



CITY OF
CLEVELAND, TEXAS

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2023

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023



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*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Cleveland, Texas

**For the Year Ended
September 30, 2023**

Prepared by:

Pamela Harrison
Finance Director

Scott Swigert
City Manager

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City of Cleveland, Texas

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INTRODUCTORY SECTION

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



Scott Swigert, City Manager
Alice Rios, City Secretary
Pamela Harrison, Finance Director
907 E. Houston St.
Cleveland, Texas 77327
Phone (281) 592-2667
Fax (281) 592-6624

March 29, 2024

The Honorable Mayor, City Council and
Citizens of Cleveland, Texas:

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, 2023, 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, 2023. 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

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 | 5. Charter Review Commission |
| 2. Cleveland Housing Authority Board | 6. Airport Advisory Board |
| 3. Zoning Commission | 7. Tax Increment Reinvestment Zone 1 |
| 4. Zoning Board of Adjustments | 8. Tax Increment Reinvestment Zone 2 |

The City directly provides the majority of services to the citizens within its jurisdiction and contracts additional services as necessary. This approach allows the City to tailor services to meet the specific needs of the community therefore, guaranteeing efficient and effective support for the citizens and community. Major services provided under general government and enterprise functions are: police and fire protection, water, wastewater, solid waste, parks, library services, street 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 338 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 264 single-family homes and completed the construction 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 anticipated completion date of Phase 1 is April 2024. 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.

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The unemployment rate was 5.2% in Liberty County as of October 2023. 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, which includes capital improvement projects. 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, 2023, was the upgrade of airport runway lighting, purchase of airport courtesy car and completion of downtown revitalization Phase II.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

This report includes all the major funds of the City which are: General, Economic Development, Water & Sewer, Debt Service, TIRZ #1, TIRZ #2, Hotel/Motel, Capital Equipment, Fire Department, Money Seizure, Court Technology and Court Security. 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, most special revenue and proprietary funds and approves all budget amendments. Budgetary comparison schedules have been included for all governmental funds with a legally adopted budget. This includes the General, TIRZ #1, Debt Service, Hotel/Motel, Money Seizures, Court Technology, and Court Security funds.

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 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:

- Purchase and replacement of vehicles and equipment needed for efficient operation of Fire, Police and other departments
- Implementation of Strategic Plan
- Upgrade Airport Runway Lighting System
- Completion of Downtown Revitalization Phase II
- Purchase of Airport Courtesy Car

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

- Purchase and replacement of vehicles and equipment needed for efficient operation
- Repaving of selected streets
- Police Evidence Facility
- Skate Park
- E Houston St sidewalk project
- Installation of 12" Waterline in Northeast Cleveland
- Completion of Fire Station 2
- Airport Fence Project
- Automatic Meter Reading Tower, Software and Meters
- Installation of generators to critical infrastructure
- Downtown Pavilion
- Buzzy Bee 12" Waterline extension
- Airport Observation Area
- Jefferson Street Waterline Upgrade
- Purchase Pumper Truck for Fire Department
- Impact Study and Implementation of Impact Fees

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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

*2022 Census Bureau Estimate - Population 8,503



MAYOR
DANNY LEE



COUNCIL POSITION 1
JULIUS BUCKLEY



COUNCIL POSITION 2
ROSCOE WARRICK JR



COUNCIL POSITION 3
EDDIE LOWERY



MAYOR PRO TEM/COUNCIL POSITION 4
DESIREE DAVID



COUNCIL POSITION 5
FRED TERRELL

CITY ATTORNEY
OLSON & OLSON
MARY ANN POWELL

MUNICIPAL JUDGE
RALPH FULLER

CITY MANAGER
SCOTT SWIGERT

DEVELOPMENT SERVICES DIRECTOR	TOURISM & MARKETING DIRECTOR	LIBRARY DIRECTOR	PUBLIC WORKS DIRECTOR	HUMAN RESOURCES DIRECTOR	FINANCE DIRECTOR	CITY SECRETARY	FIRE CHIEF	POLICE CHIEF	MUNICIPAL COURT CLERK	ECONOMIC DEVELOPMENT & ASSISTANT TO THE CITY MANAGER
ASHLEY BROUSSARD	ASHLEY BROUSSARD	MARY COHN	ROGER BROOKES	ANGELA VALDEZ	PAMELA HARRISON	ALICE RIOS	SEAN ANDERSON	DARREL BROUSSARD	HANNAH WOODS	ROBERT REYNOLDS

- CODE ENFORCEMENT
- INSPECTIONS
- PERMITS
- ZONING

- CIVIC CENTER
- CVB
- MUNICIPAL PARK
- STANCIL PARK

- LIBRARY & YOUTH SERVICES

- AIRPORT
- CEMETERY/PARKS
- GARAGE
- STREETS/DRAINAGE
- WATER/SEWER

- CUSTOMER SERVICE

- ACCOUNTING
- FINANCE
- UTILITY BILLING

- CEMETERY
- CITY SECRETARY OFFICE

- EMERGENCY MANAGEMENT
- FIRE

- ANIMAL CONTROL
- DETECTIVES
- DISPATCH
- PATROL

- MUNICIPAL COURT



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, 2022

Christopher P. Morill

Executive Director/CEO

PRINCIPAL CITY OFFICIALS

CITY ELECTED OFFICIALS

MAYOR
Danny Lee

Council Position 1
Julius Buckley

Council Position 3
Eddie Lowery

Council Position 2
Roscoe Warrick Jr.

Council Position 4
Desiree David

Council Position 5
Fred Terrell

CLEVELAND EDC

APPOINTED OFFICIALS

PRIMARY ADMINISTRATORS

Economic Development
Director

Robert Reynolds

President

Nicky Coates

Vice President

LaDarrington Baldwin

Board Member

Rachel Hall

Board Member

Marilyn Clay

Board Member

Patrick Caserez

Board Member

Brent McWaters

Board Member

Durlene Davis

City Manager
Scott Swigert

City Attorney
Olson & Olson
Mary Anne Powell

Municipal Court
Judge
Ralph Fuller

Finance Director
Pamela Harrison

Chief of Police
Darrel Broussard

Tourism & Marketing
Director

Ashley Broussard

Library Director
Mary Cohn

Fire Chief
Sean Anderson

Human Resources
Director
Angela Valdez

City Secretary
Alice Rios

Municipal Court Clerk
Hannah Woods



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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 IV.E. in the footnotes, the City restated beginning fund balance and net position for the general fund and governmental activities to recognize the SAFER Grant reimbursement receivable not recorded in the prior year. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
March 29, 2024

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

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City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

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, 2023. 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 \$45,906,358 at September 30, 2023. Of this, \$10,334,464 (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 \$10,068,961, a decrease of \$1,592,039.
- As of the end of the year, the unassigned fund balance of the general fund was \$7,253,232 or 61% of total general fund expenditures.
- The City had an overall increase in net position of \$5,974,294, 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, 2023

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 two categories: governmental funds and proprietary 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 ten 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, 2023

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, for which the City adopted a budget, to demonstrate compliance with the respective budget.

Proprietary Funds

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

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund which is considered to be a major fund 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") and Tax Increment Reinvestment Zone No. 2 Fund ("TIRZ" #2) are blended component units and presented as nonmajor governmental funds.

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, 2023

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 \$45,906,358 as of September 30, 2023, in the primary government.

The largest portion of the City's net position, \$33,218,995, 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:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 11,489,840	\$ 4,780,005	\$ 16,269,845	\$ 13,781,462	\$ 4,200,011	\$ 17,981,473
Internal balances	211,583	(211,583)	-	1,894	(1,894)	-
Capital assets, net	27,117,831	23,126,645	50,244,476	24,740,157	20,029,261	44,769,418
Total Assets	38,819,254	27,695,067	66,514,321	38,523,513	24,227,378	62,750,891
Deferred Outflows of Resources	1,171,900	239,326	1,411,226	677,371	134,082	811,453
Other liabilities	2,492,975	883,252	3,376,227	2,968,759	1,093,898	4,062,657
Long-term liabilities	13,893,251	4,654,135	18,547,386	13,957,683	4,725,509	18,683,192
Total Liabilities	16,386,226	5,537,387	21,923,613	16,926,442	5,819,407	22,745,849
Deferred Inflows of Resources	66,524	29,052	95,576	718,979	165,452	884,431
Net Position:						
Net investment in capital assets	14,379,333	18,839,662	33,218,995	12,850,016	15,581,792	28,431,808
Restricted	2,352,899	-	2,352,899	1,851,463	163,493	2,014,956
Unrestricted	6,806,172	3,528,292	10,334,464	6,853,984	2,631,316	9,485,300
Total Net Position	\$ 23,538,404	\$ 22,367,954	\$ 45,906,358	\$ 21,555,463	\$ 18,376,601	\$ 39,932,064

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Activities:

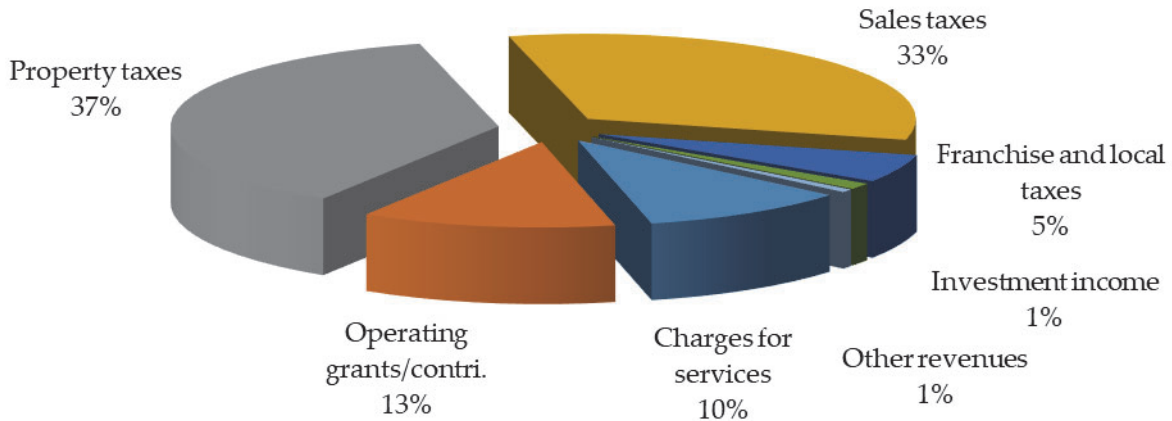
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,377,629	\$ 4,629,529	\$ 6,007,158	\$ 1,607,828	\$ 4,142,960	\$ 5,750,788
Operating grants/contri.	1,155,079	-	1,155,079	2,606,469	-	2,606,469
Capital grants/contri.	524,429	3,404,213	3,928,642	15,205	3,200	18,405
General revenues:						
Property taxes	4,973,404	-	4,973,404	4,166,969	-	4,166,969
Sales taxes	4,393,269	-	4,393,269	4,384,744	-	4,384,744
Franchise and local taxes	715,663	-	715,663	606,617	-	606,617
Investment income	161,689	50,006	211,695	40,464	11,921	52,385
Other revenues	80,181	7,052	87,233	98,354	54,151	152,505
Total Revenues	13,381,343	8,090,800	21,472,143	13,526,650	4,212,232	17,738,882
Expenses						
General government	1,787,082	-	1,787,082	1,532,834	-	1,532,834
Public safety	5,600,367	-	5,600,367	4,962,826	-	4,962,826
Public works	831,635	-	831,635	1,078,589	-	1,078,589
Transportation	950,090	-	950,090	929,148	-	929,148
Culture and recreation	1,729,161	-	1,729,161	1,512,724	-	1,512,724
Economic development	216,786	-	216,786	159,971	-	159,971
Interest and fiscal charges	300,858	95,161	396,019	322,436	96,667	419,103
Water & sewer	-	3,986,709	3,986,709	-	3,500,429	3,500,429
Total Expenses	11,415,979	4,081,870	15,497,849	10,498,528	3,597,096	14,095,624
Change in Net Position						
Before Transfers	1,965,364	4,008,930	5,974,294	3,028,122	615,136	3,643,258
Transfers	17,577	(17,577)	-	(1,777,219)	1,777,219	-
Total	17,577	(17,577)	-	(1,777,219)	1,777,219	-
Change in Net Position	1,982,941	3,991,353	5,974,294	1,250,903	2,392,355	3,643,258
Beginning Net Position	21,555,463	18,376,601	39,932,064	20,304,560	15,984,246	36,288,806
Ending Net Position	\$ 23,538,404	\$ 22,367,954	\$ 45,906,358	\$ 21,555,463	\$ 18,376,601	\$ 39,932,064

