

CITY OF

A stylized graphic of the Texas state flag, featuring a white star on a blue field, a white field, and a red field, all set against a dark blue background with a wavy, ribbon-like effect.

2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

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*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Cleveland, Texas

**For the Year Ended
September 30, 2025**

Prepared by:

Pamela Harrison
Finance Director

Lee Tipton
City Manager

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City of Cleveland, Texas

TABLE OF CONTENTS

September 30, 2025

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	18
Statement of Activities	22

Fund Financial Statements

Governmental Funds:

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

Proprietary Funds:

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

Notes to Financial Statements	39
--------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	80
Schedule of Changes in Net Pension Liability and Related Ratios	82
Schedule of Employer Contributions to Pension Plan	84
Schedule of Changes in OPEB Liability and Related Ratios	86

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	92
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Debt Service Fund	94
Hotel/Motel Fund	95
TIRZ #1	96
TIRZ #2	97

STATISTICAL SECTION

Net Position by Component	100
Changes in Net Position	102
Fund Balances, Governmental Funds	106
Changes in Fund Balance, Governmental Funds	108
Assessed Value and Estimated Actual Value of Taxable Property	113
Property Tax Rates – Direct and Overlapping Governments	114
Principal Property Taxpayers	117
Property Tax Levies and Collections	118
Ratios of Outstanding Debt by Type	120
Ratio of General Bonded Debt Outstanding	122
Direct and Overlapping Governmental Activities Debt	124
Demographic and Economic Statistics	125
Principal Employers	126
Full-Time Equivalent City Employees by Function	127
Operating Indicators by Function	128
Capital Asset Statistics by Function/Program	130

INTRODUCTORY SECTION

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March 27, 2026

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

Pursuant to the Texas Local Government Code, a municipality must have its records and accounts audited annually and prepare annual financial statements based on that audit. The Annual Comprehensive Financial Report (ACFR) of the City of Cleveland, Texas (the “City”), for the fiscal year ended September 30, 2025, is submitted to fulfill that requirement.

Responsibility for the accuracy of the data presented 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 are accurate in all material respects and is reported in a manner designed to fairly present 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 material misstatement.

BrooksWatson & Company, PLLC, has issued an unmodified (“clean”) opinion on the City of Cleveland’s financial statements for the fiscal year ended September 30, 2025. 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 1935, is located primarily in Liberty County, with portions in Montgomery and San Jacinto counties. The city is approximately 40 miles northeast of Houston and 22 miles east of Conroe, with an estimated population of 9,029 in 2025 (Esri). The City is a home-rule charter city and operates under the council-manager form of government. The elected body is made up of a Mayor and five Council Members who are elected at-large. Terms of office for the Mayor and Council Members are staggered three-year terms. The City Council appoints the City Manager, the City Attorney, and the Municipal Court Judges. All other staff members work under the direction of the City Manager.

The combined financial statements of the City include all governmental 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 these criteria, the City of Cleveland Economic Development Corporation is included in this report.

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

- | | |
|--------------------------------------|--|
| 1. Parks and Recreation Board | 5. Charter Review Commission |
| 2. Cleveland Housing Authority Board | 6. Airport Advisory Board |
| 3. Planning and Zoning Commission | 7. Tax Increment Reinvestment Zone No. 1 |
| 4. Zoning Board of Adjustments | 8. Tax Increment Reinvestment Zone No. 2 |

The City directly provides many services to residents within its jurisdiction and contracts for additional services as necessary. This approach allows the City to tailor services to meet the specific needs of the community and to provide efficient and effective support. Major services provided under general government and enterprise functions include water, wastewater, solid waste, parks, library, street maintenance, police, fire, 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 specializing in forestry and manufacturing, have found Cleveland to be an ideal home for new business growth and expansion. Through continual development efforts, Cleveland has a total of 3,288 households and a median household income of \$61,817, according to Esri. Several small business ventures have developed, with growing interest from manufacturing companies. BNSF is continuing to develop its 1,200-acre logistics center near Fostoria and State Highway 105. This industrial park will serve multiple rail customers, including light manufacturers and laydown yards. The City expects additional retail and commercial development as new residential housing is established. The City’s major sources of revenue are sales and ad valorem property taxes, which have fluctuated according to prevailing business conditions.

