



ANNUAL COMPREHENSIVE FINANCIAL REPORT 2022

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2022

CITY OF
CLEVELAND, TEXAS

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*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Cleveland, Texas

**For the Year Ended
September 30, 2022**

Prepared by:

Pamela Harrison
Finance Director

Scott Swigert
City Manager

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City of Cleveland, Texas

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September 30, 2022

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INTRODUCTORY SECTION

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Mayor, Danny Lee
City Council
Julius Buckley
Roscoe Warrick Jr.
Eddie Lowery
Desiree David
Fred Terrell



Scott Swigert, City Manager
Alice Rios, Interim City Secretary
Pamela Harrison, Finance Director

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July 31, 2023

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, 2022, 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, 2022. 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 primarily in Liberty County with portions entering into both Montgomery and San Jacinto counties, is approximately 40 miles northeast of Houston and 22 miles east of Conroe with an estimated population of 8,503, based on the projections of the latest US Census. 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.

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

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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. Parks and Recreation Board
2. Cleveland Housing Authority Board
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 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, the McKinley Development Company has constructed 290 single-family homes and completed a 9-hole golf course, a splash pad and a community center with a swimming pool and fitness center. Recent approval has set forth the development of section nine in Grand Oaks, which will consist of additional single-family homes. The LGI development known as Pinewood Trails has constructed a total of 234 single-family homes and a completed wastewater treatment plant to support additional homes in the upcoming phases. The master plan of this improvement consists of a 4-acre park, a party pavilion, picnic areas, splash pad 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 5.2% in Liberty County as of December 2022, which has decreased

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by 2.1%. The City as well as the area's economic development groups have combined efforts to make the City of Cleveland a better place to live and work. The Economic Development Corporation and Greater Cleveland Chamber of Commerce are committed to marketing the City's assets and encouraging small business and entrepreneurial activity.

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 2023 through Fiscal Year 2027. 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. In May of 2021, the City adopted a Comprehensive Plan through 2040 and in early 2023 a new Strategic Plan was adopted that will assist the City with its financial planning.

Major goals for this year ending September 30, 2022, was the installation of a lighted marquee sign at the airport, restoration of elevated storage tanks and financing of fire apparatus.

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 adopts an annual appropriated budget for its general fund, debt service, and most special revenue funds and approves all budget amendments. A budgetary comparison has been provided for the general and other required to demonstrate compliance with the 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 completed in this fiscal year include:

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- Purchase and replacement of equipment needed for efficient operation of Fire, Police and other departments
- Major restoration of water system tanks
- Financing of Fire Apparatus
- Elevated Storage Tank No. 1 and No. 2 Rehab
- Tanglewood Elevated Storage Tank
- Cleveland Municipal Airport lighted marquee sign

Projects undertaken and/or planned for future fiscal years include:

- Purchase and replacement of equipment needed for efficient operation
- Repaving of selected streets
- Police Evidence Facility
- Skate Park
- E Houston St sidewalk project
- Automatic Meter Reading Tower and Software
- Upgrade Airport Runway Lighting System
- Downtown Revitalization Phase II
- Installation of generators to critical infrastructure

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,

Scott Swigert, City Manager

Pamela Harrison, Finance Director



CITIZENS OF CLEVELAND

+2020 Census - Official Population 8,150

MAYOR
RICHARD BOYETT



MAYOR PRO TEM/COUNCIL POSITION 2
MARILYN CLAY



COUNCIL POSITION 1
CAROLYN MCWATERS



COUNCIL POSITION 3
EDDIE LOWERY



COUNCIL POSITION 4
DESIREE DAVID



COUNCIL POSITION 5
FRED TERRELL



CITY ATTORNEY
MARY ANN POWELL



MUNICIPAL JUDGE
RALPH FULLER



INTERIM CITY MANAGER
ROBERT REYNOLDS



TOURISM & MARKETING DIRECTOR
ASHLEY BROUSSARD



LIBRARY DIRECTOR
MARY COHN



PUBLIC WORKS DIRECTOR



HUMAN RESOURCES



FINANCE DIRECTOR
LESLIE HERRERA



CITY SECRETARY
TERRALYN MAY



FIRE CHIEF
SEAN ANDERSON



POLICE CHIEF
DARREL BROUSSARD



MUNICIPAL COURT CLERK
HANNAH WOODS



CVB



CIVIC CENTER



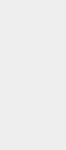
MUNICIPAL PARK



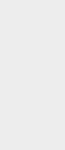
YOUTH SERVICES COORDINATOR



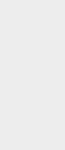
WATER/SEWER



STREETS/ DRAINAGE



CEMETERY/ PARKS



GARAGE



UTILITY BILLING



PERMITS



BUILDING INSPECTIONS



ACCOUNTING SPECIALIST



ACCOUNTS PAYABLE



DEPUTY CITY SECRETARY



CUSTOMER SERVICE



ZONING



EMERGENCY MANAGEMENT



DETECTIVES



PATROL



DISPATCH



ANIMAL CONTROL



CODE ENFORCEMENT



DEPUTY COURT CLERK





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, 2021

Christopher P. Morill

Executive Director/CEO

PRINCIPAL CITY OFFICIALS

CITY ELECTED OFFICIALS

Council Position 1 Carolyn McWaters	MAYOR RICHARD BOYETT	Council Position 3 Eddie Lowery
Council Position 4 Desiree David	Mayor Pro-Tem Council Position 2 Marilyn Clay	Council Position 5 Fred Terrell

CLEVELAND EDC

President
Brent McWaters

Vice President
Kelly Jenkel- Axton

TREASURER
Michele Wyatt

Board Member
Marilyn Clay

Board Member
Patrick Caserez

Board Member
Scott Lambert

Board Member
Durlene Davis

APPOINTED OFFICIALS

Interim City
Manager
Robert Reynolds

City Attorney
Mary Anne Powell

Municipal Court
Judge
Ralph Fuller

PRIMARY ADMINISTRATORS

Finance Director
Leslie Herrera

Economic Development
Director
Robert Reynolds

Chief of Police
Darrel Broussard

Tourism & Marketing
Director
Ashley Broussard

Library Director
Mary Cohn

Fire Chief
Sean Anderson

City Secretary
Terralyn May

Municipal Court Clerk
Hannah Woods



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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Cleveland, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Cleveland, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Cleveland, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to the implementation of GASB Statement No. 87, *Leases*, the governmental activities restated capital assets and long-term liabilities. Our opinion is not modified with respect to this matter.

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 (asset) and related ratios, schedule of employer contributions to pension plan, schedule of changes in the other postemployment benefits liability and the budgetary comparison information 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 the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 a report dated July 31, 2023, on our consideration of the City of Liberty, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive script.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
July 31, 2023

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

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City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2022

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, 2022. 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 \$39,833,473 at September 30, 2022. Of this, \$9,386,709 (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 \$11,562,409, a decrease of \$3,871,722.
- As of the end of the year, the unassigned fund balance of the general fund was \$6,938,885 or 69% of total general fund expenditures.
- The City had an overall increase in net position of \$3,544,667, 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

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses 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, 2022

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 and all other governmental funds with a legally adopted budget to demonstrate compliance with their 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, 2022

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 \$39,833,473 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$28,431,808, 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:

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 13,682,871	\$ 4,200,011	\$ 17,882,882	\$ 19,179,371	\$ 3,046,142	\$ 22,225,513
Internal balances	1,894	(1,894)	-	(1,791,168)	1,791,168	-
Capital assets, net	24,740,157	20,029,261	44,769,418	19,940,461	17,190,698	37,131,159
Total Assets	38,424,922	24,227,378	62,652,300	37,328,664	22,028,008	59,356,672
Deferred Outflows of Resources	677,371	134,082	811,453	501,967	109,109	611,076
Other liabilities	2,968,759	1,093,898	4,062,657	2,684,826	836,232	3,521,058
Long-term liabilities	13,957,683	4,725,509	18,683,192	14,548,374	5,228,361	19,776,735
Total Liabilities	16,926,442	5,819,407	22,745,849	17,233,200	6,064,593	23,297,793
Deferred Inflows of Resources	718,979	165,452	884,431	292,871	88,278	381,149
Net Position:						
Net investment in capital assets	12,850,016	15,581,792	28,431,808	13,187,163	12,067,638	25,254,801
Restricted	1,851,463	163,493	2,014,956	1,677,498	-	1,677,498
Unrestricted	6,755,393	2,631,316	9,386,709	5,439,899	3,916,608	9,356,507
Total Net Position	\$ 21,456,872	\$ 18,376,601	\$ 39,833,473	\$ 20,304,560	\$ 15,984,246	\$ 36,288,806

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

Statement of Activities:

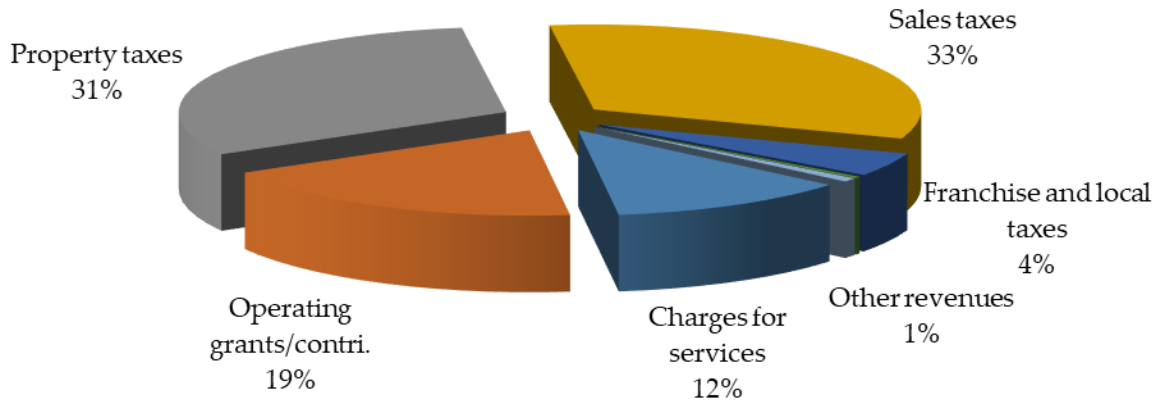
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,607,828	\$ 4,142,960	\$ 5,750,788	\$ 1,345,779	\$ 3,805,008	\$ 5,150,787
Operating grants/contri.	2,507,878	-	2,507,878	2,434,293	-	2,434,293
Capital grants/contri.	15,205	3,200	18,405	324,468	31,175	355,643
General revenues:						
Property taxes	4,166,969	-	4,166,969	3,586,950	-	3,586,950
Sales taxes	4,384,744	-	4,384,744	3,923,615	-	3,923,615
Franchise and local taxes	606,617	-	606,617	608,222	-	608,222
Investment income	40,464	11,921	52,385	24,262	3,612	27,874
Other revenues	98,354	54,151	152,505	386,309	7,349	393,658
Total Revenues	13,428,059	4,212,232	17,640,291	12,633,898	3,847,144	16,481,042
Expenses						
General government	1,532,834	-	1,532,834	1,529,229	-	1,529,229
Public safety	4,962,826	-	4,962,826	4,427,708	-	4,427,708
Public works	1,078,589	-	1,078,589	706,638	-	706,638
Transportation	929,148	-	929,148	940,466	-	940,466
Culture and recreation	1,512,724	-	1,512,724	1,397,441	-	1,397,441
Economic development	159,971	-	159,971	135,014	-	135,014
Interest and fiscal charges	322,436	96,667	419,103	390,359	206,253	596,612
Water & sewer	-	3,500,429	3,500,429	-	3,083,431	3,083,431
Total Expenses	10,498,528	3,597,096	14,095,624	9,526,855	3,289,684	12,816,539
Change in Net Position						
Before Transfers	2,929,531	615,136	3,544,667	3,107,043	557,460	3,664,503
Transfers	(1,777,219)	1,777,219	-	(117,213)	117,213	-
Total	(1,777,219)	1,777,219	-	(117,213)	117,213	-
Change in Net Position	1,152,312	2,392,355	3,544,667	2,989,830	674,673	3,664,503
Beginning Net Position	20,304,560	15,984,246	36,288,806	17,314,730	15,309,573	32,624,303
Ending Net Position	\$ 21,456,872	\$ 18,376,601	\$ 39,833,473	\$ 20,304,560	\$ 15,984,246	\$ 36,288,806