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

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

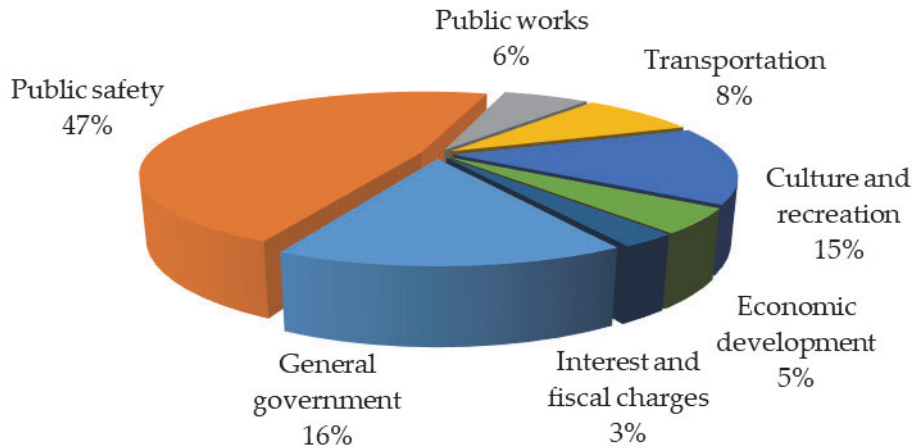


For the year ended September 30, 2023, revenues from governmental activities totaled \$13,381,343. Property tax, sales tax and grants/contributions are the City's largest revenue sources. Operating grants and contributions decreased by \$1,451,390 or 56% primarily due to nonrecurring ARPA and FEMA grant received in the prior year. Charges for services decreased by \$230,199 or 14% primarily due to fewer building permits obtained in the current year. Property taxes increased by \$806,435 or 19% resulting from rising appraised property values. Franchise and local taxes increased by \$109,046 or 18% primarily due to more energy consumption in the current year. Investment income increased by \$121,225 or over 100% primarily due to the realization of higher interest rates. Other revenues decreased by \$18,173 or 18% primarily as a result of nonrecurring insurance reimbursements received 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, 2023

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

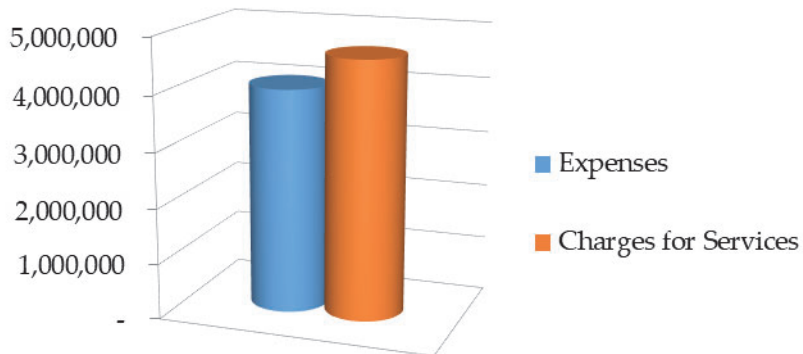


For the year ended September 30, 2023, expenses for governmental activities totaled \$11,415,979. This represents an increase of \$917,451 or 9% from the prior year. The City's largest functional expense is public safety of \$5,600,367, which increased by \$637,541 or 13%. This change is primarily a result of greater salaries and nonrecurring vehicle maintenance costs during the current year. General government expenses increased by \$254,248 or 17% primarily due to an increase in personnel costs and greater professional expenses. Public works expenses decreased by \$246,954 or 23% due to nonrecurring street repairs and vehicle and facility maintenance costs in the prior year. Culture and recreation expenses increased by \$216,437 or 14% as a result of increased personnel costs for cemetery, parks, and civic center, which is a result of higher salaries and new hires during the current year. Economic development increased by \$56,815 or 36% primarily due to nonrecurring TIRZ #1 development authority expenses. Interest and fiscal charges decreased by \$21,578 or 7% primarily due to the City's debt approaching maturity. All other expenditures remained relatively consistent with the previous year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

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, 2023, charges for services by business-type activities totaled \$4,629,529. This represents an increase of \$486,569 or 12% from the previous year, which is primarily due to increased utility consumption and a 23% increase in garbage collection rates over the course of the year. Capital grants and contributions increased by \$3,401,013 or over 100% due to nonrecurring contributions related to Pinewood Trails received in the current year. Investment income increased by \$38,085 or over 100% primarily due to the realization of higher interest rates in the current year. Other revenues decreased by \$47,099 or 87% primarily due to nonrecurring insurance proceeds received in the prior year.

Total expenses amounted to \$4,081,870, an increase of \$484,774 or 13% during the year. Water and sewer expenses totaling \$3,986,709 increased by \$486,280 or 14% primarily due to city growth, causing an increase in utility service operating costs, in addition, an increase in depreciation and personal costs.

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 \$7,337,281. Unassigned fund balance totaled \$7,253,232 as of yearend. The general fund decreased by \$1,002,198 primarily as a result of expenses exceeding revenues in the current year, which is in line with the City's adopted budget.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

The debt service fund had an ending fund balance of \$961,790 at yearend, an increase of \$225,160 from the prior year. The increase was primarily a result of greater than anticipated revenues in the current year. Total principal and interest payments made during the year were \$1,443,810 and \$350,196, respectively.

The capital projects fund had an ending fund balance of \$423,264, a decrease of \$1,046,794 compared to the prior year. The decrease was primarily a result of capital expenditures and transfers out exceeding current year revenues.

There was an overall decrease in governmental fund balance of \$1,592,039 from the prior year. The decrease was primarily a result of expenses exceeding revenues in the current year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$861,659 and a positive expenditure variance of \$983,091 for the year. Other financing sources had an overall positive budget variance of \$237,547. Intergovernmental revenues and investment income were the two revenue sources significantly greater than budgeted revenues. Final budgeted revenues increased by \$125,282 when compared to the original budgeted revenues. Final budgeted expenditures increased by \$2,527,997 compared to the original expense appropriations. Cemetery and parks, civic/community, principal and interest were over the final budget amounts, and exceeded appropriations at the legal level of control. Budget amendments were made primarily to account for additional capital outlay estimates.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$27,117,831 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 \$23,126,645 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 \$151,802.
- Continued work on the Fire Station No. 2 building project totaling \$1,058,152.
- Improvements to the police evidence building for \$158,500.
- Began construction on Hogans Preserve for \$305,930.
- Purchased a SCBA Cascade System for \$41,546.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

- Improvements to streets and lights totaling \$47,772.
- Purchased fuel farm tanks for \$26,518.
- Purchased four new police vehicles totaling \$145,293.
- Purchased public safety supplies totaling \$227,430.
- Purchased an Aerial Ladder Fire Truck for \$1,278,885.
- Waterline improvements totaling \$317,944.
- Improvements to the new elevated water storage tank totaling \$16,833.
- Purchased a tractor for \$13,900.
- Purchased two trucks for \$148,515.
- Purchased a utility bed for \$13,311.

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 \$16,230,383. During the year the City entered into a note payable agreement for \$201,390. Principal payments of \$1,765,033 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.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,883,021	\$ 3,363,048	\$ 12,246,069
Restricted cash	422,158	390,954	813,112
Receivables, net	2,123,716	1,015,483	3,139,199
Prepays	53,631	10,520	64,151
Internal balances	211,583	(211,583)	-
Due from component unit	7,314	-	7,314
Total Current Assets	11,701,423	4,568,422	16,269,845
Capital assets:			
Non-depreciable	7,741,592	496,566	8,238,158
Net depreciable capital assets	19,376,239	22,630,079	42,006,318
Total Noncurrent Assets	27,117,831	23,126,645	50,244,476
Total Assets	38,819,254	27,695,067	66,514,321
<u>Deferred Outflows of Resources</u>			
Pension outflows	1,143,564	238,002	1,381,566
OPEB outflows	6,359	1,324	7,683
Deferred charges on refunding	21,977	-	21,977
Total Deferred Outflows of Resources	1,171,900	239,326	1,411,226

Component Unit
Cleveland
EDC

\$ 2,403,043

-

-

4,044

-

-

2,407,087

1,013,293

244,274

1,257,567

3,664,654

-

-

-

-

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 807,339	\$ 111,724	\$ 919,063
Customer deposits	-	428,117	428,117
Accrued interest payable	42,843	10,897	53,740
Due to primary government	-	-	-
Compensated absences, current	124,700	15,014	139,714
Long-term debt due in one year	1,518,093	317,500	1,835,593
	<u>2,492,975</u>	<u>883,252</u>	<u>3,376,227</u>
Noncurrent liabilities:			
Compensated absences, noncurrent	13,855	1,668	15,523
Net pension liability	2,423,189	504,322	2,927,511
OPEB liability	198,475	41,316	239,791
Long-term debt due in more than one year	11,257,732	4,106,829	15,364,561
	<u>13,893,251</u>	<u>4,654,135</u>	<u>18,547,386</u>
Total Liabilities	<u>16,386,226</u>	<u>5,537,387</u>	<u>21,923,613</u>
<u>Deferred Inflows of Resources</u>			
OPEB inflows	66,524	13,848	80,372
Deferred gain on bond refunding	-	15,204	15,204
Total Deferred Inflows of Resources	<u>66,524</u>	<u>29,052</u>	<u>95,576</u>
<u>Net Position</u>			
Net investment in capital assets	14,379,333	18,839,662	33,218,995
Restricted for:			
Capital projects	14,065	-	14,065
Municipal court	42,216	-	42,216
Debt service	961,790	-	961,790
Tourism	699,848	-	699,848
TIRZ	564,032	-	564,032
Opioid funding	30,418	-	30,418
Public safety	40,530	-	40,530
Unrestricted	6,806,172	3,528,292	10,334,464
Total Net Position	<u>\$ 23,538,404</u>	<u>\$ 22,367,954</u>	<u>\$ 45,906,358</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,787,082	\$ -	\$ 239,937	\$ -
Public safety	5,600,367	209,610	886,904	-
Public works	831,635	492,075	-	524,429
Transportation	950,090	324,527	-	-
Culture and recreation	1,729,161	351,417	1,515	-
Economic development	216,786	-	26,723	-
Interest and fiscal charges	300,858	-	-	-
Total Governmental Activities	11,415,979	1,377,629	1,155,079	524,429
Business-Type Activities				
Water & Sewer	4,081,870	4,629,529	-	3,404,213
Total Business-Type Activities	4,081,870	4,629,529	-	3,404,213
Total Primary Government	\$ 15,497,849	\$ 6,007,158	\$ 1,155,079	\$ 3,928,642
Component Unit				
Cleveland EDC	430,178	-	-	-
Total Component Unit	\$ 430,178	\$ -	\$ -	\$ -