The unemployment rate in the City of Cleveland was 4.1% in 2025. The City and the area’s economic development groups have combined their efforts to make 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 that includes capital improvement projects. Capital improvement projects are important for planning and managing growth and development, as well as maintaining existing infrastructure. They help implement the community's goals and objectives and encourage discussion of the City's long-term vision. In May 2021, the City adopted a Comprehensive Plan through 2040, and in early 2023, a new Strategic Plan was adopted to assist the City with financial planning.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

This report includes the City's major funds: General, Economic Development, Water & Sewer, Debt Service, TIRZ No. 1, TIRZ No. 2, Hotel/Motel, Capital Equipment, Money Seizure, Court Technology, and Court Security. The Unity Donation Fund is not included in this report. The City's accounting records for general government are maintained on a modified accrual basis, with revenues recorded when available and measurable and expenditures recorded when services or goods are received and 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 current-year and proposed-year revenue estimates by the City's financial management staff and expenditure estimates by each City department. 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 and various special revenue funds and approves all budget amendments. For the year ended September 30, 2025, a budget was not adopted for Court Technology, or Court Security fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the adopted budget.

MAJOR INITIATIVES

The City has multiple capital programs currently in the design or construction phase, several of which are major initiatives. Many of these projects require a combination of local budget allocations and grant funding, and the grant procurement and compliance process can be lengthy. These capital needs have remained on the City's priority list, and with funding now in place, the City is moving forward with implementation as quickly as practicable to keep pace with housing development and rapid growth within the local school district.

Projects completed during this fiscal year include:

- Installation of new playground equipment and construction of a new walking trail at Sam Wiley Park
- Austin Memorial Library parking lot and building exterior rehabilitation
- Purchase and replacement of vehicles and equipment needed for efficient operation of the Fire, Police, and other departments

Mayor, Danny Lee
Mayor Pro-Tem, Julius Buckley
City Council
Roscoe Warrick Jr., Position 2
Brent McWaters, Position 3
Desiree David, Position 4
Rachel Hall, Position 5



Lee Tipton, City Manager
Juanita Limon, City Secretary
Pamela Harrison, Finance Director
Tommy Ramsey, City Attorney

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

- Purchase and replacement of vehicles and equipment needed for efficient operation
- Repaving streets as needed
- Repair and/or replacement of critical infrastructure
- Drainage improvements in the Tanglewood area
- E. Houston Street Sidewalk Project
- Expansion of hangar infrastructure at the Municipal Airport
- Installation of generators to critical infrastructure
- New water treatment facility
- Design and construction of new City facilities
- Improvements to existing City parks
- Purchase of a tanker/pumper truck for the Fire Department
- Impact fee study and implementation

OTHER INFORMATION

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated service 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. Credit is also due 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.