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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

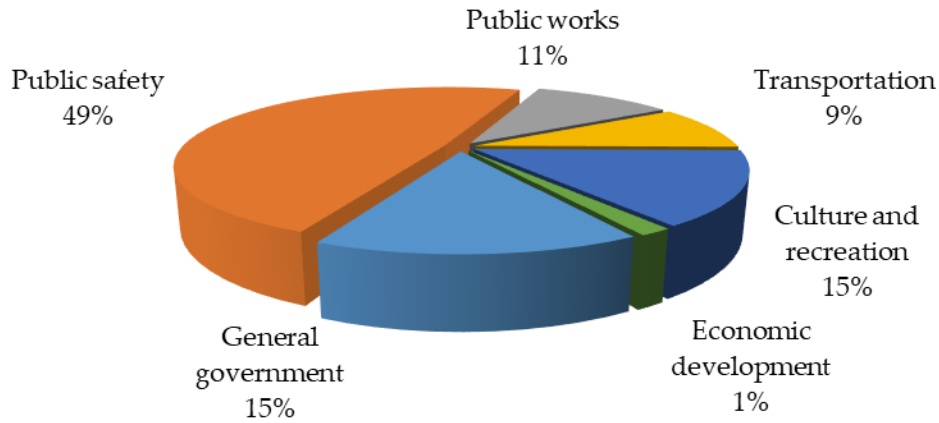


For the year ended September 30, 2022, revenues from governmental activities totaled \$13,428,059. Property tax, sales tax and grants/contributions are the City's largest revenue sources. Capital grants and contributions decreased by \$309,263 or 95% primarily due to nonrecurring GLO and CDBG grants received in the prior year. Charges for services increased by \$262,049 or 19% primarily due to greater civic center rental revenue and airport income in the current year. Property taxes increased by \$580,019 or 16% resulting from rising appraised property values. Sales taxes increased by \$461,129 or 12% due to economic growth fueled by greater local purchases. Investment income increased by \$16,202 or 67% primarily due to the realization of higher interest rates. Other revenues decreased by \$287,955 or 75% primarily as a result of nonrecurring insurance reimbursements received for repairs to the civic center in the prior year. All other revenues remained relatively consistent when compared to the previous year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

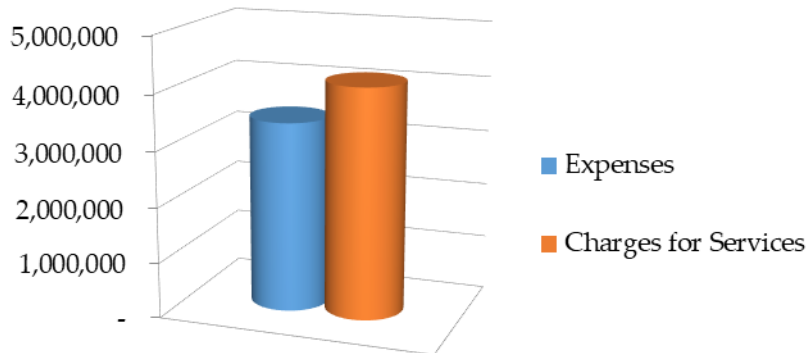


For the year ended September 30, 2022, expenses for governmental activities totaled \$10,498,528. This represents an increase of \$971,673 from the prior year. The City's largest functional expense is public safety of \$4,962,826, which increased by \$535,118 or 12%. This change is primarily a result of increased fire and emergency response related salaries due to increased staffing. In addition, the City incurred nonrecurring miscellaneous repairs and maintenance expenses. Public works expenses increased by \$371,951 or 53% due to an increase in inspection costs and nonrecurring vehicle and facilities maintenance. Culture and recreation expenses increased by \$115,283 or 8% as a result of increased personnel costs for cemetery, parks, and civic center, as well as, an increase in professional services. Economic development increased by \$24,957 or 18% primarily due to an increase in nonrecurring civic center reimbursements and contract services. Interest and fiscal charges decreased by \$67,923 or 17% primarily due to nonrecurring bond issuance costs recognized in the prior year. All other expenditures remained relatively consistent with the previous year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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, 2022, charges for services by business-type activities totaled \$4,142,960. This represents an increase of \$337,952 or 9% from the previous year, which is primarily due to increased water and sewer consumption and a growing customer base for garbage collection over the course of the year.

Total expenses amounted to \$3,597,096, an increase of \$307,412 or 9% during the year. Water and sewer expenses totaling \$3,500,429 increased by \$416,998 or 14% primarily due to greater personnel costs, facility maintenance, and chemical expenses, which is consistent with growth in the city. Interest and fiscal charges decreased by \$109,586 as a result of nonrecurring bond issuance costs recognized in the prior year.

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 \$8,240,888. Unassigned fund balance totaled \$6,938,885 as of yearend. The general fund increased by \$1,261,466 primarily as a result of tax note payable proceeds received in the current year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2022

The debt service fund had an ending fund balance of \$736,630 at yearend, an increase of \$114,098 from the prior year. The increase was primarily a result of greater than anticipated revenues during the current year. Total principal and interest payments made during the year were \$1,195,000 and \$345,718, respectively.

The capital projects fund had an ending fund balance of \$1,470,058, a decrease of \$5,556,411 compared to the prior year. The decrease was primarily a result of greater capital project expenditures recognized in the current year combined with a large sum of transfers out of the fund.

There was an overall decrease in governmental fund balance of \$3,871,722 from the prior year. The decrease was primarily a result of greater expenses and transfers out of governmental funds during 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 \$923,822 and a positive expenditure variance of \$1,636,270 for the year. The positive revenue variance is primarily due to property taxes, sales taxes, intergovernmental revenues, and licenses and permits exceeding that which was budgeted. The positive expense variance is primarily due to actual capital outlay expenditures being less than appropriations by \$1,602,856. Other financing sources had an overall positive budget variance of \$26,538. Intergovernmental revenues, property taxes, sales taxes, and license and permit fees were the two revenue sources significantly greater than budgeted revenues. Final budgeted revenues increased by \$56,058 compared to the original budgeted revenues. Final budgeted expenditures increased by \$1,987,648 compared to the original expense appropriations. General government, public safety, transportation, culture and recreation, and capital outlay were under the final budget amounts. Seven general fund departments 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, 2022

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$24,740,157 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 \$20,029,261 in a variety of capital assets and infrastructure, net of accumulated depreciation. Major capital asset events during the current year include the following:

- Pedestrian infrastructure improvements totaling \$161,395.
- Improvements to the police evidence building for \$73,440.
- Fire station No. 2 improvements totaling \$3,599,296.
- Municipal Sports Park electrical improvements for \$278,882.
- Roadway reclamation project totaling \$1,253,959.
- Airport improvements totaling \$104,646.
- Purchased a Pierce Freightliner FXT Tanker for \$279,003.
- Installed a generator for \$50,499.
- Purchased two new Ford Rangers totaling \$53,576.
- Purchased various water and sewer equipment totaling \$132,313.
- Water plant improvement project totaling \$945,000.
- New elevated storage tank for \$2,177,063.

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, leases and notes outstanding of \$17,794,026. During the year the City entered into a tax note for \$1,276,045. Principal payments of \$1,480,746 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.

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.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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.

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FINANCIAL STATEMENTS

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,569,628	\$ 2,798,655	\$ 11,368,283
Restricted cash	3,441,968	698,404	4,140,372
Receivables, net	1,646,711	702,952	2,349,663
Prepays	24,564	-	24,564
Internal balances	1,894	(1,894)	-
Due from primary government	-	-	-
Total Current Assets	13,684,765	4,198,117	17,882,882
Capital assets:			
Non-depreciable	6,532,944	3,474,480	10,007,424
Net depreciable capital assets	18,207,213	16,554,781	34,761,994
Total Noncurrent Assets	24,740,157	20,029,261	44,769,418
Total Assets	38,424,922	24,227,378	62,652,300
<u>Deferred Outflows of Resources</u>			
Pension outflows	602,100	124,551	726,651
OPEB outflows	46,075	9,531	55,606
Deferred charges on refunding	29,196	-	29,196
Total Deferred Outflows of Resources	677,371	134,082	811,453

Component Unit
Cleveland
EDC

\$ 1,960,799
-
-
-
-
7,474

1,968,273

1,013,293
249,453

1,262,746

3,231,019

-
-
-

-

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,346,557	\$ 389,694	\$ 1,736,251
Customer deposits	-	374,277	374,277
Accrued interest payable	43,933	10,897	54,830
Due to component unit	7,474	-	7,474
Compensated absences, current	115,762	9,030	124,792
Long-term debt due in one year	1,455,033	310,000	1,765,033
Total Current Liabilities	2,968,759	1,093,898	4,062,657
Noncurrent liabilities:			
Compensated absences, noncurrent	12,862	1,003	13,865
Net pension liability	1,027,339	212,516	1,239,855
OPEB liability	286,585	59,281	345,866
Long-term debt due in more than one year	12,630,897	4,452,709	17,083,606
Total Noncurrent Liabilities	13,957,683	4,725,509	18,683,192
Total Liabilities	16,926,442	5,819,407	22,745,849
<u>Deferred Inflows of Resources</u>			
Pension inflows	698,416	144,474	842,890
OPEB inflows	20,563	4,254	24,817
Deferred gain on bond refunding	-	16,724	16,724
Total Deferred Inflows of Resources	718,979	165,452	884,431
<u>Net Position</u>			
Net investment in capital assets	12,850,016	15,581,792	28,431,808
Restricted for:			
TIRZ	343,790	-	343,790
Public safety	111,593	-	111,593
Tourism	618,145	-	618,145
Municipal court	41,305	-	41,305
Debt service	736,630	163,493	900,123
Unrestricted	6,755,393	2,631,316	9,386,709
Total Net Position	\$ 21,456,872	\$ 18,376,601	\$ 39,833,473