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
\$ (1,547,145)	\$ -	\$ (1,547,145)	\$ -
(4,503,853)	-	(4,503,853)	-
184,869	-	184,869	-
(625,563)	-	(625,563)	-
(1,376,229)	-	(1,376,229)	-
(190,063)	-	(190,063)	-
(300,858)	-	(300,858)	-
<u>(8,358,842)</u>	<u>-</u>	<u>(8,358,842)</u>	<u>-</u>
-	3,951,872	3,951,872	-
-	3,951,872	3,951,872	-
<u>(8,358,842)</u>	<u>3,951,872</u>	<u>(4,406,970)</u>	<u>-</u>
			(430,178)
			<u>\$ (430,178)</u>
4,973,404	-	4,973,404	-
4,393,269	-	4,393,269	811,603
715,663	-	715,663	-
161,689	50,006	211,695	48,018
-	7,052	7,052	-
80,181	-	80,181	1,000
17,577	(17,577)	-	-
<u>10,341,783</u>	<u>39,481</u>	<u>10,381,264</u>	<u>860,621</u>
1,982,941	3,991,353	5,974,294	430,443
21,555,463	18,376,601	39,932,064	3,225,671
<u>\$ 23,538,404</u>	<u>\$ 22,367,954</u>	<u>\$ 45,906,358</u>	<u>\$ 3,656,114</u>

City of Cleveland, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 6,306,863	\$ 945,339	\$ 1,106	\$ 1,629,713
Restricted cash	-	-	422,158	-
Receivables, net	1,825,321	276,198	-	22,197
Prepays	53,631	-	-	-
Due from component unit	7,314	-	-	-
Due from other funds	559,967	16,452	-	52,971
Total Assets	\$ 8,753,096	\$ 1,237,989	\$ 423,264	\$ 1,704,881
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 797,468	\$ -	\$ -	\$ 9,871
Due to other funds	69,423	-	-	348,384
Total Liabilities	866,891	-	-	358,255
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	548,924	276,199	-	-
Total Deferred Inflows of Resources	548,924	276,199	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	53,631	-	-	-
Restricted for:				
Capital projects	-	-	423,264	-
Municipal court	-	-	-	42,216
Debt service	-	961,790	-	-
Tourism	-	-	-	699,848
TIRZ	-	-	-	564,032
Opioid funding	30,418	-	-	-
Public safety	-	-	-	40,530
Unassigned reported in:				
General fund	7,253,232	-	-	-
Total Fund Balances	7,337,281	961,790	423,264	1,346,626
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 8,753,096	\$ 1,237,989	\$ 423,264	\$ 1,704,881

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,883,021
422,158
2,123,716
53,631
7,314
629,390
\$ 12,119,230

\$ 807,339
417,807
1,225,146

825,123

825,123

53,631

423,264

42,216

961,790

699,848

564,032

30,418

40,530

7,253,232

10,068,961

\$ 12,119,230

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City of Cleveland, Texas

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

September 30, 2023

Fund Balances - Total Governmental Funds	\$ 10,068,961
 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	7,741,592
Capital assets - net depreciable	19,376,239
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	825,123
 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	1,143,564
OPEB outflows	6,359
OPEB inflows	(66,524)
Deferred charge on refunding	21,977
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(42,843)
Compensated absences	(138,555)
Net pension liability	(2,423,189)
OPEB liability	(198,475)
Bond premium	(615,442)
Bonds, notes, and lease liabilities	(12,160,383)
Net Position of Governmental Activities	\$ 23,538,404

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, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
<u>Revenues</u>				
Property tax	\$ 2,724,593	\$ 1,651,511	\$ -	\$ 540,502
Sales tax	4,102,161	-	-	291,108
Franchise and local taxes	715,663	-	-	-
Intergovernmental	1,436,848	194,320	19,661	1,956
Contributions	26,723	-	-	-
Charges for services	675,944	-	-	-
License and permits	492,075	-	-	-
Fines and forfeitures	200,270	-	-	9,340
Investment income	153,371	2,533	2,579	3,206
Other revenue	111,899	-	-	-
Total Revenues	10,639,547	1,848,364	22,240	846,112
<u>Expenditures</u>				
General government:				
Administration	1,212,748	-	-	-
City council	38,070	-	-	-
Technology	456,561	-	-	-
Public safety:				
Municipal court	239,895	-	-	-
Police department	3,226,170	-	-	11,463
Animal control	71,033	-	-	-
Fire and ambulance	1,945,904	-	-	-
Emergency management	8,484	-	-	-
Public works:				
Development services	413,694	-	-	-
Garbage department	11,694	-	-	-
Transportation:				
Street department	510,444	-	-	-
Airport department	278,933	-	-	-
Culture and recreation:				
Library department	498,405	-	-	-
Cemetery and parks	583,028	-	-	-
Civic/community	254,160	-	-	-
Sports facilities	20,923	-	-	-
Economic development	-	-	-	532,856
Debt service:				
Principal	11,223	1,443,810	-	-
Interest and fiscal charges	995	350,196	-	-
Capital outlay	2,203,928	-	880,809	-
Total Expenditures	11,986,292	1,794,006	880,809	544,319

**Total
Governmental
Funds**

\$ 4,916,606
4,393,269
715,663
1,652,785
26,723
675,944
492,075
209,610
161,689
111,899

13,356,263

1,212,748
38,070
456,561

239,895
3,237,633
71,033
1,945,904
8,484

413,694
11,694

510,444
278,933

498,405
583,028
254,160
20,923
532,856

1,455,033
351,191
3,084,737

15,205,426

City of Cleveland, Texas

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

For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,346,745)	\$ 54,358	\$ (858,569)	\$ 301,793
<u>Other Financing Sources (Uses)</u>				
Transfers in	105,000	170,802	-	-
Transfers (out)	-	-	(188,225)	(70,000)
Sale of capital assets	38,157	-	-	-
Lease issuance	201,390	-	-	-
Total Other Financing Sources	344,547	170,802	(188,225)	(70,000)
Net Change in Fund Balances	(1,002,198)	225,160	(1,046,794)	231,793
Beginning fund balances	8,339,479	736,630	1,470,058	1,114,833
Ending Fund Balances	\$ 7,337,281	\$ 961,790	\$ 423,264	\$ 1,346,626

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ (1,849,163)

275,802

(258,225)

38,157

201,390

257,124

(1,592,039)

11,661,000

\$ 10,068,961

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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, 2023

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

Net changes in fund balances - total governmental funds	\$ (1,592,039)
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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	3,676,604
Depreciation expense	(1,229,055)
Loss on sale of asset	(69,875)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	56,798
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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	(9,931)
Accrued interest	1,090
Pension expense	(155,970)
OPEB expense	2,433

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	(7,219)
Amortization of debt premium	56,462
Lease issuance	(201,390)
Principal payments	1,455,033

Change in Net Position of Governmental Activities	\$ 1,982,941
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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, 2023

	<u>Water & Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,363,048
Restricted cash	390,954
Receivables, net	1,015,483
Prepays	10,520
Total Current Assets	<u>4,780,005</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	496,566
Net depreciable capital assets	22,630,079
Total Noncurrent Assets	<u>23,126,645</u>
Total Assets	<u>27,906,650</u>
<u>Deferred Outflows of Resources</u>	
Pension outflows	238,002
OPEB outflows	1,324
Total Deferred Outflows of Resources	<u>239,326</u>

City of Cleveland, Texas

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

September 30, 2023

	<u>Water & Sewer</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	111,724
Due to other funds	211,583
Customer deposits	428,117
Accrued interest payable	10,897
Long-term debt - current portion	317,500
Compensated absences - current portion	15,014
Total Current Liabilities	<u>1,094,835</u>
<u>Noncurrent Liabilities</u>	
Net pension liability	504,322
OPEB liability	41,316
Long-term debt - noncurrent portion	4,106,829
Compensated absences - noncurrent portion	1,668
Total Liabilities	<u>5,748,970</u>
<u>Deferred Inflows of Resources</u>	
OPEB inflows	13,848
Deferred gain on bond refunding	15,204
Total Deferred Inflows of Resources	<u>29,052</u>
<u>Net Position</u>	
Net investment in capital assets	18,839,662
Unrestricted	3,528,292
Total Net Position	<u>\$ 22,367,954</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, 2023

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 4,629,529
Total Operating Revenues	4,629,529
<u>Operating Expenses</u>	
Administration	478,913
Water production	1,027,232
Sewer department	1,142,129
Sanitation services	410,444
Other	110,658
Depreciation	817,333
Total Operating Expenses	3,986,709
Operating Income	642,820
<u>Nonoperating Revenues (Expenses)</u>	
Insurance recoveries	7,052
Investment income	50,006
Interest expense	(95,161)
Total Nonoperating Revenues (Expenses)	(38,103)
Income (Loss) Before Transfers and Capital Contributions	604,717
<u>Transfers and Capital Contributions</u>	
Capital contributions	3,404,213
Transfers in	188,225
Transfers (out)	(205,802)
Change in Net Position	3,991,353
Beginning net position	18,376,601
Ending Net Position	\$ 22,367,954

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, 2023

	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 4,370,838
Payments to suppliers	(2,769,264)
Payments to employees	(438,547)
Net Cash Provided (Used) by Operating Activities	<u>1,163,027</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer in	188,225
Transfer (out)	(205,802)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(17,577)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(510,504)
Insurance recoveries	7,052
Principal paid on debt	(310,000)
Interest paid on debt	(125,061)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(938,513)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	50,006
Net Cash Provided by Investing Activities	<u>50,006</u>
Increase (Decrease) in Cash and Cash Equivalents	256,943
Beginning cash and cash equivalents	3,497,059
Ending Cash and Cash Equivalents	<u>\$ 3,754,002</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, 2023

	Water & Sewer
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 642,820
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	817,333
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(312,531)
prepaids	(10,520)
Net pension liability	291,806
OPEB liability	(17,965)
Due to (from) other funds	209,689
Deferred Outflows of Resources:	
Pension	(113,451)
OPEB	8,207
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(277,970)
Customer deposits	53,840
Compensated absences	6,649
Deferred Inflows of Resources:	
Pension	(144,474)
OPEB	9,594
Net Cash Provided (Used) by Operating Activities	\$ 1,163,027
 <u>Schedule of Noncash Capital and Related Financing Activities</u>	
Capital contributions	\$ 3,404,213

See Notes to Financial Statements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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. Council is composed of five Council Members and a Mayor. 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”) and Tax Increment Reinvestment Zone No. 1 (“TIRZ #2”) are blended component units and presented as a nonmajor governmental funds. 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, 2023

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 seven-member board of directors who are appointed by the City Council of the City of Cleveland, Texas.

Blended Component Unit

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

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

Tax Increment Reinvestment Zone No. 2 Fund ("TIRZ #2")

The Tax Increment Reinvestment Zone No. 2 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

members who serve two and one-year terms. The City is responsible for appointing at least seven members to the Board, 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.

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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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-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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

department restoration fund, court technology fund, court security fund, TIRZ #1, and TIRZ #2 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.

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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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.

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

7. Deferred Outflows/Inflows of Resources

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

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

8. Net Position Flow Assumption

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

10. Fund Balance Policies

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

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

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

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

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, 2023. 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Expenditures in Excess of Appropriations

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

General fund:	
Development services	\$ 92,937
Cemetery and parks	11,429
Civic/community	7,620
Debt Service fund:	
Principal	\$ 275,000
Interest	86,334
Money Seizures fund:	
Police department	\$ 2,448

B. Restricted 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 \$2,762,098, of which, \$113,164 is restricted by enabling legislation.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,486,325	0.08
Total fair value	\$ 1,486,325	
Portfolio weighted average maturity		0.08

As of September 30, 2023, the discretely presented component unit had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 328,282	0.08
Total fair value	\$ 328,282	
Portfolio weighted average maturity		0.08

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

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, 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.