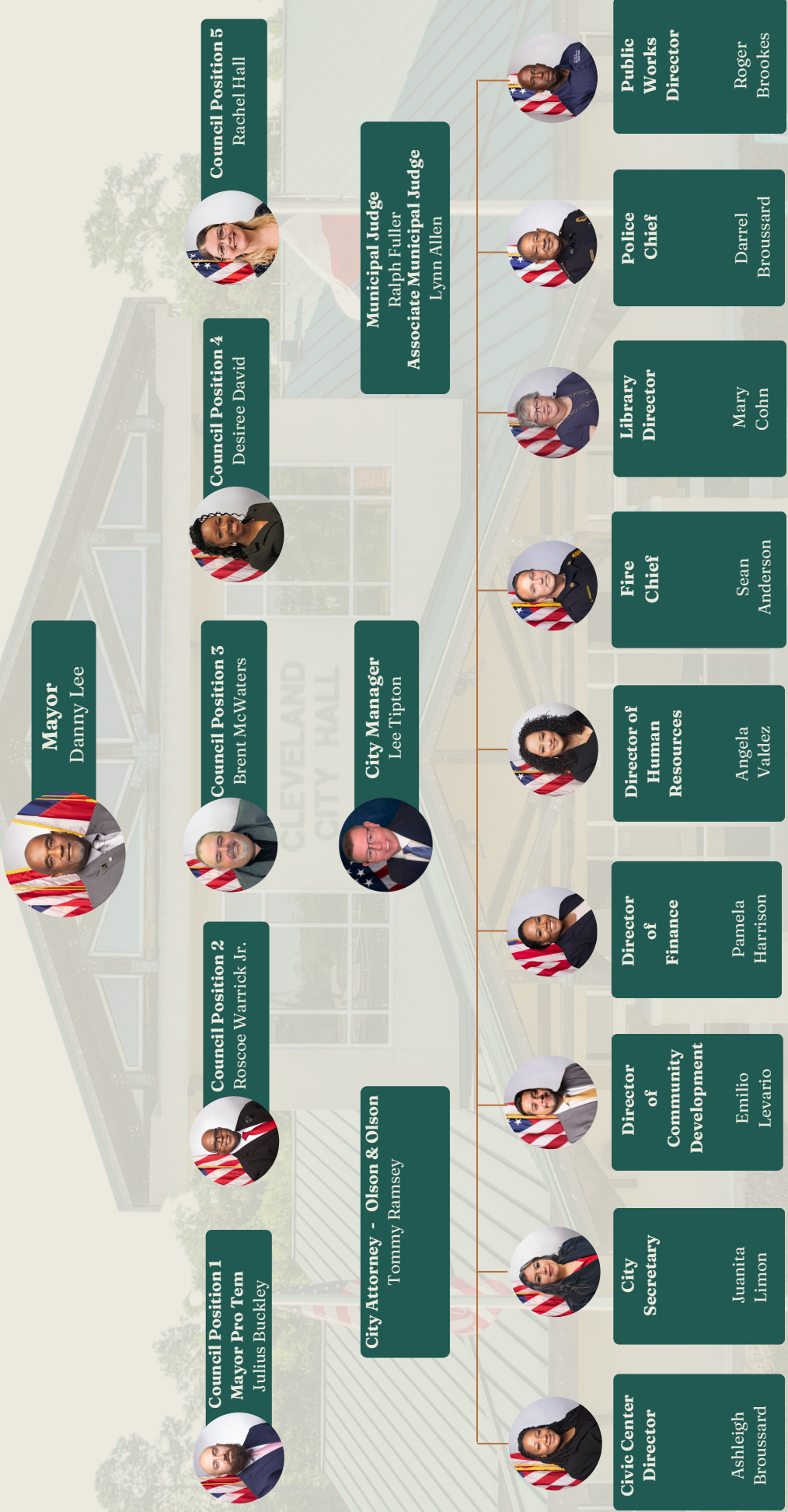
Respectfully submitted,

A handwritten signature in blue ink that reads "Lee Tipton". The signature is written in a cursive style and is positioned above a horizontal line.

Lee Tipton
City Manager



ELECTED OFFICIALS AND ADMINISTRATION



PRINCIPAL CITY OFFICIALS

CITY ELECTED OFFICIALS

COUNCIL POSITION 2
ROSCOE WARRICK JR.