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,532,834	\$ -	\$ 2,483,514	\$ -
Public safety	4,962,826	301,939	-	-
Public works	1,078,589	698,711	-	350
Transportation	929,148	334,504	-	14,855
Culture and recreation	1,512,724	272,674	1,277	-
Economic development	159,971	-	23,087	-
Interest and fiscal charges	322,436	-	-	-
Total Governmental Activities	10,498,528	1,607,828	2,507,878	15,205
Business-Type Activities				
Water & Sewer	3,597,096	4,142,960	-	3,200
Total Business-Type Activities	3,597,096	4,142,960	-	3,200
Total Primary Government	\$ 14,095,624	\$ 5,750,788	\$ 2,507,878	\$ 18,405
Component Unit				
Cleveland EDC	365,946	-	-	-
Total Component Unit	\$ 365,946	\$ -	\$ -	\$ -

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
\$ 950,680	\$ -	\$ 950,680	\$ -
(4,660,887)	-	(4,660,887)	-
(379,528)	-	(379,528)	-
(579,789)	-	(579,789)	-
(1,238,773)	-	(1,238,773)	-
(136,884)	-	(136,884)	-
(322,436)	-	(322,436)	-
<u>(6,367,617)</u>	<u>-</u>	<u>(6,367,617)</u>	<u>-</u>
-	549,064	549,064	-
-	549,064	549,064	-
<u>(6,367,617)</u>	<u>549,064</u>	<u>(5,818,553)</u>	<u>-</u>
			<u>(365,946)</u>
			<u>\$ (365,946)</u>
4,166,969	-	4,166,969	-
4,384,744	-	4,384,744	814,139
606,617	-	606,617	-
40,464	11,921	52,385	21,750
-	54,151	54,151	-
98,354	-	98,354	1,000
<u>(1,777,219)</u>	<u>1,777,219</u>	<u>-</u>	<u>-</u>
<u>7,519,929</u>	<u>1,843,291</u>	<u>9,363,220</u>	<u>836,889</u>
1,152,312	2,392,355	3,544,667	470,943
20,304,560	15,984,246	36,288,806	2,754,728
<u>\$ 21,456,872</u>	<u>\$ 18,376,601</u>	<u>\$ 39,833,473</u>	<u>\$ 3,225,671</u>

City of Cleveland, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 6,741,300	\$ 739,282	\$ 732	\$ 1,088,314
Restricted cash	1,277,439	-	2,164,529	
Receivables, net	1,373,189	253,708	-	19,814
Prepays	24,564	-	-	-
Due from other funds	4,599	-	-	42,216
Total Assets	\$ 9,421,091	\$ 992,990	\$ 2,165,261	\$ 1,150,344
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 615,897	\$ -	\$ 695,203	\$ 35,457
Due to component unit	7,474	-	-	-
Due to other funds	42,216	2,651	-	54
Total Liabilities	665,587	2,651	695,203	35,511
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	514,616	253,709	-	-
Total Deferred Inflows of Resources	514,616	253,709	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	24,564	-	-	-
Restricted for:				
Capital projects	1,277,439	-	1,470,058	-
Municipal court	-	-	-	41,305
Debt service	-	736,630	-	-
Tourism	-	-	-	618,145
TIRZ	-	-	-	343,790
Public safety	-	-	-	111,593
Unassigned reported in:				
General fund	6,938,885	-	-	-
Total Fund Balances	8,240,888	736,630	1,470,058	1,114,833
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,421,091	\$ 992,990	\$ 2,165,261	\$ 1,150,344

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,569,628
3,441,968
1,646,711
24,564
46,815

\$ 13,729,686

\$ 1,346,557
7,474
44,921

1,398,952

768,325

768,325

24,564

2,747,497

41,305

736,630

618,145

343,790

111,593

6,938,885

11,562,409

\$ 13,729,686

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City of Cleveland, Texas

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

September 30, 2022

Fund Balances - Total Governmental Funds \$ 11,562,409

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 6,532,944

Capital assets - net depreciable 18,207,213

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable 768,325

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 602,100

Pension inflows (698,416)

OPEB outflows 46,075

OPEB inflows (20,563)

Deferred charge on refunding 29,196

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest (43,933)

Compensated absences (128,624)

Net pension liability (1,027,339)

OPEB liability (286,585)

Bond premium (671,904)

Bonds, notes, and lease liabilities (13,414,026)

Net Position of Governmental Activities \$ 21,456,872

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, 2022

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
<u>Revenues</u>				
Property tax	\$ 2,492,045	\$ 1,291,868	\$ -	\$ 223,878
Sales tax	4,117,130	-	-	267,614
Franchise and local taxes	606,617	-	-	-
Intergovernmental	1,092,425	361,650	1,043,953	1,968
Contributions	23,087	-	-	-
Charges for services	607,178	-	-	-
License and permits	698,711	-	-	-
Fines and forfeitures	273,275	-	-	28,664
Investment income	27,229	1,298	10,335	1,602
Other revenue	66,816	-	-	-
Total Revenues	10,004,513	1,654,816	1,054,288	523,726
<u>Expenditures</u>				
General government:				
Administration	1,005,983	-	-	-
City council	54,375	-	-	-
Technology	399,472	-	-	-
Public safety:				
Municipal court	283,634	-	-	-
Police department	2,793,783	-	-	17,647
Animal control	51,868	-	-	-
Fire and ambulance	1,676,253	-	-	-
Emergency management	10,872	-	-	-
Public works:				
Development services	685,273	-	-	-
Garbage department	13,521	-	-	-
Transportation:				
Street department	592,616	-	-	-
Airport department	259,359	-	-	-
Culture and recreation:				
Library department	451,236	-	-	-
Cemetery and parks	462,964	-	-	-
Civic/community	246,997	-	-	-
Sports facilities	27,196	-	-	-
Economic development	-	-	-	164,194
Debt service:				
Principal	10,746	1,195,000	-	-
Interest and fiscal charges	1,472	345,718	-	-
Capital outlay	1,058,010	-	4,798,480	32,760
Total Expenditures	10,085,630	1,540,718	4,798,480	214,601

**Total
Governmental
Funds**

\$ 4,007,791
4,384,744
606,617
2,499,996
23,087
607,178
698,711
301,939
40,464
66,816

13,237,343

1,005,983
54,375
399,472

283,634
2,811,430
51,868
1,676,253
10,872

685,273
13,521

592,616
259,359

451,236
462,964
246,997
27,196
164,194

1,205,746
347,190
5,889,250

16,639,429

City of Cleveland, Texas

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

For the Year Ended September 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (81,117)	\$ 114,098	\$ (3,744,192)	\$ 309,125
<u>Other Financing Sources (Uses)</u>				
Transfers in	35,000	-	-	-
Transfers (out)	-	-	(1,812,219)	-
Sale of capital assets	31,538	-	-	-
Tax note issuance	1,276,045	-	-	-
Total Other Financing Sources	1,342,583	-	(1,812,219)	-
Net Change in Fund Balances	1,261,466	114,098	(5,556,411)	309,125
Beginning fund balances	6,979,422	622,532	7,026,469	805,708
Ending Fund Balances	\$ 8,240,888	\$ 736,630	\$ 1,470,058	\$ 1,114,833

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ (3,402,086)

35,000

(1,812,219)

31,538

1,276,045

(469,636)

(3,871,722)

15,434,131

\$ 11,562,409

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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, 2022

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

Net changes in fund balances - total governmental funds	\$ (3,871,722)
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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	5,833,926
Depreciation expense	(1,034,230)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	159,178
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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	471
Accrued interest	(15,218)
Pension expense	132,140
OPEB expense	(21,906)

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
Tax note issuance	(1,276,045)
Principal payments	1,205,746

Change in Net Position of Governmental Activities	\$ 1,152,312
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See Notes to Financial Statements.

City of Cleveland, Texas

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

September 30, 2022

	<u>Water & Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 2,798,655
Restricted cash	698,404
Receivables, net	702,952
Total Current Assets	<u>4,200,011</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	3,474,480
Net depreciable capital assets	16,554,781
Total Noncurrent Assets	<u>20,029,261</u>
Total Assets	<u>24,229,272</u>
<u>Deferred Outflows of Resources</u>	
Pension outflows	124,551
OPEB outflows	9,531
Total Deferred Outflows of Resources	<u>134,082</u>

City of Cleveland, Texas

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

September 30, 2022

	<u>Water & Sewer</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	389,694
Due to other funds	1,894
Customer deposits	374,277
Accrued interest payable	10,897
Long-term debt - current portion	310,000
Compensated absences - current portion	9,030
Total Current Liabilities	<u>1,095,792</u>
<u>Noncurrent Liabilities</u>	
Net pension liability	212,516
OPEB liability	59,281
Long-term debt - noncurrent portion	4,452,709
Compensated absences - noncurrent portion	1,003
Total Noncurrent Liabilities	<u>4,725,509</u>
Total Liabilities	<u>5,821,301</u>
<u>Deferred Inflows of Resources</u>	
Pension inflows	144,474
OPEB inflows	4,254
Deferred gain on bond refunding	16,724
Total Deferred Inflows of Resources	<u>165,452</u>
<u>Net Position</u>	
Net investment in capital assets	15,581,792
Restricted for debt service	163,493
Unrestricted	2,631,316
Total Net Position	<u><u>\$ 18,376,601</u></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, 2022

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 4,142,960
Total Operating Revenues	4,142,960
<u>Operating Expenses</u>	
Administration	284,148
Water production	854,024
Sewer department	1,065,130
Sanitation services	344,258
Other	258,920
Depreciation	693,949
Total Operating Expenses	3,500,429
Operating Income	642,531
<u>Nonoperating Revenues (Expenses)</u>	
Insurance recoveries	54,151
Investment income	11,921
Interest expense	(96,667)
Total Nonoperating Revenues (Expenses)	(30,595)
Income (Loss) Before Transfers and Capital Contributions	611,936
<u>Transfers and Capital Contributions</u>	
Capital contributions	3,200
Transfers in	1,812,219
Transfers (out)	(35,000)
Change in Net Position	2,392,355
Beginning net position	15,984,246
Ending Net Position	\$ 18,376,601

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, 2022

	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 4,124,602
Payments to suppliers	(493,605)
Payments to employees	(365,010)
Net Cash Provided (Used) by Operating Activities	<u>3,265,987</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer in	1,812,219
Transfer (out)	(35,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,777,219</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(3,571,239)
Capital contributions	3,200
Insurance recoveries	54,151
Principal paid on debt	(275,000)
Interest paid on debt	(151,113)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,940,001)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	11,921
Net Cash Provided by Investing Activities	<u>11,921</u>
Increase (Decrease) in Cash and Cash Equivalents	1,115,126
Beginning cash and cash equivalents	2,381,933
Ending Cash and Cash Equivalents	<u>\$ 3,497,059</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, 2022

	Water & Sewer
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 642,531
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	693,949
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(38,743)
Net pension liability	(121,201)
OPEB liability	(3,562)
Due to (from) other funds	1,793,062
Deferred Outflows of Resources:	
Pension	(27,963)
OPEB	2,990
Increase (Decrease) in:	
Accounts payable and accrued liabilities	235,665
Customer deposits	20,385
Compensated absences	(9,820)
Deferred Inflows of Resources:	
Pension	81,309
OPEB	(2,615)
Net Cash Provided (Used) by Operating Activities	\$ 3,265,987

See Notes to Financial Statements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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, 2022

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. Separate financial statements are not issued for the CEDC. However, certain monthly financial reports are posted on the City's website.