B. Receivables

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

	General	Debt Service	Nonmajor Governmental	Water & Sewer	Total
Property taxes	\$ 548,924	\$ 276,198	\$ -	\$ -	\$ 825,122
Sales taxes	889,205	-	-	-	889,205
Franchise and other tax	3,489	-	-	-	3,489
Occupancy taxes	-	-	22,197	-	22,197
Grant	338,581	-	-	-	338,581
Other	45,122	-	-	-	45,122
Accounts	-	-	-	1,129,997	1,129,997
Allowance	-	-	-	(114,514)	(114,514)
	<u>\$ 1,825,321</u>	<u>\$ 276,198</u>	<u>\$ 22,197</u>	<u>\$ 1,015,483</u>	<u>\$ 3,139,199</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	4,151,927	1,658,197	(449,549)	5,360,575
Total capital assets not being depreciated	<u>6,532,944</u>	<u>1,658,197</u>	<u>(449,549)</u>	<u>7,741,592</u>
Capital assets, being depreciated:				
Buildings and improvements	24,940,147	74,291	409,549	25,423,987
Furniture and equipment	5,786,650	1,742,726	(29,875)	7,499,501
Right-of-use assets	38,727	201,390	-	240,117
Total capital assets being depreciated	<u>30,765,524</u>	<u>2,018,407</u>	<u>379,674</u>	<u>33,163,605</u>
Less accumulated depreciation				
Buildings and improvements	(8,233,843)	(783,075)	-	(9,016,918)
Furniture and equipment	(4,313,403)	(394,637)	-	(4,708,040)
Right-of-use assets	(11,065)	(51,343)	-	(62,408)
Total accumulated depreciation	<u>(12,558,311)</u>	<u>(1,229,055)</u>	<u>-</u>	<u>(13,787,366)</u>
Net capital assets being depreciated	18,207,213	789,352	379,674	19,376,239
Total Net Capital Assets	<u><u>\$ 24,740,157</u></u>	<u><u>\$ 2,447,549</u></u>	<u><u>\$ (69,875)</u></u>	<u><u>\$ 27,117,831</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 62,369
Public safety	365,144
Public works	262,206
Transportation	189,311
Culture and recreation	350,025
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,229,055</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 178,621	\$ -	\$ -	\$ 178,621
Construction in progress	3,295,859	334,779	(3,312,693)	317,945
Total capital assets not being depreciated	<u>3,474,480</u>	<u>334,779</u>	<u>(3,312,693)</u>	<u>496,566</u>
Capital assets, being depreciated:				
Buildings and improvements	47,997	-	-	47,997
Furniture and equipment	2,346,250	175,725	-	2,521,975
Water system	12,239,355	-	3,312,693	15,552,048
Sewer system	20,226,959	3,404,213	-	23,631,172
Total capital assets being depreciated	<u>34,860,561</u>	<u>3,579,938</u>	<u>3,312,693</u>	<u>41,753,192</u>
Less accumulated depreciation				
Buildings and improvements	(35,944)	(1,408)	-	(37,352)
Furniture and equipment	(1,519,768)	(148,873)	-	(1,668,641)
Water system	(4,601,331)	(349,643)	-	(4,950,974)
Sewer system	(12,148,737)	(317,409)	-	(12,466,146)
Total accumulated depreciation	<u>(18,305,780)</u>	<u>(817,333)</u>	<u>-</u>	<u>(19,123,113)</u>
Net capital assets being depreciated	16,554,781	2,762,605	3,312,693	22,630,079
Total Net Capital Assets	<u>\$ 20,029,261</u>	<u>\$ 3,097,384</u>	<u>\$ -</u>	<u>\$ 23,126,645</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 817,333
Total Business-type Activities Depreciation Expense	<u>\$ 817,333</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 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	173,952	-	-	173,952
Machinery & equipment	85,000	-	-	85,000
Total capital assets being depreciated	<u>258,952</u>	<u>-</u>	<u>-</u>	<u>258,952</u>
Less accumulated depreciation				
Buildings and improvements	(5,108)	(3,479)	-	(8,587)
Furniture & equipment	(4,391)	(1,700)	-	(6,091)
Total accumulated depreciation	<u>(9,499)</u>	<u>(5,179)</u>	<u>-</u>	<u>(14,678)</u>
Net capital assets being depreciated	<u>249,453</u>	<u>(5,179)</u>	<u>-</u>	<u>244,274</u>
Total Net Capital Assets	<u>\$ 1,262,746</u>	<u>\$ (5,179)</u>	<u>\$ -</u>	<u>\$ 1,257,567</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Obligation General Obligation	\$ 8,150,000	\$ -	\$ (575,000)	\$ 7,575,000	\$ 587,500
Refunding Bonds	3,960,000	-	(700,000)	3,260,000	710,000
Less: Deferred Amounts					
Issuance Premium	671,904	-	(56,462)	615,442	-
Note payables	1,276,045	-	(168,810)	1,107,235	173,116
Lease liability	27,981	201,390	(11,223)	218,148	47,477
Total Governmental Activities	<u>\$ 14,085,930</u>	<u>\$ 201,390</u>	<u>\$ (1,511,495)</u>	<u>\$ 12,775,825</u>	<u>\$ 1,518,093</u>
Long-term Liabilities Due in More than One Year				<u>\$ 11,257,732</u>	
Business-Type Activities:					
Certificates of Obligation General Obligation	\$ 1,835,000	\$ -	\$ (95,000)	\$ 1,740,000	\$ 97,500
Refunding Bonds	2,545,000	-	(215,000)	2,330,000	220,000
Less: Deferred Amounts					
Issuance Premium	382,709	-	(28,380)	354,329	-
Total Business-Type Activities	<u>\$ 4,762,709</u>	<u>\$ -</u>	<u>\$ (338,380)</u>	<u>\$ 4,424,329</u>	<u>\$ 317,500</u>
Long-term Liabilities Due in More than One Year				<u>\$ 4,106,829</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, 2023

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:				
2013 General Obligation Refunding	2%-3%	2026	\$ 7,860,000	\$ 1,690,000
2017 Certificates of obligation	3%-3.25%	2037	3,920,000	2,355,000
2019 General Obligation Refunding	2%	2032	2,030,000	1,570,000
2021 Certificates of Obligation	2%-4%	2046	5,745,000	5,220,000
Note payables:				
Fire Truck	2.55%	2029	1,276,045	1,107,235
Lease liabilities	3%-4%	2025	38,727	218,148
Total Governmental Activities			<u>\$ 20,869,772</u>	<u>\$ 12,160,383</u>
Business-Type Activities:				
2021 Certificates of Obligation	2%-4%	2046	\$ 1,915,000	\$ 1,740,000
2021 General Obligation Refunding	2%-4%	2033	2,740,000	2,330,000
Total Business Type Activities			<u>\$ 4,655,000</u>	<u>\$ 4,070,000</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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
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	\$ 7,575,000	\$ 1,669,697	\$ 9,244,697

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
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	\$ 3,260,000	\$ 210,685	\$ 3,470,685

Year ending September 30,	Notes Payable - Fire Truck		
	Principal	Interest	Total
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	\$ 1,107,235	\$ 100,933	\$ 1,208,168

Year ending September 30,	Lease Payable		
	Principal	Interest	Total
2024	\$ 47,477	\$ 11,071	\$ 58,548
2025	43,715	8,702	52,417
2026	40,180	6,648	46,828
2027	42,284	4,544	46,828
2028	44,492	2,336	46,828
Total	\$ 218,148	\$ 33,301	\$ 251,449

The City entered into a lease agreement for an asphalt zipper on May 25, 2023 in the amount of \$201,390. The lease bears an interest rate of 5.23% and will mature on May 25, 2028. The City's leased assets have a net book value of \$177,709 as of year end.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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
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>\$ 1,740,000</u>	<u>\$ 425,801</u>	<u>\$ 2,165,801</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
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>\$ 2,330,000</u>	<u>\$ 319,450</u>	<u>\$ 2,649,450</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 \$21,977. Current year amortization expense for governmental activities totaled \$7,219.

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 \$15,204. Current year amortization expense for business-type activities totaled \$1,520.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	\$ 128,624	\$ 129,335	\$ (119,404)	\$ 138,555	\$ 124,700
Total Governmental Activities	<u>\$ 128,624</u>	<u>\$ 129,335</u>	<u>\$ (119,404)</u>	<u>\$ 138,555</u>	<u>\$ 124,700</u>
Long-term liabilities due in more than one year				<u>\$ 13,855</u>	
Business-Type Activities:					
Other liabilities:					
Compensated Absences	\$ 10,033	\$ 30,511	\$ (23,862)	\$ 16,682	\$ 15,014
Total Business-Type Activities	<u>\$ 10,033</u>	<u>\$ 30,511</u>	<u>\$ (23,862)</u>	<u>\$ 16,682</u>	<u>\$ 15,014</u>
Long-term liabilities due in more than one year				<u>\$ 1,668</u>	

H. Customer Deposits

The City had customer deposits of \$428,117 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, 2023 were as follows:

	<u>Payable Fund:</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
Receivable Fund:				
General	\$ -	\$ 348,384	\$ 211,583	\$ 559,967
Debt service	16,452	-	-	16,452
Nonmajor governmental	52,971	-	-	52,971
Total	<u>\$ 69,423</u>	<u>\$ 348,384</u>	<u>\$ 211,583</u>	<u>\$ 629,390</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 CEDC owed the primary government \$7,314 as of September 30, 2023.

Transfers between the primary government funds during the 2023 year were as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>			<u>Total</u>
	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
General	\$ -	\$ 70,000	\$ 35,000	\$ 105,000
Debt service	-		170,802	170,802
Water & sewer	188,225	-	-	188,225
Total	<u>\$ 188,225</u>	<u>\$ 70,000</u>	<u>\$ 205,802</u>	<u>\$ 464,027</u>

During the current year, the CEDC contributed \$24,000 and \$194,320 to the general fund and debt service fund, respectively. 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

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, 2023, 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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 919 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.tmr.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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 2022</u>	<u>Plan Year 2021</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

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	84
Active employees	<u>104</u>
Total	<u>244</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 10.24% and 10.59% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$601,629, and equaled the required contributions.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

4. Net Pension Liability (Asset)

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

City of Cleveland, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

Discount Rate

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

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 5,347,049	\$ 2,927,511	\$ 968,994

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/21	\$ 15,739,659	\$ 14,499,804	\$ 1,239,855
Changes for the year:			
Service Cost	596,472	-	596,472
Interest	1,051,269	-	1,051,269
Difference between expected and actual experience	(236,559)	-	(236,559)
Changes of assumptions	-	-	-
Contributions – employer	-	523,829	(523,829)
Contributions – employee	-	255,777	(255,777)
Net investment income	-	(1,057,851)	1,057,851
Benefit payments, including refunds of emp. contributions	(927,069)	(927,069)	-
Administrative expense	-	(9,159)	9,159
Other changes	-	10,930	(10,930)
Net changes	484,113	(1,203,543)	1,687,656
Balance at 12/31/22	\$ 16,223,772	\$ 13,296,261	\$ 2,927,511

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, 2023, the City recognized pension expense of \$759,484.

At September 30, 2023, 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	\$ 14,232	\$ -
Differences between expected and actual economic experience	939,133	-
Contributions subsequent to the measurement date	428,201	-
Total	\$ 1,381,566	\$ -

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The City reported \$428,201 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, 2024. 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:	
2023	\$ 103,818
2024	228,405
2025	213,825
2026	407,317
2027	-
Thereafter	-
	\$ 953,365

Supplemental Death Benefits Fund

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

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	13
Active employees	104
Total	154

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The City's contributions to the TMRS SDBF for the years ended 2022 and 2023 were \$8,890 and \$10,031, 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
2021	0.21%	0.21%	100.0%
2022	0.16%	0.16%	100.0%
2023	0.19%	0.19%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, 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, 2022 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	4.05%
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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1% Decrease (3.05%)	Current Single Rate Assumption 4.05%	1% Increase (5.05%)
\$ 282,781	\$ 239,791	\$ 206,198

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 345,866
Changes for the year:	
Service Cost	20,462
Interest	6,477
Difference between expected and actual experience	(13,263)
Changes of assumptions	(111,567)
Benefit payments	(8,184)
Net changes	(106,075)
Balance at 12/31/22	\$ 239,791

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$7,291.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

At September 30, 2023, 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	\$ -	\$ (56,240)
Difference between expected and actual experience	-	(24,132)
Contributions subsequent to measurement date	7,683	-
Total	\$ 7,683	\$ (80,372)

The City reported \$7,683 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, 2024.