MAYOR
DANNY LEE

COUNCIL POSITION 4
DESIREE DAVID

COUNCIL POSITION 3
BRENT MCWATERS

COUNCIL POSITION 1
MAYOR PRO TEM
JULIUS BUCKLEY

COUNCIL POSITION 5
RACHEL HALL

**CLEVELAND
EDC**

**APPOINTED
OFFICIALS**

**PRIMARY
ADMINISTRATORS**

**ECONOMIC
DEVELOPEMNT
DIRECTOR**
EMILIO LEVARIO

PRESIDENT
CHUCK THOMPSON

VICE PRESIDENT
BRENT MCWATERS

BOARD MEMBER
JASMYN FUNES

BOARD MEMBER
TONYA CLARK

BOARD MEMBER
MICHELE WYATT

BOARD MEMBER
MARY GILES

BOARD MEMBER
MICHAEL BUCKLEY

CITY MANAGER
LEE TIPTON

**CITY ATTORNEY-
OLSON & OLSON**
TOMMY RAMSEY

**MUNICIPAL COURT
JUDGE**
RALPH FULLER

FINANCE DIRECTOR
PAMELA HARRISON

CHIEF OF POLICE
DARREL BROUSSARD

**CIVIC CENTER
DIRECTOR**
ASHLEIGH BROUSSARD

LIBRARY DIRECTOR
MARY COHN

FIRE CHIEF
SEAN ANDERSON

**DIRECTOR OF
HUMAN RESOURCES**
ANGELA VALDEZ

CITY SECRETARY
JUANITA LIMON

**MUNICIPAL COURT
CLERK**
HANNAH WOODS





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, 2024

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the discretely presented component unit of the City of Cleveland, Texas (the "City") as of and for the year ended September 30, 2025, 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, each major fund, and the discretely presented component unit of the City of Cleveland, Texas, as of September 30, 2025, 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). 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 Matters

As discussed in Note V.E. to the financial statements, due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position for governmental activities, business-type activities, and the water/sewer fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Brooks Watson & Co.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
March 27, 2026

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

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City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

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, 2025. 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 \$68,186,669 at September 30, 2025. Of this, \$12,011,710 (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 \$12,641,155, an increase of \$1,824,524.
- As of the end of the year, the unassigned fund balance of the general fund was \$8,993,703 or 72% of total general fund expenditures.
- The City had an overall increase in net position of \$3,621,605, which is primarily a result of current year operating surpluses for governmental activities, new capital investments, and repayment of long-term debt obligations.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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.

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses 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, 2025

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, 2025

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 \$68,186,669 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$52,588,753, 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:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 14,074,069	\$ 4,663,976	\$ 18,738,045	\$ 12,216,905	\$ 6,855,458	\$ 19,072,363
Internal balances	305,080	(305,080)	-	43,441	(43,441)	-
Capital assets, net	28,682,192	40,936,323	69,618,515	28,082,721	38,675,720	66,758,441
Total Assets	<u>43,061,341</u>	<u>45,295,219</u>	<u>88,356,560</u>	<u>40,343,067</u>	<u>45,487,737</u>	<u>85,830,804</u>
Deferred Outflows of Resources	<u>415,547</u>	<u>63,658</u>	<u>479,205</u>	<u>691,087</u>	<u>142,290</u>	<u>833,377</u>
Other liabilities	2,667,832	1,281,329	3,949,161	2,233,456	1,147,476	3,380,932
Long-term liabilities	9,401,787	6,761,581	16,163,368	11,298,350	6,735,971	18,034,321
Total Liabilities	<u>12,069,619</u>	<u>8,042,910</u>	<u>20,112,529</u>	<u>13,531,806</u>	<u>7,883,447</u>	<u>21,415,253</u>
Deferred Inflows of Resources	<u>452,210</u>	<u>84,357</u>	<u>536,567</u>	<u>401,457</u>	<u>98,726</u>	<u>500,183</u>
Net Position:						
Net investment						
in capital assets	18,677,948	33,910,805	52,588,753	16,539,511	31,986,929	48,526,440
Restricted	3,586,206	-	3,586,206	2,996,381	-	2,996,381
Unrestricted	8,690,905	3,320,805	12,011,710	7,564,999	5,660,925	13,225,924
Total Net Position	<u>\$ 30,955,059</u>	<u>\$ 37,231,610</u>	<u>\$ 68,186,669</u>	<u>\$ 27,100,891</u>	<u>\$ 37,647,854</u>	<u>\$ 64,748,745</u>

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Activities:

