u>
2012	7,708	\$ 150,691,400	19,550	9.6%
2013	7,671	149,968,050	19,550	8.9%
2014	7,684	150,222,200	19,550	7.2%
2015	7,728	151,082,400	19,550	6.9%
2016	7,879	154,034,450	19,550	7.5%
2017	7,904	154,523,200	19,550	7.1%
2018	7,998	156,360,900	19,550	5.8%
2019	8,061	157,592,550	19,550	5.0%
2020	8,396	164,141,800	19,550	10.8%
2021	8,396	164,141,800	19,550	11.3%

Sources: Estimated population provided by United States Census Bureau
Per Capita Income provided at <https://www.census.gov>
Unemployment information provided by the Texas Workforce Commission.

Note: Only 2019 per capita personal income was available. The future years will be updated as they become available.

City of Cleveland, Texas

PRINCIPAL EMPLOYERS

Current and Prior Fiscal Year

Employer	2021			2020		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cleveland ISD	1,550	1	20.81%	1,200	1	16.02%
Wal-Mart Supercenter	450	2	6.04%	340	2	4.54%
Texas Emergency Hospital	340	3	4.57%	187	3	2.50%
Union Tank Co.	142	5	1.91%	176	5	2.35%
City of Cleveland	134	4	1.80%	103	4	1.38%
Cleveland Correctional Center	103	6	1.38%	92	6	1.23%
H-E-B Foods	102	7	1.37%	90	7	1.20%
Cleveland Health Care Center	90	8	1.21%	87	8	1.16%
Martin Chevrolet Buick GMC	70	9	0.94%	61	9	0.81%
Campbell Concrete & Materials	40	10	0.54%	40	10	0.53%
Total	3,021		40.57%	2,376		31.73%
Total City Employment	7,447			7,489		

The requirement is for the current year and nine years ago, however, only the current and prior year is available at this time.

Source: Human Resources Department of each company.

Source: Texas Labor Market Information

<https://datausa.io/profile/geo/cleveland-tx>

City of Cleveland, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government and administration	22	22	18	17	18	19	18	20	18	14
Public safety	50	60	62	56	55	55	56	59	53	54
Public works	5	6	8	7	6	6	6	8	7	6
Culture and recreation	16	26	19	17	15	13	17	14	13	13
Water and sewer	15	12	16	13	17	16	14	14	12	9
Community development	3	5	5	4	4	4	3	4	3	2
Economic development	-	-	-	-	-	-	-	1	1	1
Total	<u>111</u>	<u>131</u>	<u>128</u>	<u>114</u>	<u>115</u>	<u>113</u>	<u>114</u>	<u>120</u>	<u>107</u>	<u>99</u>

Sources: Various City departments.

City of Cleveland, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015
Public safety				
Police				
Number of employees	34	34	38	34
Number of violations (citations)	2,938	2,604	1,933	2,161
Fire				
Number of employees	16	15	19	18
Number of volunteers	25	23	22	21
Number of fire runs	754	760	969	1,508
Public works				
Streets (miles)	52	52	52	52
Building permits issued	636	660	574	606
Cultural and recreational				
Parks and recreation				
Park maintain & operate per acre	36	36	36	36
Participants in parks programs				
Library				
Volumes in collection	50,010	58,026	60,348	53,894
Water and sewer				
Number of water connections	29,202	29,341	29,565	29,385
Number of sewer connections	27,176	27,290	27,303	27,109
Average daily water consumption ^a	32,332	33,237	31,114	30,009
Maximum storage capacity ^a	2.7	2.7	2.7	2.7

Sources: Various City departments.

^a Millions of gallons

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
37	34	36	39	32	35
1,818	1,690	2,780	2,191	1,636	1,721
18	18	19	19	19	20
19	18	15	16	16	14
2,112	2,639	2,158	2,245	1,712	2,181
52	52	52	54	56	56
610	549	854	875	1,220	1,682
133	133	133	133	133	133
61,389	59,237	61,365	68,696	68,475	47,664
29,634	29,425	29,408	29,650	30,311	34,043
27,341	27,002	27,016	27,130	27,676	31,199
31,484	59,578	17,133	30,232	31,448	32,586
2.7	2.7	2.7	2.7	2.7	3.3

City of Cleveland, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2012	2013	2014	2015
Public safety				
Police stations	1	1	1	1
Police patrol units	19	18	18	18
Fire stations	1	1	1	1
Public works				
Streets-paved (miles)	52	52	52	52
Cultural and recreational				
Parks (acres)	36	36	36	36
Playgrounds (1)	3	3	3	3
Library	1	1	1	1
Water and sewer				
Fire hydrants	300	300	300	300
Ground storage facilities	6	6	6	6
Elevated storage facilities	2	2	2	2
Lift stations	16	16	16	16

Sources: Various City departments.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
17	19	18	18	17	20
1	1	1	1	1	1
52	52	52	54	56	56
133	133	133	133	133	133
3	3	5	5	5	5
1	1	1	1	1	1
300	300	300	300	300	400
7	7 #	7	7	7	8
2	2	2	2	2	2
17	17	17	18	18	19