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, 2022

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, and depreciation. All revenues and expenses not meeting this definition are reported as non-

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022

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, 2022

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, 2022

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, assets from a service concession arrangement and works of art 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, 2022

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
ROU assets	5 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 assets 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 assets 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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.

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, 2022. 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, 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 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, 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

13. Leases

Lessee: The City is a lessee for noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the full-accrual financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

14. 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 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 most special revenue funds. A budget was not adopted for the fire department fund. 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:	
City Council	\$ 7,075
Fire and Ambulance	284,882
Development Services	354,346
Garbage Department	1,671
Library Department	6,914
Principal	10,746

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Interest	1,472
Debt Service fund:	
Principal	\$ 265,000
Interest	\$ 54,585
Money Seizures fund:	
Police department	\$ 15,597

B. Restricted Net Position/Fund Balance

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 \$4,598,050, of which, \$652,402 is restricted by enabling legislation. Total restricted net position was \$2,014,956 for the primary government.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,420,493	0.07
Total fair value	\$ 1,420,493	
Portfolio weighted average maturity		0.07

As of September 30, 2022, the discretely presented component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 313,742	0.07
Total fair value	\$ 313,742	
Portfolio weighted average maturity		0.07

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022, 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, 2022

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	\$ 514,616	\$ 253,708	\$ -	\$ -	\$ 768,324
Sales taxes	839,647	-	-	-	839,647
Occupancy taxes	-	-	19,814	-	19,814
Other	18,926	-	-	-	18,926
Accounts	-	-	-	845,144	845,144
Allowance	-	-	-	(142,192)	(142,192)
	<u>\$ 1,373,189</u>	<u>\$ 253,708</u>	<u>\$ 19,814</u>	<u>\$ 702,952</u>	<u>\$ 2,349,663</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	1,690,113	4,121,750	(1,659,936)	4,151,927
Total capital assets not being depreciated	<u>4,071,130</u>	<u>4,121,750</u>	<u>(1,659,936)</u>	<u>6,532,944</u>
Capital assets, being depreciated:				
Buildings and improvements	21,908,135	1,372,076	1,659,936	24,940,147
Furniture and equipment	5,446,550	340,100	-	5,786,650
Right-of-use assets	38,727	-	-	38,727
Total capital assets being depreciated	<u>27,393,412</u>	<u>1,712,176</u>	<u>1,659,936</u>	<u>30,765,524</u>
Less accumulated depreciation				
Buildings and improvements	(7,499,126)	(734,717)	-	(8,233,843)
Furniture and equipment	(4,024,955)	(288,448)	-	(4,313,403)
Right-of-use assets	-	(11,065)	-	(11,065)
Total accumulated depreciation	<u>(11,524,081)</u>	<u>(1,034,230)</u>	<u>-</u>	<u>(12,558,311)</u>
Net capital assets being depreciated	<u>15,869,331</u>	<u>677,946</u>	<u>1,659,936</u>	<u>18,207,213</u>
Total Net Capital Assets	<u><u>\$ 19,940,461</u></u>	<u><u>\$ 4,799,696</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,740,157</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 97,949
Public safety	214,622
Public works	198,346
Transportation	185,850
Culture and recreation	337,463
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,034,230</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	312,132	3,122,063	(138,336)	3,295,859
Total capital assets not being depreciated	<u>490,753</u>	<u>3,122,063</u>	<u>(138,336)</u>	<u>3,474,480</u>
Capital assets, being depreciated:				
Buildings and improvements	47,997	-	-	47,997
Furniture and equipment	2,002,268	205,646	138,336	2,346,250
Water system	11,995,825	243,530	-	12,239,355
Sewer system	20,226,959	-	-	20,226,959
Total capital assets being depreciated	<u>34,273,049</u>	<u>449,176</u>	<u>138,336</u>	<u>34,860,561</u>
Less accumulated depreciation				
Buildings and improvements	(34,536)	(1,408)	-	(35,944)
Furniture and equipment	(1,368,853)	(150,915)	-	(1,519,768)
Water system	(4,320,378)	(280,953)	-	(4,601,331)
Sewer system	(11,888,064)	(260,673)	-	(12,148,737)
Total accumulated depreciation	<u>(17,611,831)</u>	<u>(693,949)</u>	<u>-</u>	<u>(18,305,780)</u>
Net capital assets being depreciated	16,661,218	(244,773)	138,336	16,554,781
Total Net Capital Assets	<u>\$ 17,151,971</u>	<u>\$ 2,877,290</u>	<u>\$ -</u>	<u>\$ 20,029,261</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 693,949
Total Business-type Activities Depreciation Expense	<u>\$ 693,949</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

A summary of changes in component unit 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	\$ 1,013,293	\$ -	\$ -	\$ 1,013,293
Total capital assets not being depreciated	<u>1,013,293</u>	<u>-</u>	<u>-</u>	<u>1,013,293</u>
Capital assets, being depreciated:				
Buildings and improvements	83,952	90,000	-	173,952
Machinery & equipment	85,000	-	-	85,000
Total capital assets being depreciated	<u>168,952</u>	<u>90,000</u>	<u>-</u>	<u>258,952</u>
Less accumulated depreciation				
Buildings and improvements	(2,379)	(2,729)	-	(5,108)
Furniture & equipment	(2,691)	(1,700)	-	(4,391)
Total accumulated depreciation	<u>(5,070)</u>	<u>(4,429)</u>	<u>-</u>	<u>(9,499)</u>
Net capital assets being depreciated	163,882	85,571	-	249,453
Total Net Capital Assets	<u><u>\$ 1,177,175</u></u>	<u><u>\$ 85,571</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,262,746</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	\$ 8,675,000	\$ -	\$ (525,000)	\$ -	\$ 8,150,000	\$ 575,000
Refunding Bonds	4,630,000	-	(670,000)	-	3,960,000	700,000
Less: Deferred Amounts						
Issuance Premium	728,366	-	(56,462)	-	671,904	-
Tax Note	-	1,276,045	-	-	1,276,045	168,810
Lease liabilities	38,727	-	(10,746)	-	27,981	11,223
Total Governmental Activities	<u>\$ 14,072,093</u>	<u>\$ 1,276,045</u>	<u>\$ (1,262,208)</u>	<u>\$ -</u>	<u>\$ 14,085,930</u>	<u>\$ 1,455,033</u>
Long-term Liabilities Due in More than One Year					<u>\$ 12,630,897</u>	
Business-Type Activities:						
Certificates of Obligation General Obligation	\$ 1,915,000	\$ -	\$ (80,000)	\$ -	\$ 1,835,000	\$ 95,000
Refunding Bonds	2,740,000	-	(195,000)	-	2,545,000	215,000
Less: Deferred Amounts						
Issuance Premium	411,089	-	(28,380)	-	382,709	-
Total Business-Type Activities	<u>\$ 5,066,089</u>	<u>\$ -</u>	<u>\$ (303,380)</u>	<u>\$ -</u>	<u>\$ 4,762,709</u>	<u>\$ 310,000</u>
Long-term Liabilities Due in More than One Year					<u>\$ 4,452,709</u>	

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. Leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	\$ 2,645,000.00
2013 General Obligation Refunding	2%-3%	2026	7,860,000	2,230,000
2019 General Obligation Refunding	2%	2032	2,030,000	1,730,000
2021 Certificates of Obligation	2%-4%	2046	5,745,000	5,505,000
 Tax Note	 2.55%	 2029	 1,276,045	 1,276,045
 Lease liabilities	 3%-4%	 2025	 38,727	 27,981
		Total Governmental Activities	<u>\$ 20,869,772</u>	<u>\$ 13,414,026</u>
 Business-Type Activities:				
2021 Certificat of Obligation	2%-4%	2046	\$ 1,915,000	\$ 1,835,000
2021 General Obligation Refunding	2%-4%	2033	2,740,000	2,545,000
		Total Business Type Activities	<u>\$ 4,655,000</u>	<u>\$ 4,380,000</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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
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	<u>\$ 8,150,000</u>	<u>\$ 1,892,992</u>	<u>\$ 10,042,992</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
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	\$ 3,960,000	\$ 288,461	\$ 4,248,461

Year ending September 30,	Tax Notes Payable		
	Principal	Interest	Total
2023	\$ 168,810	\$ 32,552	\$ 201,362
2024	173,116	28,246	201,362
2025	177,532	23,829	201,361
2026	182,061	19,300	201,361
2027	186,705	14,656	201,361
2028	191,468	9,893	201,361
2029	196,353	5,009	201,362
Total	\$ 1,276,045	\$ 133,485	\$ 1,409,530

Year ending September 30,	Lease Payable		
	Principal	Interest	Total
2023	\$ 11,223	\$ 995	\$ 12,218
2024	11,722	497	12,219
2025	5,036	55	5,091
Total	\$ 27,981	\$ 1,547	\$ 29,528

The City entered into a copier lease in the previous year. The property is classified as a right-to-use-asset with a total carrying value as of yearend for governmental activities of \$27,662.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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
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	<u>\$ 1,835,000</u>	<u>\$ 474,949</u>	<u>\$ 2,309,949</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
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>\$ 2,545,000</u>	<u>\$ 399,850</u>	<u>\$ 2,944,850</u>

F. 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 \$29,196. 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 \$16,724. Current year amortization expense for business-type activities totaled \$1,520.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

G. 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	\$ 129,095	\$ 164,399	\$ (164,870)	\$ 128,624	\$ 115,762
Total Governmental Activities	<u>\$ 129,095</u>	<u>\$ 164,399</u>	<u>\$ (164,870)</u>	<u>\$ 128,624</u>	<u>\$ 115,762</u>
Long-term liabilities due in more than one year				<u>\$ 12,862</u>	
Business-Type Activities:					
Other liabilities:					
Compensated Absences	\$ 19,853	\$ 23,605	\$ (33,425)	\$ 10,033	\$ 9,030
Total Business-Type Activities	<u>\$ 19,853</u>	<u>\$ 23,605</u>	<u>\$ (33,425)</u>	<u>\$ 10,033</u>	<u>\$ 9,030</u>
Long-term liabilities due in more than one year				<u>\$ 1,003</u>	

H. Customer Deposits

The City had customer deposits of \$374,277 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.

I. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2022 were as follows:

	<u>Payable Fund:</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
Receivable Fund:					
General	\$ -	\$ 2,651	\$ 54	\$ 1,894	\$ 4,599
Nonmajor governmental	42,216	-	-	-	42,216
Total	<u>\$ 42,216</u>	<u>\$ 2,651</u>	<u>\$ 54</u>	<u>\$ 1,894</u>	<u>\$ 46,815</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 \$7,474 as of September 30, 2022.

Transfers between the primary government funds during the 2022 year were as follows:

Transfer in:	Transfer out:		Total
	Capital Projects	Water & Sewer	
General	\$ -	\$ 35,000	\$ 35,000
Water & sewer	1,812,219	-	1,812,219
Total	\$ 1,812,219	\$ 35,000	\$ 1,847,219

During the current year, the CEDC contributed \$187,605 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.