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

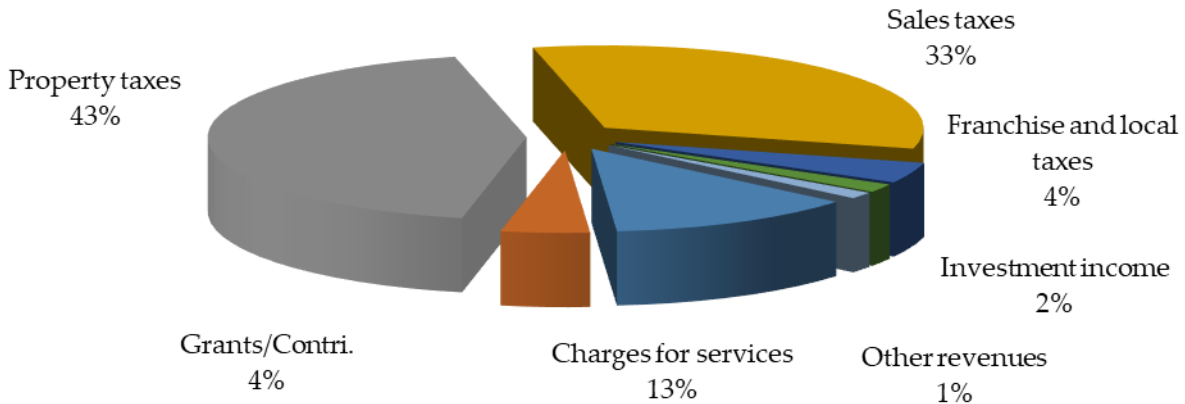
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,016,728	\$ 5,463,007	\$ 7,479,735	\$ 1,604,652	\$ 4,853,435	\$ 6,458,087
Operating grants/contri.	717,052	-	717,052	434,586	-	434,586
Capital grants/contri.	1,100	218,850	219,950	294,327	15,680,546	15,974,873
General revenues:						
Property taxes	6,893,576	-	6,893,576	6,297,302	-	6,297,302
Sales taxes	5,223,472	-	5,223,472	5,074,753	-	5,074,753
Franchise and local taxes	649,834	-	649,834	624,164	-	624,164
Investment income	264,191	136,493	400,684	242,298	107,004	349,302
Other revenues	209,932	88,773	298,705	206,379	7,740	214,119
Total Revenues	15,975,885	5,907,123	21,883,008	14,778,461	20,648,725	35,427,186
Expenses						
General government	2,118,610	-	2,118,610	2,105,053	-	2,105,053
Public safety	6,537,583	-	6,537,583	5,627,657	-	5,627,657
Public works	829,086	-	829,086	791,981	-	791,981
Transportation	1,440,218	-	1,440,218	1,285,109	-	1,285,109
Culture and recreation	1,338,802	-	1,338,802	1,750,321	-	1,750,321
Economic development	733,184	-	733,184	194,757	-	194,757
Interest and fiscal charges	215,921	207,150	423,071	259,203	127,452	386,655
Water & sewer	-	4,840,849	4,840,849	-	4,443,266	4,443,266
Total Expenses	13,213,404	5,047,999	18,261,403	12,014,081	4,570,718	16,584,799
Change in Net Position						
Before Transfers	2,762,481	859,124	3,621,605	2,764,380	16,078,007	18,842,387
Transfers	1,230,509	(1,230,509)	-	798,107	(798,107)	-
Total	1,230,509	(1,230,509)	-	798,107	(798,107)	-
Change in Net Position	3,992,990	(371,385)	3,621,605	3,562,487	15,279,900	18,842,387
Beg. Net Posit. (as restated) *	<u>26,962,069</u>	<u>37,602,995</u>	<u>64,565,064</u>	<u>23,538,404</u>	<u>22,367,954</u>	<u>45,906,358</u>
Ending Net Position	\$ 30,955,059	\$ 37,231,610	\$ 68,186,669	\$ 27,100,891	\$ 37,647,854	\$ 64,748,745

*Note: Includes restatement for the implementation of the New Accounting Standard – GASB 101.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