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:	
2023	\$ (12,127)
2024	(14,606)
2025	(19,589)
2026	(21,278)
2027	(12,772)
Thereafter	-
	\$ (80,372)

E. Restatement

The City did not recognize the SAFER Grant receivable in the prior year. The City restated prior year fund balance and net position for the general fund and governmental activities as follows:

	General Fund	Governmental Activities
Prior year ending fund balance/net position, as reported	\$ 8,240,888	21,456,872
Grant receivable correction	98,591	98,591
Restated beginning fund balance/net position	\$ 8,339,479	\$ 21,555,463

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

F. Subsequent Events

There were no material subsequent events through March 29, 2024, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Property tax	\$ 2,618,910	\$ 2,618,910	\$ 2,724,593	\$ 105,683
Sales tax	4,028,612	4,028,612	4,102,161	73,549
Franchise and local taxes	627,304	627,304	715,663	88,359
Intergovernmental	722,400	807,706	1,436,848	629,142
Contributions	800	800	26,723	25,923
Charges for services	640,164	640,164	675,944	35,780
License and permits	591,116	591,116	492,075	(99,041)
Fines and forfeitures	319,750	319,750	200,270	(119,480)
Investment income	20,000	20,000	153,371	133,371
Other revenue	83,550	123,526	111,899	(11,627)
Total Revenues	<u>9,652,606</u>	<u>9,777,888</u>	<u>10,639,547</u>	<u>861,659</u>
<u>Expenditures</u>				
General government:				
Administration	1,185,389	1,215,239	1,212,748	2,491
City council	50,600	50,600	38,070	12,530
Technology	471,428	471,428	456,561	14,867
Public safety:				
Municipal court	291,179	248,179	239,895	8,284
Police department	3,298,883	3,474,189	3,226,170	248,019
Animal control	77,581	77,581	71,033	6,548
Fire and ambulance	1,755,643	1,974,993	1,945,904	29,089
Emergency management	31,869	11,869	8,484	3,385
Public works:				
Development services	610,757	320,757	413,694	(92,937) *
Garbage department	12,200	12,200	11,694	506
Transportation:				
Street department	617,254	698,084	510,444	187,640
Airport department	163,500	282,054	278,933	3,121
Culture and recreation:				
Library department	499,096	502,446	498,405	4,041
Cemetery and parks	571,599	571,599	583,028	(11,429) *
Civic/community	266,540	246,540	254,160	(7,620) *
Sports facilities	29,650	29,650	20,923	8,727
Debt Service:				
Principal	11,223	11,223	11,223	-
Interest	995	995	995	-
Capital outlay	326,000	2,769,757	2,203,928	565,829

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Expenditures	10,271,386	12,969,383	11,986,292	983,091
Revenues Over (Under)				
Expenditures	(618,780)	(3,191,495)	(1,346,745)	1,844,750
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 35,000	\$ 105,000	\$ 105,000	\$ -
Sale of capital assets	2,000	2,000	38,157	36,157
Lease proceeds	-	-	201,390	201,390
Total Other Financing Sources (Uses)	37,000	107,000	344,547	237,547
Net Change in Fund Balance	\$ (581,780)	\$ (3,084,495)	(1,002,198)	\$ 2,082,297
Beginning fund balance			8,339,479	
Ending Fund Balance			\$ 7,337,281	

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>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Total pension liability				
Service cost	\$ 596,472	\$ 545,874	\$ 509,750	\$ 437,356
Interest	1,051,269	971,852	901,287	837,773
Differences between expected and actual experience	(236,559)	372,542	149,698	52,935
Changes of assumptions	-	-	-	65,894
Benefit payments, including refunds of participant contributions	(927,069)	(550,966)	(515,803)	(462,603)
Net change in total pension liability	<u>484,113</u>	<u>1,339,302</u>	<u>1,044,932</u>	<u>931,355</u>
Total pension liability - beginning	<u>15,739,659</u>	<u>14,400,357</u>	<u>13,355,425</u>	<u>12,424,070</u>
Total pension liability - ending (a)	<u>16,223,772</u>	<u>15,739,659</u>	<u>14,400,357</u>	<u>13,355,425</u>
Plan fiduciary net position				
Contributions - employer	\$ 523,829	\$ 498,839	\$ 463,526	\$ 408,197
Contributions - members	255,777	237,543	220,099	189,496
Net investment income	(1,057,851)	1,650,907	882,655	1,540,427
Benefit payments, including refunds of participant contributions	(927,069)	(550,966)	(515,803)	(462,603)
Administrative expenses	(9,159)	(7,643)	(5,711)	(8,701)
Other	10,930	53	(221)	(261)
Net change in plan fiduciary net position	<u>(1,203,543)</u>	<u>1,828,733</u>	<u>1,044,545</u>	<u>1,666,555</u>
Plan fiduciary net position - beginning	<u>14,499,804</u>	<u>12,671,071</u>	<u>11,626,526</u>	<u>9,959,971</u>
Plan fiduciary net position - ending (b)	<u>\$ 13,296,261</u>	<u>\$ 14,499,804</u>	<u>\$ 12,671,071</u>	<u>\$ 11,626,526</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 2,927,511</u>	<u>\$ 1,239,855</u>	<u>\$ 1,729,286</u>	<u>\$ 1,728,899</u>
Plan fiduciary net position as a percentage of the total pension liability	82%	92%	88%	87%
Covered payroll	\$ 5,115,538	\$ 4,750,866	\$ 4,401,986	\$ 3,789,910
Fund's net pension liability as a percentage of covered payroll	57%	26%	39%	46%

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>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u> ¹
\$	395,063	\$ 385,239	\$ 361,883	\$ 310,615	\$ 289,352
	797,496	747,381	699,231	693,226	668,798
	(136,743)	81,087	106,870	(125,466)	(146,722)
	-	-	-	36,902	-
	(497,953)	(454,374)	(478,284)	(492,054)	(454,110)
	<u>557,863</u>	<u>759,333</u>	<u>689,700</u>	<u>423,223</u>	<u>357,318</u>
	<u>11,866,207</u>	<u>11,106,874</u>	<u>10,417,174</u>	<u>9,993,951</u>	<u>9,636,633</u>
	<u>12,424,070</u>	<u>11,866,207</u>	<u>11,106,874</u>	<u>10,417,174</u>	<u>9,993,951</u>
\$	363,729	\$ 350,699	\$ 308,931	\$ 306,308	\$ 285,365
	170,286	166,051	156,659	143,537	143,400
	(306,841)	1,239,934	567,304	12,441	457,872
	(497,953)	(454,374)	(478,284)	(492,054)	(454,110)
	(5,926)	(6,422)	(6,406)	(7,578)	(4,780)
	(310)	(325)	(345)	(373)	(393)
	<u>(277,015)</u>	<u>1,295,563</u>	<u>547,859</u>	<u>(37,719)</u>	<u>427,354</u>
	<u>10,236,986</u>	<u>8,941,423</u>	<u>8,393,564</u>	<u>8,431,283</u>	<u>8,003,929</u>
\$	<u>9,959,971</u>	<u>\$ 10,236,986</u>	<u>\$ 8,941,423</u>	<u>\$ 8,393,564</u>	<u>\$ 8,431,283</u>
\$	<u>2,464,099</u>	<u>\$ 1,629,221</u>	<u>\$ 2,165,451</u>	<u>\$ 2,023,610</u>	<u>\$ 1,562,668</u>
	80%	86%	81%	81%	84%
\$	3,405,719	\$ 3,321,023	\$ 3,133,188	\$ 2,870,749	\$ 2,868,009
	72%	49%	69%	70%	54%

City of Cleveland, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Actuarially determined employer contributions	\$ 601,629	\$ 528,168	\$ 476,535	\$ 442,354
Contributions in relation to the actuarially determined contribution	\$ 601,629	\$ 528,168	\$ 476,535	\$ 442,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 5,511,296	\$ 5,122,641	\$ 4,535,082	\$ 4,179,243
Employer contributions as a percentage of covered payroll	10.92%	10.31%	10.51%	10.58%

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	23 years
Asset Valuation Method	10 Year smoothed fair value; 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>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 395,012	\$ 357,632	\$ 341,779	\$ 323,843	\$ 293,516
\$ 395,012	\$ 357,632	\$ 341,779	\$ 323,843	\$ 293,516
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,674,680	\$ 3,357,437	\$ 3,286,315	\$ 3,215,934	\$ 2,803,135
10.75%	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>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Total OPEB liability				
Service cost	\$ 20,462	\$ 14,728	\$ 20,249	\$ 9,475
Interest	6,477	6,560	7,932	8,942
Differences between expected and actual experience	(13,263)	(792)	(19,894)	(14,494)
Changes of assumptions	(111,567)	9,701	41,012	42,175
Benefit payments, including refunds of participant contributions	(8,184)	(9,977)	(3,962)	(4,169)
Net change in total OPEB liability	<u>(106,075)</u>	<u>20,220</u>	<u>45,337</u>	<u>41,929</u>
Total OPEB liability - beginning	<u>\$ 345,866</u>	<u>\$ 325,646</u>	<u>\$ 280,309</u>	<u>\$ 238,380</u>
Total OPEB liability - ending	<u><u>\$ 239,791</u></u>	<u><u>\$ 345,866</u></u>	<u><u>\$ 325,646</u></u>	<u><u>\$ 280,309</u></u>
Covered-employee payroll	\$ 5,115,538	\$ 4,750,866	\$ 4,401,986	\$ 3,789,910
City's total OPEB liability as a percentage of covered-employee payroll	4.69%	7.28%	7.40%	7.40%

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.

<u>12/31/2018</u>	<u>12/31/2017</u>	¹
\$ 10,217	\$ 8,635	
8,824	8,827	
(25,357)	-	
(14,913)	18,684	
(3,746)	(3,985)	
<u>(24,975)</u>	<u>32,161</u>	
\$ 263,355	\$ 231,194	
<u>\$ 238,380</u>	<u>\$ 263,355</u>	
\$ 3,405,719	\$ 3,321,023	
7.00%	7.93%	

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

City of Cleveland, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<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	\$ 695,169	\$ 48,250	\$ 797	\$ -
Receivables, net	22,197	-	-	-
Due from other funds	-	-	-	11,666
Total Assets	\$ 717,366	\$ 48,250	\$ 797	\$ 11,666
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 1,354	\$ 8,517	\$ -	\$ -
Due to other funds	16,164	-	-	10,755
Total Liabilities	17,518	8,517	-	10,755
<u>Fund Balances</u>				
Restricted for:				
Tourism	699,848	-	-	-
TIRZ	-	-	-	-
Municipal court	-	-	-	911
Public safety	-	39,733	797	-
Total Fund Balances	699,848	39,733	797	911
Total Liabilities and Fund Balances	\$ 717,366	\$ 48,250	\$ 797	\$ 11,666

<u>Court Security</u>	<u>TIRZ #1</u>	<u>TIRZ #2</u>	<u>Total</u>
\$ -	\$ 661,547	\$ 223,950	\$ 1,629,713
-	-	-	22,197
41,305	-	-	52,971
<u>\$ 41,305</u>	<u>\$ 661,547</u>	<u>\$ 223,950</u>	<u>\$ 1,704,881</u>
\$ -	\$ -	\$ -	\$ 9,871
-	321,465	-	348,384
<u>-</u>	<u>321,465</u>	<u>-</u>	<u>358,255</u>
-	-	-	699,848
-	340,082	223,950	564,032
41,305	-	-	42,216
-	-	-	40,530
<u>41,305</u>	<u>340,082</u>	<u>223,950</u>	<u>1,346,626</u>
<u>\$ 41,305</u>	<u>\$ 661,547</u>	<u>\$ 223,950</u>	<u>\$ 1,704,881</u>