Public Funds Investment & Collateral Acts

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022, 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, 2022

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 920 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 2021</u>	<u>Plan Year 2020</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, 2022

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	82
Active employees	<u>94</u>
Total	<u>229</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 10.50% and 10.24% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$528,168, and equaled the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2021, 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, 2021 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, 2022

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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public/Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 3,548,506	\$ 1,239,855	\$ (635,979)

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/20	\$ 14,400,357	\$ 12,671,071	\$ 1,729,286
Changes for the year:			
Service Cost	545,874	-	545,874
Interest	971,852	-	971,852
Difference between expected and actual experience	372,542	-	372,542
Changes of assumptions	-	-	-
Contributions – employer	-	498,839	(498,839)
Contributions – employee	-	237,543	(237,543)
Net investment income	-	1,650,907	(1,650,907)
Benefit payments, including refunds of emp. contributions	(550,966)	(550,966)	-
Administrative expense	-	(7,643)	7,643
Other changes	-	53	(53)
Net changes	1,339,302	1,828,733	(489,431)
Balance at 12/31/21	\$ 15,739,659	\$ 14,499,804	\$ 1,239,855

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022, the City recognized pension expense of \$328,179.

At September 30, 2022, 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	\$ -	\$ 842,890
Differences between expected and actual economic experience	336,501	-
Pension assumption changes	7,752	-
Contributions subsequent to the measurement date	382,398	-
Total	\$ 726,651	\$ 842,890

The City reported \$382,398 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, 2023. 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:	
2022	\$ 8,105
2023	(236,104)
2024	(111,517)
2025	(159,121)
2026	-
Thereafter	-
	\$ (498,637)

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Supplemental Death Benefits Fund (OPEB)

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.

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	12
Active employees	94
Total	144

The City’s contributions to the TMRS SDBF for the years ended 2021 and 2022 were \$8,117 and \$8,890, 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
2020	0.09%	0.09%	100.0%
2021	0.21%	0.21%	100.0%
2022	0.16%	0.16%	100.0%

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2021 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	1.84%
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 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

1% Decrease (0.84%)	Current Single Rate Assumption 1.84%	1% Increase (2.84%)
\$ 415,357	\$ 345,866	\$ 291,068

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/20	\$ 325,646
Changes for the year:	
Service Cost	14,728
Interest	6,560
Difference between expected and actual experience	(792)
Changes of assumptions	9,701
Benefit payments	(9,977)
Net changes	20,220
Balance at 12/31/21	\$ 345,866

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$27,610

At September 30, 2022, 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	\$ 49,631	\$ -
Difference between expected and actual experience	-	(24,817)
Contributions subsequent to measurement date	5,975	-
Total	\$ 55,606	\$ (24,817)

The City reported \$5,975 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, 2023.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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:	
2022	\$ 2,764
2023	10,285
2024	7,806
2025	2,823
2026	1,136
Thereafter	-
	\$ 24,814

E. Restatement

Due to the implementation of GASB Statement No. 87, *Leases*, the City restated capital assets and long-term liabilities for governmental activities as follows:

	Governmental Activities
Prior year ending net position, as reported	\$ 20,304,560
Adoption of GASB 87 (lessee) - right-to-use assets	38,727
Adoption of GASB 87 (lessee) - lease liabilities	(38,727)
Restated beginning net position	\$ 20,304,560

F. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 87, entitled *Leases*. Due to the implementation of GASB 87 in the current year, the City recorded right to use assets and lease liabilities.

G. Subsequent Events

There were no material subsequent events through July 31, 2023, the date the financial statements were issued.

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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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 2,321,758	\$ 2,321,758	\$ 2,492,045	\$ 170,287
Sales tax	3,793,125	3,793,125	4,117,130	324,005
Franchise and local taxes	605,567	605,567	606,617	1,050
Intergovernmental	795,121	795,121	1,092,425	297,304
Contributions	1,116	1,116	23,087	21,971
Charges for services	596,813	638,813	607,178	(31,635)
License and permits	501,513	501,513	698,711	197,198
Fines and forfeitures	323,170	323,170	273,275	(49,895)
Investment income	20,000	20,000	27,229	7,229
Other revenue	66,450	80,508	66,816	(13,692)
Total Revenues	9,024,633	9,080,691	10,004,513	923,822
Expenditures				
General government:				
Administration	1,070,080	1,070,080	1,005,983	64,097
City council	41,600	47,300	54,375	(7,075) *
Technology	406,501	406,501	399,472	7,029
Public safety:				
Municipal court	291,064	291,064	283,634	7,430
Police department	3,143,950	3,143,950	2,793,783	350,167
Animal control	69,108	69,108	51,868	17,240
Fire and ambulance	1,391,371	1,391,371	1,676,253	(284,882) *
Emergency management	31,830	31,830	10,872	20,958
Public works:				
Development services	330,927	330,927	685,273	(354,346) *
Garbage department	11,850	11,850	13,521	(1,671) *
Transportation:				
Street department	716,462	730,520	592,616	137,904
Airport department	169,300	287,324	259,359	27,965
Culture and recreation:				
Library department	444,322	444,322	451,236	(6,914) *
Cemetery and parks	505,602	505,602	462,964	42,638
Civic/community	270,135	270,135	246,997	23,138
Sports facilities	29,150	29,150	27,196	1,954
Debt Service:				
Principal	-	-	10,746	(10,746) *
Interest	-	-	1,472	(1,472) *
Capital outlay	811,000	2,660,866	1,058,010	1,602,856

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Expenditures	\$ 9,734,252	\$ 11,721,900	\$ 10,085,630	\$ 1,636,270
Revenues Over (Under)				
Expenditures	(709,619)	(2,641,209)	(81,117)	2,560,092
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Sale of capital assets	5,000	5,000	31,538	26,538
Tax note proceeds	-	1,276,045	1,276,045	-
Total Other Financing Sources (Uses)	40,000	1,316,045	1,342,583	26,538
Net Change in Fund Balance	\$ (669,619)	\$ (1,325,164)	1,261,466	\$ 2,586,630
Beginning fund balance			6,979,422	
Ending Fund Balance			\$ 8,240,888	

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>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability				
Service cost	\$ 545,874	\$ 509,750	\$ 437,356	\$ 395,063
Interest	971,852	901,287	837,773	797,496
Differences between expected and actual experience	372,542	149,698	52,935	(136,743)
Changes of assumptions	-	-	65,894	-
Benefit payments, including refunds of participant contributions	(550,966)	(515,803)	(462,603)	(497,953)
Net change in total pension liability	<u>1,339,302</u>	<u>1,044,932</u>	<u>931,355</u>	<u>557,863</u>
Total pension liability - beginning	<u>14,400,357</u>	<u>13,355,425</u>	<u>12,424,070</u>	<u>11,866,207</u>
Total pension liability - ending (a)	<u>15,739,659</u>	<u>14,400,357</u>	<u>13,355,425</u>	<u>12,424,070</u>
Plan fiduciary net position				
Contributions - employer	\$ 498,839	\$ 463,526	\$ 408,197	\$ 363,729
Contributions - members	237,543	220,099	189,496	170,286
Net investment income	1,650,907	882,655	1,540,427	(306,841)
Benefit payments, including refunds of participant contributions	(550,966)	(515,803)	(462,603)	(497,953)
Administrative expenses	(7,643)	(5,711)	(8,701)	(5,926)
Other	53	(221)	(261)	(310)
Net change in plan fiduciary net position	<u>1,828,733</u>	<u>1,044,545</u>	<u>1,666,555</u>	<u>(277,015)</u>
Plan fiduciary net position - beginning	<u>12,671,071</u>	<u>11,626,526</u>	<u>9,959,971</u>	<u>10,236,986</u>
Plan fiduciary net position - ending (b)	<u>\$ 14,499,804</u>	<u>\$ 12,671,071</u>	<u>\$ 11,626,526</u>	<u>\$ 9,959,971</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,239,855</u>	<u>\$ 1,729,286</u>	<u>\$ 1,728,899</u>	<u>\$ 2,464,099</u>
Plan fiduciary net position as a percentage of the total pension liability	92%	88%	87%	80%
Covered payroll	\$ 4,750,866	\$ 4,401,986	\$ 3,789,910	\$ 3,405,719
Fund's net pension liability as a percentage of covered payroll	26%	39%	46%	72%

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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u> ¹
\$	385,239	\$ 361,883	\$ 310,615	\$ 289,352
	747,381	699,231	693,226	668,798
	81,087	106,870	(125,466)	(146,722)
	-	-	36,902	-
	(454,374)	(478,284)	(492,054)	(454,110)
	759,333	689,700	423,223	357,318
	11,106,874	10,417,174	9,993,951	9,636,633
	11,866,207	11,106,874	10,417,174	9,993,951
\$	350,699	\$ 308,931	\$ 306,308	\$ 285,365
	166,051	156,659	143,537	143,400
	1,239,934	567,304	12,441	457,872
	(454,374)	(478,284)	(492,054)	(454,110)
	(6,422)	(6,406)	(7,578)	(4,780)
	(325)	(345)	(373)	(393)
	1,295,563	547,859	(37,719)	427,354
	8,941,423	8,393,564	8,431,283	8,003,929
\$	10,236,986	\$ 8,941,423	\$ 8,393,564	\$ 8,431,283
\$	1,629,221	\$ 2,165,451	\$ 2,023,610	\$ 1,562,668
	86%	81%	81%	84%
\$	3,321,023	\$ 3,133,188	\$ 2,870,749	\$ 2,868,009
	49%	69%	70%	54%

City of Cleveland, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Actuarially determined employer contributions	\$ 528,168	\$ 476,535	\$ 442,354	\$ 395,012
Contributions in relation to the actuarially determined contribution	\$ 528,168	\$ 476,535	\$ 442,354	\$ 395,012
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 5,122,641	\$ 4,535,082	\$ 4,179,243	\$ 3,674,680
Employer contributions as a percentage of covered payroll	10.31%	10.51%	10.58%	10.75%

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	24 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>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 357,632	\$ 341,779	\$ 323,843	\$ 293,516
\$ 357,632	\$ 341,779	\$ 323,843	\$ 293,516
\$ -	\$ -	\$ -	\$ -
\$ 3,357,437	\$ 3,286,315	\$ 3,215,934	\$ 2,803,135
10.65%	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>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total OPEB liability				
Service cost	\$ 14,728	\$ 20,249	\$ 9,475	\$ 10,217
Interest	6,560	7,932	8,942	8,824
Differences between expected and actual experience	(792)	(19,894)	(14,494)	(25,357)
Changes of assumptions	9,701	41,012	42,175	(14,913)
Benefit payments, including refunds of participant contributions	(9,977)	(3,962)	(4,169)	(3,746)
Net change in total OPEB liability	<u>20,220</u>	<u>45,337</u>	<u>41,929</u>	<u>(24,975)</u>
Total OPEB liability - beginning	<u>\$ 325,646</u>	<u>\$ 280,309</u>	<u>\$ 238,380</u>	<u>\$ 263,355</u>
Total OPEB liability - ending	<u><u>\$ 345,866</u></u>	<u><u>\$ 325,646</u></u>	<u><u>\$ 280,309</u></u>	<u><u>\$ 238,380</u></u>
Covered-employee payroll	\$ 4,750,866	\$ 4,401,986	\$ 3,789,910	\$ 3,405,719
City's total OPEB liability as a percentage of covered-employee payroll	7.28%	7.40%	7.40%	7.00%

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.