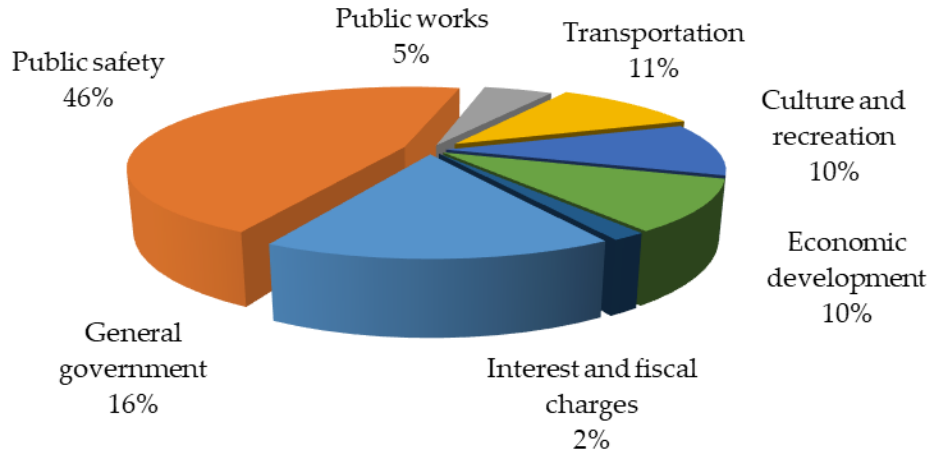


For the year ended September 30, 2025, revenues from governmental activities totaled \$15,975,885. Property tax, sales tax and grants/contributions are the City's largest revenue sources. Charges for services increased by \$412,076 or 26% primarily due to nonrecurring building permit fees and recurring fire services provided for Liberty County in the current year. Property taxes increased by \$596,274 or 9% resulting from a rising appraised property values in the current year. Investment income increased by \$21,893 or 9% primarily due to greater interest-bearing accounts and the realization of higher interest rates. All other revenues remained relatively consistent when compared to the previous year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

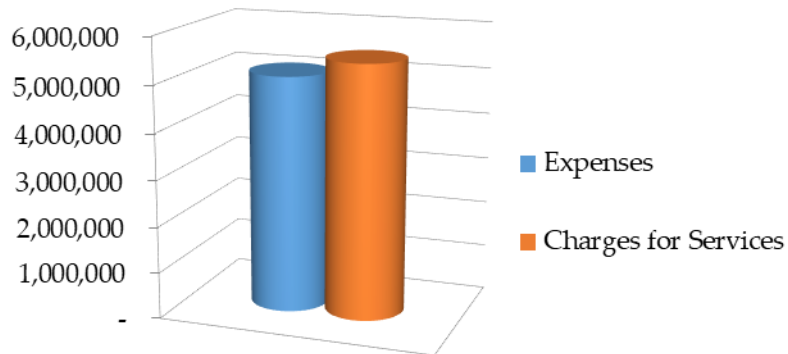


For the year ended September 30, 2025, expenses for governmental activities totaled \$13,213,404. This represents an increase of \$1,199,323 or 10% from the prior year. The City's largest functional expense is public safety of \$6,537,583, which increased by \$909,926 or 16%. The increase is primarily due to greater police and fire department salaries and overtime paid to officers in the current year. Transportation expenses increased by \$155,109 or 12% due to greater personnel expenses, maintenance work, and increased jet fuel costs, primarily as a result of the City taking over management of the airport during the current year. Culture and recreation decreased by \$411,519 or 24% primarily due to a decline in personnel costs, resulting from employee vacancies and reallocation of certain personnel to the public works department in the current year. Economic development expense increased by \$538,427 or over 100% primarily due to a nonrecurring required reimbursement the TIRZ #2 fund made to MUD #1 in the current year. Interest and fiscal charges decreased by \$43,282 or 17% primarily due to long-term debt approaching maturity. All other expenses remained relatively consistent with the previous year.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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, 2025, charges for services by business-type activities totaled \$5,463,007. This represents an increase of \$609,572 or 13% from the previous year, which is primarily due increased water/sewer service rates and greater active garbage accounts compared to prior year. Capital grants and contributions decreased by \$15,461,696 or over 100% due to nonrecurring contributions related to Pinewood Trails roadway and water infrastructure improvements received in the prior year. Investment income increased by \$29,489 or 28% primarily due to the realization of higher interest rates in the current year.