City of Cleveland, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	<u>Hotel/Motel Fund</u>	<u>Money Seizures Fund</u>	<u>Fire Department</u>	<u>Court Technology</u>
<u>Revenues</u>				
Sales taxes	\$ 291,108	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	1,956	-	-
Fines and forfeitures	-	9,340	-	-
Investment income	1,986	13	2	-
Total Revenues	<u>293,094</u>	<u>11,309</u>	<u>2</u>	<u>-</u>
<u>Expenditures</u>				
Economic development	211,391	-	-	-
Police department	-	11,463	-	-
Total Expenditures	<u>211,391</u>	<u>11,463</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>81,703</u>	<u>(154)</u>	<u>2</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	(70,000)	-	-
Total Other Financing (Uses)	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	81,703	(70,154)	2	-
Beginning fund balances	618,145	109,887	795	911
Ending Fund Balances	<u>\$ 699,848</u>	<u>\$ 39,733</u>	<u>\$ 797</u>	<u>\$ 911</u>

<u>Court Security</u>	<u>TIRZ #1</u>	<u>TIRZ #2</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 291,108
-	316,639	223,863	540,502
-	-	-	1,956
-	-	-	9,340
-	1,118	87	3,206
<u>-</u>	<u>317,757</u>	<u>223,950</u>	<u>846,112</u>
-	321,465	-	532,856
-	-	-	11,463
<u>-</u>	<u>321,465</u>	<u>-</u>	<u>544,319</u>
-	(3,708)	223,950	301,793
-	-	-	(70,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>
-	(3,708)	223,950	231,793
41,305	343,790	-	1,114,833
<u>\$ 41,305</u>	<u>\$ 340,082</u>	<u>\$ 223,950</u>	<u>\$ 1,346,626</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, 2023

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 1,431,172	\$ 1,651,511	\$ 220,339
Intergovernmental revenue	-	194,320	194,320
Investment income	1,500	2,533	1,033
Total Revenues	1,432,672	1,848,364	415,692
<u>Expenditures</u>			
Debt Service:			
Principal	1,168,810	1,443,810	(275,000) *
Interest and fiscal charges	263,862	350,196	(86,334) *
Total Expenditures	1,432,672	1,794,006	(361,334)
Revenues Over (Under) Expenditures	-	54,358	54,358
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	170,802	170,802
Total Other Financing Sources (Uses)	-	170,802	170,802
Net Change in Fund Balances	\$ -	225,160	\$ 225,160
Beginning fund balances		736,630	
Ending Fund Balances		\$ 961,790	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and fees	\$ 5,000	\$ -	\$ (5,000)
Total Revenues	5,000	-	(5,000)
<u>Expenditures</u>			
Municipal court	5,000	-	5,000
Total Expenditures	5,000	-	5,000
Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balances	\$ -	-	\$ -
Beginning fund balances		911	
Ending Fund Balances		\$ 911	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and fees	\$ 5,000	\$ -	\$ (5,000)
Total Revenues	5,000	-	(5,000)
<u>Expenditures</u>			
Municipal court	5,000	-	5,000
Total Expenditures	5,000	-	5,000
Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balances	\$ -	-	\$ -
Beginning fund balances		41,305	
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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 2,000	\$ 2,000	\$ 1,956	\$ (44)
Fines and forfeitures	-	-	9,340	9,340
Investment income	50	50	13	(37)
Total Revenues	2,050	2,050	11,309	9,259
<u>Expenditures</u>				
Police department	2,050	9,015	11,463	(2,448) *
Total Expenditures	2,050	9,015	11,463	(2,448)
Revenues Over (Under) Expenditures	-	(6,965)	(154)	6,811
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	(70,000)	(70,000)	-
Total Other Financing Sources (Uses)	-	(70,000)	(70,000)	-
Net Change in Fund Balances	\$ -	\$ (76,965)	(70,154)	\$ 6,811
Beginning fund balances			109,887	
Ending Fund Balances			\$ 39,733	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 261,800	\$ 291,108	\$ 29,308
Investment income	1,200	1,986	786
Total Revenues	263,000	293,094	30,094
 <u>Expenditures</u>			
Economic development	238,141	211,391	26,750
Capital outlay	24,859	-	24,859
Total Expenditures	263,000	211,391	51,609
Revenues Over (Under) Expenditures	-	81,703	81,703
Net Change in Fund Balances	\$ -	81,703	\$ 81,703
Beginning fund balances		618,145	
Ending Fund Balances		\$ 699,848	

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, 2023

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Taxes	\$ 361,281	\$ 223,863	\$ (137,418)
Investment income	-	87	87
Total Revenues	<u>361,281</u>	<u>223,950</u>	<u>(137,331)</u>
<u>Expenditures</u>			
TIRZ expenses	361,281	-	361,281
Total Expenditures	<u>361,281</u>	<u>-</u>	<u>361,281</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>223,950</u>	<u>223,950</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>223,950</u>	<u>\$ 223,950</u>
Beginning fund balances		-	
Ending Fund Balances		<u>\$ 223,950</u>	

Notes to Supplementary Information

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

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STATISTICAL SECTION

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

Contents	Page
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Financial Trends	100
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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	113
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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	120
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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	125
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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	127
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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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities				
Net investment in				
capital assets	\$ 6,699,709	\$ 7,323,498	\$ 9,300,893	\$ 7,530,596
Restricted	1,067,370	1,219,152	1,480,473	1,524,020
Unrestricted	2,829,266	2,728,204	3,632,188	3,301,477
Total Governmental Activities Net				
Position	<u>\$ 10,596,345</u>	<u>\$ 11,270,854</u>	<u>\$ 14,413,554</u>	<u>\$ 12,356,093</u>
 Business-type Activities				
Net investment in				
capital assets	\$ 8,985,230	\$ 9,362,131	\$ 10,020,518	\$ 12,222,622
Restricted	218,270	-	-	-
Unrestricted	1,538,343	1,791,936	1,882,829	2,113,244
Total Business-type Activities Net				
Position	<u>\$ 10,741,843</u>	<u>\$ 11,154,067</u>	<u>\$ 11,903,347</u>	<u>\$ 14,335,866</u>
 Primary Government				
Net investment in				
capital assets	\$ 15,684,939	\$ 16,685,629	\$ 19,321,411	\$ 19,753,218
Restricted	1,067,370	1,219,152	1,480,473	1,524,020
Unrestricted	4,367,609	4,520,140	5,515,017	5,414,721
Total Primary Government Net				
Position	<u>\$ 21,119,918</u>	<u>\$ 22,424,921</u>	<u>\$ 26,316,901</u>	<u>\$ 26,691,959</u>

Source: City's Audited Financial Statements

2018	2019	2020	2021	2022	2023
\$ 8,525,256	\$ 10,618,793	\$ 10,844,439	\$ 13,187,163	\$ 11,588,852	\$ 14,379,333
1,482,062	1,019,640	528,756	1,677,498	1,791,596	2,352,899
5,108,055	5,391,640	5,941,535	5,439,899	8,081,895	6,806,172
<u>\$ 15,115,373</u>	<u>\$ 17,030,073</u>	<u>\$ 17,314,730</u>	<u>\$ 20,304,560</u>	<u>\$ 21,462,343</u>	<u>\$ 23,538,404</u>
\$ 12,060,753	\$ 12,736,499	\$ 13,809,538	\$ 12,067,638	\$ 15,581,792	\$ 18,839,662
-	-	-	-	-	-
1,431,007	906,227	1,500,035	3,916,608	2,794,809	3,528,292
<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>	<u>\$ 22,367,954</u>
\$ 20,586,009	\$ 23,355,292	\$ 24,653,977	\$ 25,254,801	\$ 27,170,644	\$ 33,218,995
1,482,062	1,019,640	528,756	1,677,498	1,791,596	2,352,899
6,539,062	6,297,867	7,441,570	9,356,507	10,876,704	10,334,464
<u>\$ 28,607,133</u>	<u>\$ 30,672,799</u>	<u>\$ 32,624,303</u>	<u>\$ 36,288,806</u>	<u>\$ 39,838,944</u>	<u>\$ 45,906,358</u>

City of Cleveland, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government:	\$ 1,032,297	\$ 1,137,071	\$ 1,103,435	\$ 1,183,915
Public safety	3,338,605	3,309,784	3,337,458	3,436,830
Public works	201,985	194,942	216,938	196,678
Transportation	555,593	510,621	752,884	933,812
Culture and recreation:	1,183,225	1,175,514	1,161,286	1,254,290
Grants	2,410	4,999	-	716,105
Economic development	113,922	111,417	198,116	204,066
Debt service	267,293	245,038	269,796	368,281
Total governmental activities	<u>6,695,330</u>	<u>6,689,386</u>	<u>7,039,913</u>	<u>8,293,977</u>
Business-type activities:				
Water and sewer	2,359,368	2,451,573	2,638,757	2,731,814
Total business-type activities	<u>2,359,368</u>	<u>2,451,573</u>	<u>2,638,757</u>	<u>2,731,814</u>
Total primary government	<u>\$ 9,054,698</u>	<u>\$ 9,140,959</u>	<u>\$ 9,678,670</u>	<u>\$ 11,025,791</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 884,880	\$ 891,522	\$ 655,966	\$ 440,672
Public works	80,207	51,185	64,024	188,800
Transportation	103,060	102,983	101,303	103,074
Culture and recreation	178,229	193,888	176,264	158,459
Operating grants and contributions	298,828	329,660	299,135	311,487
Capital grants and contributions	601,858	358,958	1,977,877	17,375
Total governmental activities	<u>2,147,062</u>	<u>1,928,196</u>	<u>3,274,569</u>	<u>1,219,867</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,275,919	3,371,678	3,432,391	3,471,283
Operating grants and contributions	-	-	-	-
Capital grants and contributions	335,199	23,752	220,248	320,273
Total business-type activities	<u>3,611,118</u>	<u>3,395,430</u>	<u>3,652,639</u>	<u>3,791,556</u>
Total primary government	<u>\$ 5,758,180</u>	<u>\$ 5,323,626</u>	<u>\$ 6,927,208</u>	<u>\$ 5,011,423</u>
Net (Expense)/Revenue				
Governmental activities	\$ (4,548,268)	\$ (4,761,190)	\$ (3,765,344)	\$ (7,074,110)
Business-type activities	1,251,750	943,857	1,013,882	1,059,742
Total primary government	<u>\$ (3,296,518)</u>	<u>\$ (3,817,333)</u>	<u>\$ (2,751,462)</u>	<u>\$ (6,014,368)</u>