12/31/2017 ¹

\$ 8,635
8,827

-
18,684

(3,985)
32,161
\$ 231,194
\$ 263,355

\$ 3,321,023

7.93%

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

City of Cleveland, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

	<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	\$ 604,106	\$ 139,623	\$ 795	\$ -
Receivables, net	19,814	-	-	-
Due from other funds	-	-	-	911
Total Assets	\$ 623,920	\$ 139,623	\$ 795	\$ 911
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 5,721	\$ 29,736	\$ -	\$ -
Due to other funds	54	-	-	-
Total Liabilities	5,775	29,736	-	-
<u>Fund Balances</u>				
Restricted for:				
Tourism	618,145	-	-	-
TIRZ	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	109,887	795	911
Total Fund Balances	618,145	109,887	795	911
Total Liabilities and Fund Balances	\$ 623,920	\$ 139,623	\$ 795	\$ 911

<u>Court Security</u>	<u>TIRZ #1</u>	<u>Total</u>
\$ -	\$ 343,790	\$ 1,088,314
-	-	19,814
41,305	-	42,216
<u>\$ 41,305</u>	<u>\$ 343,790</u>	<u>\$ 1,150,344</u>

\$ -	\$ -	\$ 35,457
-	-	54
<u>-</u>	<u>-</u>	<u>35,511</u>

-	-	618,145
-	343,790	343,790
41,305	-	41,305
-	-	111,593
<u>41,305</u>	<u>343,790</u>	<u>1,114,833</u>

<u>\$ 41,305</u>	<u>\$ 343,790</u>	<u>\$ 1,150,344</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, 2022

	<u>Hotel/Motel Fund</u>	<u>Money Seizures Fund</u>	<u>Fire Department</u>	<u>Court Technology</u>
<u>Revenues</u>				
Sales taxes	\$ 267,614	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	1,968	-	-
Fines and forfeitures	-	17,860	-	3,756
Investment income	1,293	3	2	-
Total Revenues	<u>268,907</u>	<u>19,831</u>	<u>2</u>	<u>3,756</u>
<u>Expenditures</u>				
Economic development	164,194	-	-	-
Police department	-	17,647	-	-
Capital outlay	32,760	-	-	-
Total Expenditures	<u>196,954</u>	<u>17,647</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>71,953</u>	<u>2,184</u>	<u>2</u>	<u>3,756</u>
Beginning fund balances	546,192	107,703	793	(2,845)
Ending Fund Balances	<u>\$ 618,145</u>	<u>\$ 109,887</u>	<u>\$ 795</u>	<u>\$ 911</u>

<u>Court Security</u>	<u>TIRZ #1</u>	<u>Total</u>
\$ -	\$ -	\$ 267,614
-	223,878	223,878
-	-	1,968
7,048	-	28,664
-	304	1,602
<u>7,048</u>	<u>224,182</u>	<u>523,726</u>
-	-	164,194
-	-	17,647
-	-	32,760
<u>-</u>	<u>-</u>	<u>214,601</u>
<u>7,048</u>	<u>224,182</u>	<u>309,125</u>
<u>34,257</u>	<u>119,608</u>	<u>805,708</u>
<u>\$ 41,305</u>	<u>\$ 343,790</u>	<u>\$ 1,114,833</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, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Taxes	\$ 1,219,633	\$ 1,291,868	\$ 72,235
Intergovernmental revenue	-	361,650	361,650
Investment income	1,500	1,298	(202)
Total Revenues	<u>1,221,133</u>	<u>1,654,816</u>	<u>433,683</u>
<u>Expenditures</u>			
Debt Service:			
Principal	930,000	1,195,000	(265,000) *
Interest and fiscal charges	291,133	345,718	(54,585) *
Total Expenditures	<u>1,221,133</u>	<u>1,540,718</u>	<u>(319,585)</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>114,098</u>	<u>114,098</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>114,098</u>	<u>\$ 114,098</u>
Beginning fund balances		<u>622,532</u>	
Ending Fund Balances		<u>\$ 736,630</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
COURT TECHNOLOGY
For the Year Ended September 30, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Fines and fees	\$ 6,500	\$ 3,756	\$ (2,744)
Total Revenues	<u>6,500</u>	<u>3,756</u>	<u>(2,744)</u>
<u>Expenditures</u>			
Municipal court	6,500	-	6,500
Total Expenditures	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>3,756</u>	<u>3,756</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>3,756</u>	<u>\$ 3,756</u>
Beginning fund balances		(2,845)	
Ending Fund Balances		<u>\$ 911</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
COURT SECURITY
For the Year Ended September 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and fees	\$ 5,000	\$ 7,048	\$ 2,048
Total Revenues	5,000	7,048	2,048
<u>Expenditures</u>			
Municipal court	5,000	-	5,000
Total Expenditures	5,000	-	5,000
Revenues Over (Under) Expenditures	-	7,048	7,048
Net Change in Fund Balances	\$ -	7,048	\$ 7,048
Beginning fund balances		34,257	
Ending Fund Balances		\$ 41,305	

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, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Intergovernmental	\$ 2,000	\$ 1,968	\$ (32)
Fines and forfeitures	-	17,860	17,860
Investment income	50	3	(47)
Total Revenues	<u>2,050</u>	<u>19,831</u>	<u>17,781</u>
<u>Expenditures</u>			
Police department	2,050	17,647	(15,597) *
Total Expenditures	<u>2,050</u>	<u>17,647</u>	<u>(15,597)</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>2,184</u>	<u>2,184</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>2,184</u>	<u>\$ 2,184</u>
Beginning fund balances		107,703	
Ending Fund Balances		<u>\$ 109,887</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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes	\$ 252,438	\$ 252,438	\$ 267,614	\$ 15,176
Investment income	850	850	1,293	443
Total Revenues	253,288	253,288	268,907	15,619
 <u>Expenditures</u>				
Economic development	233,288	233,288	164,194	69,094
Capital outlay	20,000	345,000	32,760	312,240
Total Expenditures	253,288	578,288	196,954	381,334
 Revenues Over (Under)				
Expenditures	-	(325,000)	71,953	396,953
 Net Change in Fund				
Balances	\$ -	\$ (325,000)	71,953	\$ 396,953
Beginning fund balances			546,192	
Ending Fund Balances			\$ 618,145	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 218,254	\$ 223,878	\$ 5,624
Investment income	-	304	304
Total Revenues	218,254	224,182	5,928
 <u>Expenditures</u>			
TIRZ expenses	218,254	-	218,254
Total Expenditures	218,254	-	218,254
Revenues Over (Under) Expenditures	-	224,182	224,182
Net Change in Fund Balances	\$ -	224,182	\$ 224,182
Beginning fund balances		119,608	
Ending Fund Balances		\$ 343,790	

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	102
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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	115
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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	122
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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	127
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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	129
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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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities				
Net investment in				
capital assets	\$ 5,596,033	\$ 6,699,709	\$ 7,323,498	\$ 9,300,893
Restricted	360,818	1,067,370	1,219,152	1,480,473
Unrestricted	2,644,703	2,829,266	2,728,204	3,632,188
Total Governmental Activities Net				
Position	<u>\$ 8,601,554</u>	<u>\$ 10,596,345</u>	<u>\$ 11,270,854</u>	<u>\$ 14,413,554</u>
Business-type Activities				
Net investment in				
capital assets	\$ 8,480,412	\$ 8,985,230	\$ 9,362,131	\$ 10,020,518
Restricted	429,909	218,270	-	-
Unrestricted	1,091,334	1,538,343	1,791,936	1,882,829
Total Business-type Activities Net				
Position	<u>\$ 10,001,655</u>	<u>\$ 10,741,843</u>	<u>\$ 11,154,067</u>	<u>\$ 11,903,347</u>
Primary Government				
Net investment in				
capital assets	\$ 14,076,445	\$ 15,684,939	\$ 16,685,629	\$ 19,321,411
Restricted	360,818	1,067,370	1,219,152	1,480,473
Unrestricted	3,736,037	4,367,609	4,520,140	5,515,017
Total Primary Government Net				
Position	<u>\$ 18,173,300</u>	<u>\$ 21,119,918</u>	<u>\$ 22,424,921</u>	<u>\$ 26,316,901</u>

Source: City's Audited Financial Statements

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 7,530,596	\$ 8,525,256	\$ 10,618,793	\$ 10,844,439	\$ 13,187,163	\$ 12,850,016
1,524,020	1,482,062	1,019,640	528,756	1,677,498	1,851,463
3,301,477	5,108,055	5,391,640	5,941,535	5,439,899	6,755,393
<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>	<u>\$ 21,456,872</u>
\$ 12,222,622	\$ 12,060,753	\$ 12,736,499	\$ 13,809,538	\$ 12,067,638	\$ 15,581,792
-	-	-	-	-	163,493
2,113,244	1,431,007	906,227	1,500,035	3,916,608	2,631,316
<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>	<u>\$ 18,376,601</u>
\$ 19,753,218	\$ 20,586,009	\$ 23,355,292	\$ 24,653,977	\$ 25,254,801	\$ 28,431,808
1,524,020	1,482,062	1,019,640	528,756	1,677,498	2,014,956
5,414,721	6,539,062	6,297,867	7,441,570	9,356,507	9,386,709
<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>	<u>\$ 39,833,473</u>

City of Cleveland, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government:	\$ 780,377	\$ 1,032,297	\$ 1,137,071	\$ 1,103,435
Public safety	3,357,473	3,338,605	3,309,784	3,337,458
Public works	259,242	201,985	194,942	216,938
Transportation	687,793	555,593	510,621	752,884
Culture and recreation:	1,023,999	1,183,225	1,175,514	1,161,286
Grants	91,750	2,410	4,999	-
Economic development	94,043	113,922	111,417	198,116
Debt service	348,691	267,293	245,038	269,796
Total governmental activities	<u>6,643,368</u>	<u>6,695,330</u>	<u>6,689,386</u>	<u>7,039,913</u>
Business-type activities:				
Water and sewer	2,486,227	2,359,368	2,451,573	2,638,757
Total business-type activities	<u>2,486,227</u>	<u>2,359,368</u>	<u>2,451,573</u>	<u>2,638,757</u>
Total primary government	<u>\$ 9,129,595</u>	<u>\$ 9,054,698</u>	<u>\$ 9,140,959</u>	<u>\$ 9,678,670</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 844,629	\$ 884,880	\$ 891,522	\$ 655,966
Public works	80,099	80,207	51,185	64,024
Transportation	83,883	103,060	102,983	101,303
Culture and recreation	157,737	178,229	193,888	176,264
Operating grants and contributions	335,583	298,828	329,660	299,135
Capital grants and contributions	636,284	601,858	358,958	1,977,877
Total governmental activities	<u>2,138,215</u>	<u>2,147,062</u>	<u>1,928,196</u>	<u>3,274,569</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,114,693	3,275,919	3,371,678	3,432,391
Operating grants and contributions	-	-	-	-
Capital grants and contributions	151,283	335,199	23,752	220,248
Total business-type activities	<u>3,265,976</u>	<u>3,611,118</u>	<u>3,395,430</u>	<u>3,652,639</u>
Total primary government	<u>\$ 5,404,191</u>	<u>\$ 5,758,180</u>	<u>\$ 5,323,626</u>	<u>\$ 6,927,208</u>
Net (Expense)/Revenue				
Governmental activities	\$ (4,505,153)	\$ (4,548,268)	\$ (4,761,190)	\$ (3,765,344)
Business-type activities	779,749	1,251,750	943,857	1,013,882
Total primary government	<u>\$ (3,725,404)</u>	<u>\$ (3,296,518)</u>	<u>\$ (3,817,333)</u>	<u>\$ (2,751,462)</u>