Total expenses amounted to \$5,047,999, an increase of \$477,281 or 10% during the year. Water and sewer expenses, totaling \$4,840,849, increased by \$397,583 or 9% primarily due to city growth, resulting in utility service operating costs. In addition, the City incurred greater property liability insurance, professional services, greater asset depreciation and personnel 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 \$9,054,949. Unassigned fund balance totaled \$8,993,703 as of yearend. The general fund increased by \$1,198,666 primarily as a result of greater charges for services and transfers received from other funds in the current year.

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

The debt service fund had an ending fund balance of \$1,588,439 at yearend, an increase of \$666,937 from the prior year. The increase was primarily due to greater property taxes earned compared to the previous year. Total principal and interest payments made during the year were \$1,506,511 and \$263,517, respectively.

The capital projects fund had an ending fund balance of \$13,056, a slight decrease of \$1,051 compared to the prior year. The decrease was primarily a result of transfers out to other funds during the year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$1,235,890 and a positive expenditure variance of \$770,622 for the year. Other financing sources had an overall negative budget variance of \$115,172. Sales tax and intergovernmental revenues were two revenue source significantly greater than budgeted revenues. Final budgeted revenues increased by \$173,655 when compared to the original budgeted revenues. Final budgeted expenditures increased by \$967,794 compared to the original expense appropriations. City council, library, capital outlay, and 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 public safety and capital outlay estimates.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$28,682,192 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 \$40,936,323 in a variety of capital assets and infrastructure, net of accumulated depreciation. Major capital asset events during the current year include the following:

- Grand Oaks development investments totaling \$603,713.
- Tanglewood drainage improvements totaling \$112,481.
- Hanger improvements at the local airport for \$72,000.
- New fence installation at the local airport for \$49,940.
- Installation of shelving units at the new police building totaling \$215,958.
- Library parking lot upgrades totaling \$41,100.
- Sam Wiley park improvements totaling \$146,015.
- Purchased four public vehicles for \$199,910.

City of Cleveland, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

- Purchase three Chevy trucks for \$136,293.
- Purchased new equipment for public safety activities totaling \$139,232.
- Civic Center media system upgrade for \$178,643.
- New SBITA subscription – Axon body & fleet software totaling \$256,398.
- Right-use-asset equipment purchased for \$85,561.
- SH 105 waterline relocation costs totaling \$771,101.
- Purchased generators at lift stations for \$154,988.
- New pumps and pipes at water well #5 totaling \$106,118.
- Meter project investments totaling \$2,410,183.

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 (excluding premiums) of \$16,148,073. During the year the City entered into new note payable and lease arrangements totaling \$1,056,959. Principal payments of \$1,941,710 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 11,793,494	\$ 3,384,247	\$ 15,177,741
Restricted cash	13,056	302,140	315,196
Receivables, net	2,126,003	968,168	3,094,171
Prepays	61,246	9,421	70,667
Internal balances	305,080	(305,080)	-
Due from component unit	80,270	-	80,270
Total Current Assets	14,379,149	4,358,896	18,738,045
Capital assets:			
Non-depreciable	3,845,299	1,189,061	5,034,360
Net depreciable capital assets	24,836,893	39,747,262	64,584,155
Total Noncurrent Assets	28,682,192	40,936,323	69,618,515
Total Assets	43,061,341	45,295,219	88,356,560
<u>Deferred Outflows of Resources</u>			
Pension outflows	391,161	62,448	453,609
OPEB outflows	7,579	1,210	8,789
Deferred charges on refunding	16,807	-	16,807
Total Deferred Outflows of Resources	415,547	63,658	479,205