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	1,285,000	\$ 1,447,736	\$ 1,416,600	\$ 1,529,229	\$ 1,532,194	\$ 1,787,082
	3,555,562	3,703,467	3,982,916	4,427,708	4,952,951	5,600,367
	485,250	461,180	459,795	706,638	1,075,180	831,635
	678,439	757,647	761,901	940,466	929,148	950,090
	1,243,431	1,395,381	1,316,044	1,397,441	1,510,373	1,729,161
	-	-	-	-	-	-
	272,960	202,728	144,123	135,014	159,971	216,786
	316,888	286,837	267,390	390,359	322,436	300,858
	<u>7,837,530</u>	<u>8,254,976</u>	<u>8,348,769</u>	<u>9,526,855</u>	<u>10,482,253</u>	<u>11,415,979</u>
	2,854,161	3,000,660	3,103,284	3,289,684	3,597,096	4,081,870
	<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>4,081,870</u>
\$	<u>10,691,691</u>	<u>\$ 11,255,636</u>	<u>\$ 11,452,053</u>	<u>\$ 12,816,539</u>	<u>\$ 14,079,349</u>	<u>\$ 15,497,849</u>
\$	527,371	\$ 478,081	\$ 267,966	\$ 243,245	\$ 291,135	\$ 209,610
	443,939	218,940	286,355	764,131	698,711	492,075
	106,371	149,134	289,370	288,005	334,504	324,527
	180,669	192,845	211,361	50,398	272,674	351,417
	230,653	288,387	477,781	2,434,293	2,507,878	1,155,079
	-	248,843	314,546	324,468	15,205	524,429
	<u>1,489,003</u>	<u>1,576,230</u>	<u>1,847,379</u>	<u>4,104,540</u>	<u>4,120,107</u>	<u>3,057,137</u>
	3,503,244	3,545,253	3,528,833	3,805,008	4,142,960	4,629,529
	-	-	-	-	-	-
	-	43,882	272,676	31,175	3,200	3,404,213
	<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>8,033,742</u>
\$	<u>4,992,247</u>	<u>\$ 5,165,365</u>	<u>\$ 5,648,888</u>	<u>\$ 7,940,723</u>	<u>\$ 8,266,267</u>	<u>\$ 11,090,879</u>
\$	(6,348,527)	\$ (6,678,746)	\$ (6,501,390)	\$ (5,422,315)	\$ (6,362,146)	\$ (8,358,842)
	649,083	588,475	698,225	546,499	549,064	3,951,872
\$	<u>(5,699,444)</u>	<u>\$ (6,090,271)</u>	<u>\$ (5,803,165)</u>	<u>\$ (4,875,816)</u>	<u>\$ (5,813,082)</u>	<u>\$ (4,406,970)</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,609,697	\$ 2,721,030	\$ 2,677,409	\$ 2,760,419
Sales and other taxes	2,734,039	2,858,816	3,096,142	3,004,420
Franchise taxes	529,300	468,169	497,207	490,642
Earnings on investments	23,661	33,378	46,808	51,997
Gain on sale of assets	-	79,000	2,860	3,830
Grants and contributions not restricted to specific programs	-	-	-	-
Proceeds from insurance	32,749	40,852	29,941	28,826
Miscellaneous	40,425	62,866	9,676	20,132
Transfers	-	-	-	-
Total governmental activities	<u>5,969,871</u>	<u>6,264,111</u>	<u>6,360,043</u>	<u>6,360,266</u>
Business-type activities:				
Investment earnings	53,986	43,938	39,255	29,160
Proceeds from insurance	7,640	16,365	3,310	-
Transfers	-	-	-	-
Total business-type activities	<u>61,626</u>	<u>63,566</u>	<u>42,565</u>	<u>29,160</u>
Total primary government	<u>\$ 6,031,497</u>	<u>\$ 6,327,677</u>	<u>\$ 6,402,608</u>	<u>\$ 6,389,426</u>
Change in Net Position				
Governmental activities	\$ 1,421,603	\$ 1,502,921	\$ 2,594,699	\$ (713,844)
Business-type activities	1,313,376	1,007,423	1,056,447	1,088,902
Total primary government	<u>\$ 2,734,979</u>	<u>\$ 2,510,344</u>	<u>\$ 3,651,146</u>	<u>\$ 375,058</u>

Source: City's Audited Financial Statements

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	2,901,329	\$ 3,063,702	\$ 3,188,794	\$ 3,586,950	\$ 4,166,969	\$ 4,973,404
	3,268,102	4,348,951	3,513,801	3,923,615	4,384,744	4,393,269
	522,006	475,052	597,880	608,222	606,617	715,663
	65,180	119,109	92,382	24,262	40,464	161,689
	147,514	5,000	9,025	-	-	-
	716,105	80,930	-	-	-	-
	125,738	11,112	-	320,433	-	-
	14,960	15,643	275,453	65,876	98,354	80,181
	-	473,947	(891,288)	(117,213)	(1,777,219)	17,577
	<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>	<u>10,341,783</u>
	40,798	33,129	15,517	3,612	11,921	50,006
	41,037	3,309	61,817	7,349	54,151	7,052
	-	(473,947)	891,288	117,213	1,777,219	(17,577)
	<u>81,835</u>	<u>(437,509)</u>	<u>968,622</u>	<u>128,174</u>	<u>1,843,291</u>	<u>39,481</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>	<u>10,381,264</u>
\$	1,412,407	\$ 1,914,700	\$ 284,657	\$ 2,989,830	\$ 1,157,783	\$ 1,982,941
	730,918	150,966	1,666,847	674,673	2,392,355	3,991,353
\$	<u>2,143,325</u>	<u>2,065,666</u>	<u>1,951,504</u>	<u>3,664,503</u>	<u>3,550,138</u>	<u>5,974,294</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	81,867	-	51,259	-
Committed	98,488	38,488	38,488	38,488
Assigned	-	-	-	-
Unassigned	2,188,473	3,416,854	4,322,500	4,069,926
Total general fund	<u>\$ 2,368,828</u>	<u>\$ 3,455,342</u>	<u>\$ 4,412,247</u>	<u>\$ 4,108,414</u>
All other governmental funds:				
Restricted	874,818	1,106,039	1,313,553	3,123,318
Nonspendable	24,570	24,570	482	-
Committed	756	762	768	773
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 900,144</u>	<u>\$ 1,131,371</u>	<u>\$ 1,314,803</u>	<u>\$ 3,124,091</u>

Source: City's Audited Financial Statements

Note: The City implemented GASB Statement 54

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,277,439	\$ 30,418
-	-	-	-	-	-
-	-	-	-	24,564	53,631
38,488	38,488	38,488	38,488	-	-
-	-	-	-	-	-
5,867,923	6,324,013	6,486,814	6,940,934	7,037,476	7,253,232
<u>\$ 5,906,411</u>	<u>\$ 6,362,501</u>	<u>\$ 6,525,302</u>	<u>\$ 6,979,422</u>	<u>\$ 8,339,479</u>	<u>\$ 7,337,281</u>
2,133,350	2,321,334	1,061,518	8,457,554	3,321,521	2,731,680
-	-	-	-	-	-
779	785	-	-	-	-
-	-	(5,445)	(2,845)	-	-
<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>	<u>\$ 2,731,680</u>

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2014	2015	2016	2017
Revenues				
Property taxes	\$ 2,635,087	\$ 2,716,197	\$ 2,705,538	\$ 2,695,641
Sales and other taxes	2,734,039	2,858,816	3,096,142	3,004,420
Franchise taxes	529,300	468,169	497,207	490,642
Licenses, permits, & fees	80,207	51,185	56,771	188,172
Charges for services	350,717	405,936	405,417	384,906
Fines and forfeitures	815,114	782,457	524,092	312,075
Intergovernmental	319,459	397,886	2,001,438	29,417
Earnings on investments	23,661	33,378	46,808	51,997
Contributions	307,266	290,732	273,924	300,693
Miscellaneous	35,252	62,866	22,603	24,736
Total Revenues	7,830,102	8,067,622	9,629,940	7,482,699
Expenditures				
General government	980,612	1,006,268	1,034,477	1,116,386
Public safety	3,107,436	3,123,370	3,114,285	3,117,794
Public works	200,634	195,298	215,059	189,159
Transportation	405,080	370,696	610,752	656,843
Culture and recreation	920,494	917,806	896,788	967,403
Grants	2,410	4,999	-	716,105
Economic Development	113,922	112,555	197,764	202,139
Capital outlay	783,769	510,956	3,075,355	345,281
Debt service:				
Principal	1,193,877	1,098,865	1,089,755	1,055,000
Interest	287,476	266,820	255,863	247,358
Bond issuance costs	2,156	-	33,043	124,186
Total Expenditures	7,997,866	7,607,633	10,523,141	8,737,654
Revenues Over (Under)				
Expenditures	(167,764)	459,989	(893,201)	(1,254,955)

	2018	2019	2020	2021	2022	2023
\$	2,929,142	\$ 3,059,338	\$ 3,188,794	\$ 3,586,950	\$ 4,007,791	\$ 4,916,606
	3,268,102	4,348,951	3,513,801	3,923,615	4,384,744	4,393,269
	522,006	475,052	597,880	608,222	606,617	715,663
	427,083	210,299	286,355	764,131	698,711	492,075
	442,047	489,458	500,731	509,508	607,178	675,944
	381,190	324,470	267,966	243,245	291,135	209,610
	3,145	279,434	502,498	2,697,871	2,598,587	1,652,785
	65,180	119,109	92,382	24,262	40,464	161,689
	577,508	378,726	365,982	189,200	23,087	26,723
	22,990	41,528	271,246	64,376	66,816	111,899
	<u>8,638,393</u>	<u>9,726,365</u>	<u>9,587,635</u>	<u>12,611,380</u>	<u>13,325,130</u>	<u>13,356,263</u>
	1,194,425	1,362,220	1,314,318	1,433,741	1,459,830	1,707,379
	3,216,720	3,384,659	3,833,182	4,313,538	4,834,057	5,502,949
	470,129	446,155	324,175	453,979	698,794	425,388
	399,755	472,316	587,956	764,924	851,975	789,377
	947,367	1,073,846	1,034,135	1,117,528	1,188,393	1,356,516
	-	-	-	-	-	-
	269,810	200,911	147,198	137,840	164,194	532,856
	1,649,264	1,125,002	1,078,543	1,555,266	5,889,250	3,084,737
	1,145,000	1,180,000	1,210,000	935,000	1,205,746	1,455,033
	354,223	316,123	279,110	251,520	347,190	351,191
	-	-	64,009	168,158	-	-
	<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>	<u>15,205,426</u>
	(1,008,300)	165,133	(284,991)	1,479,886	(3,314,299)	(1,849,163)

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS (Continued)

Last Ten Years

(modified accrual basis of accounting)

	2014	2015	2016	2017
Other Financing Sources (Uses)				
Proceeds from sale of assets	\$ 13,500	\$ 79,000	\$ 2,860	\$ 3,830
Proceeds from insurance	32,749	40,852	29,941	28,826
Debt issuance	111,115	-	930,000	4,071,371
Proceeds from leases	-	-	-	-
Capital contributions from CEDC	285,213	-	-	-
Refunding bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in (out)	742,201	737,900	829,903	(1,343,617)
Total Other Financing Sources (Uses)	1,184,778	857,752	1,792,704	2,760,410
Net Change in Fund Balances	\$ 1,017,014	\$ 1,317,741	\$ 899,503	\$ 1,505,455
Ratio of total debt service expenditures to noncapital	21%	19%	18%	16%

Source: City's Audited Financial Statements

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	147,514	\$ 5,000	\$ 9,025	\$ 1,500	\$ 31,538	\$ 38,157
	125,738	-	-	320,433	-	-
	-	-	-	5,745,000	1,276,045	-
	-	-	-	-	-	201,390
	-	-	-	-	-	-
	-	-	2,030,000	-	-	-
	-	-	-	423,150	-	-
	-	-	(1,965,991)	-	-	-
	<u>1,543,083</u>	<u>473,947</u>	<u>(891,288)</u>	<u>(117,213)</u>	<u>(1,777,219)</u>	<u>17,577</u>
	<u>1,816,335</u>	<u>478,947</u>	<u>(818,254)</u>	<u>6,372,870</u>	<u>(469,636)</u>	<u>257,124</u>
\$	<u>808,035</u>	<u>644,080</u>	<u>(1,103,245)</u>	<u>7,852,756</u>	<u>(3,783,935)</u>	<u>(1,592,039)</u>
	19%	18%	17%	12%	14%	16%

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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
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
2023	773,480,630	83,876,540	168,495,081	688,862,089	0.71500

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

	2014	2015	2016	2017
Direct Rates:				
City of Cleveland - Operating	0.50230	0.53950	0.54200	0.56568
City of Cleveland - Debt Service	0.27770	0.24050	0.23800	0.20432
Total Direct Rate	0.78000	0.78000	0.78000	0.77000
 Overlapping Rates:				
Liberty County	0.57880	0.57880	0.57880	0.57880
Cleveland ISD	1.31500	1.31500	1.31500	1.38000
Total Entities	1.89380	1.89380	1.89380	1.95880

Tax rates per \$100 of assessed valuation.