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	1,183,915	\$ 1,285,000	\$ 1,447,736	\$ 1,416,600	\$ 1,529,229	\$ 1,532,834
	3,436,830	3,555,562	3,703,467	3,982,916	4,427,708	4,962,826
	196,678	485,250	461,180	459,795	706,638	1,078,589
	933,812	678,439	757,647	761,901	940,466	929,148
	1,254,290	1,243,431	1,395,381	1,316,044	1,397,441	1,512,724
	716,105	-	-	-	-	-
	204,066	272,960	202,728	144,123	135,014	159,971
	368,281	316,888	286,837	267,390	390,359	322,436
	<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>10,498,528</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>3,597,096</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>3,597,096</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>	<u>\$ 14,095,624</u>
\$	440,672	\$ 527,371	\$ 478,081	\$ 267,966	\$ 243,245	\$ 301,939
	188,800	443,939	218,940	286,355	764,131	698,711
	103,074	106,371	149,134	289,370	288,005	334,504
	158,459	180,669	192,845	211,361	50,398	272,674
	311,487	230,653	288,387	477,781	2,434,293	2,507,878
	17,375	-	248,843	314,546	324,468	15,205
	<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>	<u>4,130,911</u>
	3,471,283	3,503,244	3,545,253	3,528,833	3,805,008	4,142,960
	-	-	-	-	-	-
	320,273	-	43,882	272,676	31,175	3,200
	<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>4,146,160</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>	<u>\$ 8,277,071</u>
\$	(7,074,110)	\$ (6,348,527)	\$ (6,678,746)	\$ (6,501,390)	\$ (5,422,315)	\$ (6,367,617)
	1,059,742	649,083	588,475	698,225	546,499	549,064
\$	<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>	<u>\$ (5,818,553)</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,618,204	\$ 2,609,697	\$ 2,721,030	\$ 2,677,409
Sales and other taxes	2,537,158	2,734,039	2,858,816	3,096,142
Franchise taxes	489,104	529,300	468,169	497,207
Earnings on investments	39,452	23,661	33,378	46,808
Gain on sale of assets	10,000	-	79,000	2,860
Grants and contributions not restricted to specific programs	-	-	-	-
Proceeds from insurance	39,371	32,749	40,852	29,941
Miscellaneous	51,030	40,425	62,866	9,676
Transfers	-	-	-	-
Total governmental activities	<u>5,784,319</u>	<u>5,969,871</u>	<u>6,264,111</u>	<u>6,360,043</u>
Business-type activities:				
Investment earnings	54,129	53,986	43,938	39,255
Proceeds from insurance	500	7,640	16,365	3,310
Transfers	-	-	-	-
Total business-type activities	<u>54,629</u>	<u>61,626</u>	<u>63,566</u>	<u>42,565</u>
Total primary government	<u>\$ 5,838,948</u>	<u>\$ 6,031,497</u>	<u>\$ 6,327,677</u>	<u>\$ 6,402,608</u>
Change in Net Position				
Governmental activities	\$ 1,279,166	\$ 1,421,603	\$ 1,502,921	\$ 2,594,699
Business-type activities	834,378	1,313,376	1,007,423	1,056,447
Total primary government	<u>\$ 2,113,544</u>	<u>\$ 2,734,979</u>	<u>\$ 2,510,344</u>	<u>\$ 3,651,146</u>

Source: City's Audited Financial Statements

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	2,760,419	\$ 2,901,329	\$ 3,063,702	\$ 3,188,794	\$ 3,586,950	\$ 4,166,969
	3,004,420	3,268,102	4,348,951	3,513,801	3,923,615	4,384,744
	490,642	522,006	475,052	597,880	608,222	606,617
	51,997	65,180	119,109	92,382	24,262	40,464
	3,830	147,514	5,000	9,025	-	-
	-	716,105	80,930	-	-	-
	28,826	125,738	11,112	-	320,433	-
	20,132	14,960	15,643	275,453	65,876	98,354
	-	-	473,947	(891,288)	(117,213)	(1,777,219)
	<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>	<u>7,519,929</u>
	29,160	40,798	33,129	15,517	3,612	11,921
	-	41,037	3,309	61,817	7,349	54,151
	-	-	(473,947)	891,288	117,213	1,777,219
	<u>29,160</u>	<u>81,835</u>	<u>(437,509)</u>	<u>968,622</u>	<u>128,174</u>	<u>1,843,291</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>	<u>9,363,220</u>
\$	(713,844)	\$ 1,412,407	\$ 1,914,700	\$ 284,657	\$ 2,989,830	\$ 1,152,312
	1,088,902	730,918	150,966	1,666,847	674,673	2,392,355
\$	<u>375,058</u>	<u>2,143,325</u>	<u>2,065,666</u>	<u>1,951,504</u>	<u>3,664,503</u>	<u>3,544,667</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	5,400	81,867	-	51,259
Committed	22,669	98,488	38,488	38,488
Assigned	-	-	-	-
Unassigned	1,478,340	2,188,473	3,416,854	4,322,500
Total general fund	<u>\$ 1,506,409</u>	<u>\$ 2,368,828</u>	<u>\$ 3,455,342</u>	<u>\$ 4,412,247</u>
All other governmental funds:				
Restricted	743,614	874,818	1,106,039	1,313,553
Nonspendable	1,935	24,570	24,570	482
Committed	-	756	762	768
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 745,549</u>	<u>\$ 900,144</u>	<u>\$ 1,131,371</u>	<u>\$ 1,314,803</u>

Source: City's Audited Financial Statements

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

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,277,439
-	-	-	-	-	-
-	-	-	-	-	24,564
38,488	38,488	38,488	38,488	38,488	-
-	-	-	-	-	-
4,069,926	5,867,923	6,324,013	6,486,814	6,940,934	6,938,885
<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>	<u>\$ 8,240,888</u>
3,123,318	2,133,350	2,321,334	1,061,518	8,457,554	3,321,521
-	-	-	-	-	-
773	779	785	-	-	-
-	-	-	(5,445)	(2,845)	-
<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>	<u>\$ 3,321,521</u>

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
Revenues				
Property taxes	\$ 2,599,261	\$ 2,635,087	\$ 2,716,197	\$ 2,705,538
Sales and other taxes	2,537,158	2,734,039	2,858,816	3,096,142
Franchise taxes	489,104	529,300	468,169	497,207
Intergovernmental	464,165	319,459	397,886	2,001,438
Contributions	206,125	307,266	290,732	273,924
Charges for services	283,151	350,717	405,936	405,417
Licenses, permits, & fees	80,099	80,207	51,185	56,771
Fines and forfeitures	802,348	815,114	782,457	524,092
Investment income	39,452	23,661	33,378	46,808
Miscellaneous	51,030	35,252	62,866	22,603
Total Revenues	7,551,893	7,830,102	8,067,622	9,629,940
Expenditures				
General government	982,326	980,612	1,006,268	1,034,477
Public safety	2,846,988	3,107,436	3,123,370	3,114,285
Public works	257,891	200,634	195,298	215,059
Transportation	541,573	405,080	370,696	610,752
Culture and recreation	884,398	920,494	917,806	896,788
Grants	91,750	2,410	4,999	-
Economic Development	94,043	113,922	112,555	197,764
Capital outlay	3,909,333	783,769	510,956	3,075,355
Debt service:				
Principal	835,209	1,193,877	1,098,865	1,089,755
Interest	239,772	287,476	266,820	255,863
Bond issuance costs	136,503	2,156	-	33,043
Total Expenditures	10,819,786	7,997,866	7,607,633	10,523,141
Revenues Over (Under)				
Expenditures	(3,267,893)	(167,764)	459,989	(893,201)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	2,695,641	\$ 2,929,142	\$ 3,059,338	\$ 3,188,794	\$ 3,586,950	\$ 4,007,791
	3,004,420	3,268,102	4,348,951	3,513,801	3,923,615	4,384,744
	490,642	522,006	475,052	597,880	608,222	606,617
	29,417	3,145	279,434	502,498	2,697,871	2,499,996
	300,693	577,508	378,726	365,982	189,200	23,087
	384,906	442,047	489,458	500,731	509,508	607,178
	188,172	427,083	210,299	286,355	764,131	698,711
	312,075	381,190	324,470	267,966	243,245	301,939
	51,997	65,180	119,109	92,382	24,262	40,464
	24,736	22,990	41,528	271,246	64,376	66,816
	<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>	<u>13,237,343</u>
	1,116,386	1,194,425	1,362,220	1,314,318	1,433,741	1,459,830
	3,117,794	3,216,720	3,384,659	3,833,182	4,313,538	4,834,057
	189,159	470,129	446,155	324,175	453,979	698,794
	656,843	399,755	472,316	587,956	764,924	851,975
	967,403	947,367	1,073,846	1,034,135	1,117,528	1,188,393
	716,105	-	-	-	-	-
	202,139	269,810	200,911	147,198	137,840	164,194
	345,281	1,649,264	1,125,002	1,078,543	1,555,266	5,889,250
	1,055,000	1,145,000	1,180,000	1,210,000	935,000	1,205,746
	247,358	354,223	316,123	279,110	251,520	347,190
	124,186	-	-	64,009	168,158	-
	<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>	<u>16,639,429</u>
	(1,254,955)	(1,008,300)	165,133	(284,991)	1,479,886	(3,402,086)

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS (Continued)

Last Ten Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
Other Financing Sources (Uses)				
Proceeds from sale of assets	\$ 10,000	\$ 13,500	\$ 79,000	\$ 2,860
Proceeds from insurance	39,371	32,749	40,852	29,941
Debt issuance	-	111,115	-	930,000
Capital contributions from CEDC	302,327	285,213	-	-
Refunding bonds issued	7,860,000	-	-	-
Premium on bonds issued	301,219	-	-	-
Payment to refunded bond escrow agent	(8,339,049)	-	-	-
Transfers in (out)	586,271	742,201	737,900	829,903
Total Other Financing Sources (Uses)	760,139	1,184,778	857,752	1,792,704
Net Change in Fund Balances	\$ (2,507,754)	\$ 1,017,014	\$ 1,317,741	\$ 899,503
Ratio of total debt service expenditures to noncapital	16%	21%	19%	18%

Source: City's Audited Financial Statements

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 3,830	\$ 147,514	\$ 5,000	\$ 9,025	\$ 1,500	\$ 31,538
28,826	125,738	-	-	320,433	-
4,071,371	-	-	-	5,745,000	1,276,045
-	-	-	-	-	-
-	-	-	2,030,000	-	-
-	-	-	-	423,150	-
-	-	-	(1,965,991)	-	-
<u>(1,343,617)</u>	<u>1,543,083</u>	<u>473,947</u>	<u>(891,288)</u>	<u>(117,213)</u>	<u>(1,777,219)</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>(469,636)</u>
<u>\$ 1,505,455</u>	<u>\$ 808,035</u>	<u>\$ 644,080</u>	<u>\$ (1,103,245)</u>	<u>\$ 7,852,756</u>	<u>\$ (3,871,722)</u>
16%	19%	18%	17%	12%	14%

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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
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
2022	712,162,485	89,213,930	168,903,127	632,473,288	0.75500

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	1.31500	1.31500	1.31500	1.31500
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	2022
0.54200	0.56568	0.53568	0.54450	0.54450	0.50280	0.50290
0.23800	0.20432	0.23432	0.22550	0.22550	0.25720	0.25210
0.78000	0.77000	0.77000	0.77000	0.77000	0.76000	0.75500
0.57880	0.57880	0.57880	0.57880	0.57880	0.55430	0.55430
1.31500	1.38000	1.41500	1.41500	1.34500	1.24970	1.24700
1.89380	1.95880	1.99380	1.99380	1.92380	1.80400	1.80130

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

Property Tax Payer	2022			2012*		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Mckinley Development Co Inc.	\$ 11,236,040	1	2.71%	\$ -	n/a	-
Entergy Texas Inc.	9,407,860	2	2.27%	-	n/a	-
Wal-Mart Real Estate	10,784,460	3	2.60%	-	n/a	-
Wal-Mart Stores of Texas, LLC	5,596,780	4	1.35%	-	n/a	-
CISH Acquisition LLC	6,514,250	5	1.57%	-	n/a	-
Cleveland Auto Properties	4,848,530	6	1.17%	-	n/a	-
Love's Travel Stops and Country Stores Inc.	4,443,260	7	1.07%	-	n/a	-
Adams Home Lone Star LLC	4,168,800	8	1.01%	-	-	-
Campbell Concrete & Materials, LP	4,016,890	9	0.97%	-	n/a	-
Sleep Hollow Holdings LP	3,641,890	10	0.88%	-	-	-
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	\$ 64,658,760		15.59%	\$ 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.

*The requirement is for a comparison of current and nine years prior. Only 10 years prior was available.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tax levy	\$ 2,506,143	\$ 2,572,991	\$ 2,588,336	\$ 2,665,275
Current tax collected	\$ 2,264,894	\$ 2,343,786	\$ 2,386,148	\$ 2,467,612
Percent of current tax collections	90.37%	91.09%	92.19%	92.58%
Delinquent tax collections	\$ 206,214	\$ 201,696	\$ 169,233	\$ 165,646
Total tax collections	\$ 2,471,108	\$ 2,545,482	\$ 2,555,381	\$ 2,633,258
Total collections as a percentage of levy	98.6%	98.9%	98.7%	98.8%

Source: Dallas and Collin County reports.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	2,815,854	\$ 2,994,333	\$ 3,183,951	\$ 3,186,119	\$ 3,560,554	\$ 3,824,817
\$	2,509,840	\$ 2,696,797	\$ 2,864,968	\$ 3,031,165	\$ 3,419,960	\$ 3,650,616
	89.13%	90.06%	89.98%	95.14%	96.05%	95.45%
\$	269,012	\$ 252,045	\$ 252,775	\$ 82,578	\$ 47,255	\$ -
\$	2,778,853	\$ 2,948,842	\$ 3,117,744	\$ 3,113,743	\$ 3,467,215	\$ 3,650,616
	98.7%	98.5%	97.9%	97.7%	97.4%	95.4%

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:				
Deferred amounts:				
Premium	\$ 462,932	\$ 430,317	\$ 397,702	\$ 365,087
Certificates of Obligation	11,350,000	10,270,000	2,775,000	2,565,000
General Obligation Refunding Bonds	-	-	6,385,000	5,770,000
Tax Notes	-	-	105,000	780,000
Notes payable	106,382	103,620	9,755	-
Business-type activities:				
Certificates of Obligation	\$ 5,110,000	\$ 4,890,000	\$ 4,670,000	\$ 4,440,000
Premium	94,078	89,233	84,388	79,543
General Obligation Refunding Bonds	-	-	-	-
Total primary government	<u>\$ 17,123,392</u>	<u>\$ 15,783,170</u>	<u>\$ 14,426,845</u>	<u>\$ 13,999,630</u>
Percentage of personal income (1)	11.42%	10.51%	9.55%	9.09%
Per capita (1)	\$ 2,232	\$ 2,054	\$ 1,867	\$ 1,777

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 482,555	\$ 442,210	\$ 401,865	\$ 361,678	\$ 728,366	\$ 671,940
6,275,000	5,935,000	5,570,000	3,210,000	8,675,000	8,150,000
5,115,000	4,505,000	3,885,000	5,285,000	4,630,000	3,960,000
590,000	395,000	200,000	-	-	1,276,045
-	-	-	-	38,727	27,981
\$ 4,210,000	\$ 3,975,000	\$ 3,400,000	\$ 3,180,000	\$ 1,915,000	\$ 1,835,000
74,698	69,853	65,008	60,007	411,089	382,709
-	-	-	-	2,740,000	2,545,000
<u>\$ 16,747,253</u>	<u>\$ 15,322,063</u>	<u>\$ 13,521,873</u>	<u>\$ 12,096,685</u>	<u>\$ 19,138,182</u>	<u>\$ 18,848,675</u>
10.84%	9.80%	8.58%	7.37%	11.66%	11.34%
\$ 2,119	\$ 1,916	\$ 1,677	\$ 1,441	\$ 2,279	\$ 2,217

City of Cleveland, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 301,723,163	\$ 299,865,726	\$ 307,914,669	\$ 307,679,650
NET BONDED DEBT (1)				
Gross bonded debt	17,017,010	15,679,550	14,312,090	13,219,630
Less: debt service funds	160,024	265,282	366,997	537,878
Net Bonded Debt	<u><u>\$ 16,856,986</u></u>	<u><u>\$ 15,414,268</u></u>	<u><u>\$ 13,945,093</u></u>	<u><u>\$ 12,681,752</u></u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	5.59%	5.14%	4.53%	4.12%
POPULATION	7,671	7,684	7,728	7,879
NET BONDED DEBT PER CAPITA	\$ 2,197	\$ 2,006	\$ 1,804	\$ 1,610

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

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 320,628,908	\$ 338,745,936	\$ 356,017,330	\$ 539,283,136	\$ 414,673,921	\$ 632,473,288
16,157,253	14,927,063	13,321,873	12,096,685	19,099,455	18,820,694
585,724	595,066	282,175	289,042	620,505	739,282
<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>	<u>\$ 18,081,412</u>
4.86%	4.23%	3.66%	2.19%	4.46%	2.86%
7,904	7,998	8,061	8,396	8,396	8,503
\$ 1,970	\$ 1,792	\$ 1,618	\$ 1,406	\$ 2,201	\$ 2,126

City of Cleveland, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2022

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	\$ 305,904,989 **	1.35%	\$ 4,114,422
Liberty County	30,627,995 ***	6.58%	2,015,322
	336,532,984		
Subtotal, overlapping debt			6,129,744
City Direct Debt			14,085,966
Total Direct and Overlapping Debt			\$ 20,215,710

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 8/31/2022

*** As of 9/30/2021

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%
2022	8,503	166,233,650	19,550	5.4%

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 Year and Two Years Ago

Employer	2022			2020*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cleveland ISD	1,970	1	26.45%	1,200	1	16.02%
Wal-Mart Supercenter	300	2	4.03%	340	2	4.54%
Texas Emergency Hospital	126	3	1.69%	187	3	2.50%
Union Tank Co.	288	5	3.87%	176	5	2.35%
City of Cleveland	109	4	1.46%	103	4	1.38%
Cleveland Correctional Center	116	6	1.56%	92	6	1.23%
H-E-B Foods	104	7	1.40%	90	7	1.20%
Cleveland Health Care Center	100	8	1.34%	87	8	1.16%
Martin Chevrolet Buick GMC	55	9	0.74%	61	9	0.81%
McCoy's Building Supply	43	10	0.58%	48	10	0.64%
Total	3,211		43.12%	2,384		31.83%
Total City Employment	7,447			7,489		

*The requirement is for the current year and nine years ago, however, only the current and two years previous 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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government and adminstration	22	18	17	18	19	18	20	18	14	13
Public safety	60	62	56	55	55	56	59	53	54	57
Public works	6	8	7	6	6	6	8	7	6	8
Culture and recreation	26	19	17	15	13	17	14	13	13	13
Water and sewer	12	16	13	17	16	14	14	12	9	13
Community development	5	5	4	4	4	3	4	3	2	4
Economic development	-	-	-	-	-	-	1	1	1	1
Total	131	128	114	115	113	114	120	107	99	109

Sources: Various City departments.

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

Function/Program	2013	2014	2015	2016
Public safety				
Police				
Number of employees	34	38	34	37
Number of violations (citations)	2,604	1,933	2,161	1,818
Fire				
Number of employees	15	19	18	18
Number of volunteers	23	22	21	19
Number of fire runs	760	969	1,508	2,112
Public works				
Streets (miles)	52	52	52	52
Building permits issued	660	574	606	610
Cultural and recreational				
Parks and recreation				
Park maintain & operate per acre	36	36	36	133
Participants in parks programs				
Library				
Volumes in collection	58,026	60,348	53,894	61,389
Water and sewer				
Number of water connections	2,467	2,464	2,449	2,470
Number of sewer connections	2,289	2,275	2,259	2,278
Average daily water consumption ^a	0.96	0.84	0.72	1.42
Maximum storage capacity ^a	2.7	2.7	2.7	2.7

Sources: Various City departments.

^a Millions of gallons

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
34	36	39	32	35	35
1,690	2,780	2,191	1,636	1,721	2,384
18	19	19	19	20	24
18	15	16	16	14	7
2,639	2,158	2,245	1,712	2,181	2,261
52	52	54	56	56	56
549	854	875	1,220	1,682	1,821
133	133	133	133	133	133
59,237	61,365	68,696	68,475	47,664	47,922
2,452	2,451	2,471	2,526	2,837	2,995
2,250	2,251	2,261	2,306	2,600	2,754
1.42	0.49	0.73	0.75	0.77	1.10
2.7	2.7	2.7	2.7	3.3	3.8

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

Function/Program	2013	2014	2015	2016
Public safety				
Police stations	1	1	1	1
Police patrol units	18	18	18	17
Fire stations	1	1	1	1
Public works				
Streets-paved (miles)	52	52	52	52
Cultural and recreational				
Parks (acres)	36	36	36	133
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	7
Elevated storage facilities	2	2	2	2
Lift stations	16	16	16	17

Sources: Various City departments.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	1	1	1	1	1
19	18	18	17	20	20
1	1	1	1	1	1
52	52	54	56	56	56
133	133	133	133	133	133
3	5	5	5	5	5
1	1	1	1	1	1
300	300	300	300	400	400
7 #	7	7	7	8	8
2	2	2	2	2	3
17	17	18	18	19	20