Source: Liberty County Appraisal Districts and City records.

2018	2019	2020	2021	2022	2023
0.53568	0.54450	0.54450	0.50280	0.50290	0.46771
0.23432	0.22550	0.22550	0.25720	0.25210	0.24790
0.77000	0.77000	0.77000	0.76000	0.75500	0.71561
0.57880	0.57880	0.57880	0.55430	0.55430	0.47990
1.41500	1.41500	1.34500	1.24970	1.24700	1.21180
1.99380	1.99380	1.92380	1.80400	1.80130	1.69170

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

Property Tax Payer	2023			2013		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Mckinley Development Co Inc.	\$ 11,186,290	1	2.70%	\$ -	n/a	-
Entergy Texas Inc.	1,566,290	10	0.38%	-	n/a	-
Wal-Mart Real Estate	10,784,460	2	2.60%	-	n/a	-
Wal-Mart Stores of Texas, LLC	5,778,130	4	1.39%	-	n/a	-
CISH Acquisition LLC	6,514,250	3	1.57%	-	n/a	-
Cleveland Auto Properties	4,242,180	7	1.02%	-	n/a	-
Love's Travel Stops and Country Stores Inc.	4,735,710	6	1.14%	-	n/a	-
Adams Home Lone Star LLC	4,168,800	8	1.01%	-	-	-
Campbell Concrete & Materials, LP	5,433,640	5	1.31%	-	n/a	-
Sleepy Hollow Holdings LP	3,641,890	9	0.88%	-	n/a	-
NHCI of Hillsboro Inc.	-	n/a	-	9,758,380	1	3.22%
Wal-Mart Real Estate	-	n/a	-	8,127,150	2	2.68%
Cleveland Diagnostic Plaza	-	n/a	-	7,589,950	3	2.51%
Wal-Mart Stores of Texas, LLC	-	n/a	-	6,590,880	4	2.18%
Entergy Texas Inc.	-	n/a	-	4,546,810	5	1.50%
Southwestern Bell Telephone LP	-	na	-	3,634,710	6	1.20%
Cleveland Regional Medical Corp.	-	n/a	-	3,589,110	7	1.19%
Tobin Ben Co.	-	n/a	-	3,009,370	8	0.99%
Sleepy Hollow Holdings LP	-	n/a	-	2,821,660	9	0.93%
Campbell Concrete & Materials, LP	-	n/a	-	2,638,100	10	0.87%
Total	\$ 58,051,640		14.00%	\$ 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax levy	\$ 2,572,991	\$ 2,588,336	\$ 2,665,275	\$ 2,815,854
Current tax collected	\$ 2,343,786	\$ 2,386,148	\$ 2,467,612	\$ 2,509,840
Percent of current tax collections	91.09%	92.19%	92.58%	89.13%
Delinquent tax collections	\$ 205,191	\$ 173,226	\$ 169,491	\$ 273,745
Total tax collections	\$ 2,548,977	\$ 2,559,374	\$ 2,637,103	\$ 2,783,586
Total collections as a percentage of levy	99.1%	98.9%	98.9%	98.9%

Source: Dallas and Collin County reports.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	2,994,333	\$ 3,183,951	\$ 3,186,119	\$ 3,560,554	\$ 3,824,817	\$ 4,770,465
\$	2,696,797	\$ 2,864,968	\$ 3,031,165	\$ 3,419,960	\$ 3,650,616	\$ 4,547,179
	90.06%	89.98%	95.14%	96.05%	95.45%	95.32%
\$	257,676	\$ 265,172	\$ 95,744	\$ 70,043	\$ 66,767	\$ -
\$	2,954,473	\$ 3,130,141	\$ 3,126,909	\$ 3,490,003	\$ 3,717,383	\$ 4,547,179
	98.7%	98.3%	98.1%	98.0%	97.2%	95.3%

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:				
Deferred amounts:				
Premium	\$ 430,317	\$ 397,702	\$ 365,087	\$ 482,555
Certificates of Obligation	10,270,000	2,775,000	2,565,000	6,275,000
General Obligation Refunding Bonds	-	6,385,000	5,770,000	5,115,000
Tax Notes	-	105,000	780,000	590,000
Lease liabilities	103,620	9,755	-	-
Business-type activities:				
Certificates of Obligation	\$ 4,890,000	\$ 4,670,000	\$ 4,440,000	\$ 4,210,000
Premium	89,233	84,388	79,543	74,698
General Obligation Refunding Bonds	-	-	-	-
Total primary government	<u>\$ 15,783,170</u>	<u>\$ 14,426,845</u>	<u>\$ 13,999,630</u>	<u>\$ 16,747,253</u>
Percentage of personal income (1)	10.51%	9.55%	9.09%	10.84%
Per capita (1)	\$ 2,054	\$ 1,867	\$ 1,777	\$ 2,119

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 442,210	\$ 401,865	\$ 361,678	\$ 728,366	\$ 671,904	\$ 615,442
5,935,000	5,570,000	3,210,000	8,675,000	8,150,000	7,575,000
4,505,000	3,885,000	5,285,000	4,630,000	3,960,000	3,260,000
395,000	200,000	-	-	1,276,045	1,308,625
-	-	-	38,727	27,981	16,758
\$ 3,975,000	\$ 3,400,000	\$ 3,180,000	\$ 1,915,000	\$ 1,835,000	\$ 1,740,000
69,853	65,008	60,007	411,089	382,709	354,329
-	-	-	2,740,000	2,545,000	2,330,000
<u>\$ 15,322,063</u>	<u>\$ 13,521,873</u>	<u>\$ 12,096,685</u>	<u>\$ 19,138,182</u>	<u>\$ 18,848,639</u>	<u>\$ 17,200,154</u>
9.80%	8.58%	7.37%	11.66%	11.34%	8.93%
\$ 1,916	\$ 1,677	\$ 1,441	\$ 2,279	\$ 2,355	\$ 2,023

City of Cleveland, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2014	2015	2016	2017
NET TAXABLE ASSESSED VALUE				
All property	\$ 299,865,726	\$ 307,914,669	\$ 307,679,650	\$ 320,628,908
NET BONDED DEBT (1)				
Gross bonded debt	15,679,550	14,312,090	13,219,630	16,157,253
Less: debt service funds	265,282	366,997	537,878	585,724
Net Bonded Debt	\$ 15,414,268	\$ 13,945,093	\$ 12,681,752	\$ 15,571,529
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	5.14%	4.53%	4.12%	4.86%
POPULATION	7,684	7,728	7,879	7,904
NET BONDED DEBT PER CAPITA	\$ 2,006	\$ 1,804	\$ 1,610	\$ 1,970

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-

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 338,745,936	\$ 356,017,330	\$ 539,283,136	\$ 414,673,921	\$ 632,473,288	\$ 688,862,089
14,927,063	13,321,873	12,096,685	19,099,455	18,820,658	17,183,396
595,066	282,175	289,042	620,505	739,282	739,282
<u>\$ 14,331,997</u>	<u>\$ 13,039,698</u>	<u>\$ 11,807,643</u>	<u>\$ 18,478,950</u>	<u>\$ 18,081,376</u>	<u>\$ 16,444,114</u>
4.23%	3.66%	2.19%	4.46%	2.86%	2.39%
7,998	8,061	8,396	8,396	8,003	8,503
\$ 1,792	\$ 1,618	\$ 1,406	\$ 2,201	\$ 2,259	\$ 1,934

City of Cleveland, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2023

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	30,293,421 ***	6.58%	1,993,307
	336,198,410		
Subtotal, overlapping debt			6,107,729
City Direct Debt			12,775,825
Total Direct and Overlapping Debt			\$ 18,883,554

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 9/30/2022

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>
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	8,003	166,233,650	19,550	5.4%
2023	8,503	192,609,956	22,652	5.2%

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	2023			2020*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cleveland ISD	2,123	1	26.34%	1,200	1	16.02%
Wal-Mart Supercenter	316	2	3.92%	340	2	4.54%
Texas Emergency Hospital	318	3	3.94%	187	3	2.50%
Union Tank Co.	288	5	3.57%	176	5	2.35%
City of Cleveland	114	4	1.41%	103	4	1.38%
Cleveland Correctional Center	106	6	1.31%	92	6	1.23%
H-E-B Foods	106	7	1.31%	90	7	1.20%
Cleveland Health Care Center	100	8	1.24%	87	8	1.16%
Martin Chevrolet Buick GMC	56	9	0.69%	61	9	0.81%
McCoy's Building Supply	40	10	0.50%	48	10	0.64%
Total	3,567		44.25%	2,384		31.83%
Total City Employment	8,061			7,489		

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

Source: Human Resources Department of each company.

Source: Texas Labor Market Information

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

City of Cleveland, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government and adminstration	18	17	18	19	18	20	18	14	13	13
Public safety	62	56	55	55	56	59	53	54	57	61
Public works	8	7	6	6	6	8	7	6	8	8
Culture and recreation	19	17	15	13	17	14	13	13	13	17
Water and sewer	16	13	17	16	14	14	12	9	13	12
Community development	5	4	4	4	3	4	3	2	4	2
Economic development	-	-	-	-	-	1	1	1	1	1
Total	128	114	115	113	114	120	107	99	109	114

Sources: Various City departments.

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

Function/Program	2014	2015	2016	2017
Public safety				
Police				
Number of employees	38	34	37	34
Number of violations (citations)	1,933	2,161	1,818	1,690
Fire				
Number of employees	19	18	18	18
Number of volunteers	22	21	19	18
Number of fire runs	969	1,508	2,112	2,639
Public works				
Streets (miles)	52	52	52	52
Building permits issued	574	606	610	549
Cultural and recreational				
Parks and recreation				
Park maintain & operate per acre	36	36	133	133
Participants in parks programs				
Library				
Volumes in collection	60,348	53,894	61,389	59,237
Water and sewer				
Number of water connections	2,464	2,449	2,470	2,452
Number of sewer connections	2,275	2,259	2,278	2,250
Average daily water consumption ^a	0.84	0.72	1.42	1.42
Maximum storage capacity ^a	2.7	2.7	2.7	2.7

Sources: Various City departments.

^a Millions of gallons

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
36	39	32	35	35	36
2,780	2,191	1,636	1,721	2,384	1,937
19	19	19	20	24	23
15	16	16	14	7	6
2,158	2,245	1,712	2,181	2,261	2,688
52	54	56	56	56	56
854	875	1,220	1,682	1,821	1,149
133	133	133	133	133	133
61,365	68,696	68,475	47,664	47,922	49,793
2,451	2,471	2,526	2,837	2,995	3,124
2,251	2,261	2,306	2,600	2,754	2,767
0.49	0.73	0.75	0.77	1.10	0.93
2.7	2.7	2.7	3.3	3.8	3.7

City of Cleveland, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2014	2015	2016	2017
Public safety				
Police stations	1	1	1	1
Police patrol units	18	18	17	19
Fire stations	1	1	1	1
Public works				
Streets-paved (miles)	52	52	52	52
Cultural and recreational				
Parks (acres)	36	36	133	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	7	7 #
Elevated storage facilities	2	2	2	2
Lift stations	16	16	17	17

Sources: Various City departments.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1	1	1	1	1	1
18	18	17	20	20	17
1	1	1	1	1	2
52	54	56	56	56	56
133	133	133	133	133	133
5	5	5	5	5	5
1	1	1	1	1	1
300	300	300	400	400	400
7	7	7	8	8	8
2	2	2	2	3	3
17	18	18	19	20	20