Component Unit
Cleveland
EDC

\$ 2,542,658

-

-

3,444

-

-

2,546,102

1,591,341

-

1,591,341

4,137,443

-

-

-

-

-

City of Cleveland, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 712,384	\$ 201,943	\$ 914,327
Customer deposits	-	466,952	466,952
Accrued interest payable	31,503	41,554	73,057
Due to primary government	-	-	-
Compensated absences, current	276,175	69,053	345,228
Long-term debt due in one year	1,647,770	501,827	2,149,597
Current Liabilities	2,667,832	1,281,329	3,949,161
Noncurrent liabilities:			
Compensated absences, noncurrent	30,686	7,673	38,359
Net pension liability	920,414	146,941	1,067,355
OPEB liability	223,423	35,669	259,092
Long-term debt due in more than one year	8,227,264	6,571,298	14,798,562
Noncurrent Liabilities	9,401,787	6,761,581	16,163,368
Total Liabilities	12,069,619	8,042,910	20,112,529
<u>Deferred Inflows of Resources</u>			
Pension inflows	403,243	64,377	467,620
OPEB inflows	48,967	7,817	56,784
Deferred gain on bond refunding	-	12,163	12,163
Total Deferred Inflows of Resources	452,210	84,357	536,567
<u>Net Position</u>			
Net investment in capital assets	18,677,948	33,910,805	52,588,753
Restricted for:			
Capital projects	13,056	-	13,056
Municipal court	20,960	-	20,960
Debt service	1,588,439	-	1,588,439
Tourism	917,565	-	917,565
TIRZ	1,015,084	-	1,015,084
Public safety	31,102	-	31,102
Unrestricted	8,690,905	3,320,805	12,011,710
Total Net Position	\$ 30,955,059	\$ 37,231,610	\$ 68,186,669

See Notes to Financial Statements.

Component Unit
Cleveland
EDC

\$	14,905
	-
	-
	80,270
	-
	-
	<u>95,175</u>
	-
	-
	-
	-
	<u>-</u>
	<u>95,175</u>
	-
	-
	-
	-
	-
	-
	<u>1,591,341</u>
	-
	-
	-
	-
	-
	-
	<u>2,450,927</u>
\$	<u>4,042,268</u>

City of Cleveland, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,118,610	\$ -	\$ 636,310	\$ -
Public safety	6,537,583	175,454	29,421	-
Public works	829,086	532,773	-	1,100
Transportation	1,440,218	-	-	-
Culture and recreation	1,338,802	1,308,501	2,944	-
Economic development	733,184	-	48,377	-
Interest	215,921	-	-	-
Total Governmental Activities	13,213,404	2,016,728	717,052	1,100
Business-Type Activities				
Water & Sewer	5,047,999	5,463,007	-	218,850
Total Business-Type Activities	5,047,999	5,463,007	-	218,850
Total Primary Government	\$ 18,261,403	\$ 7,479,735	\$ 717,052	\$ 219,950
Component Unit				
Cleveland EDC	777,053	-	-	-
Total Component Unit	\$ 777,053	\$ -	\$ -	\$ -

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, as previously presented

New Acct. Standard - GASB 101

Beginning Net Position, as adjusted

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
\$ (1,482,300)	\$ -	\$ (1,482,300)	\$ -
(6,332,708)	-	(6,332,708)	-
(295,213)	-	(295,213)	-
(1,440,218)	-	(1,440,218)	-
(27,357)	-	(27,357)	-
(684,807)	-	(684,807)	-
(215,921)	-	(215,921)	-
<u>(10,478,524)</u>	<u>-</u>	<u>(10,478,524)</u>	<u>-</u>
-	633,858	633,858	-
-	633,858	633,858	-
<u>(10,478,524)</u>	<u>633,858</u>	<u>(9,844,666)</u>	<u>-</u>
			<u>(777,053)</u>
			<u>\$ (777,053)</u>
6,893,576	-	6,893,576	-
5,223,472	-	5,223,472	969,984
649,834	-	649,834	-
264,191	136,493	400,684	90,915
96,132	-	96,132	-
113,800	88,773	202,573	-
1,230,509	(1,230,509)	-	-
<u>14,471,514</u>	<u>(1,005,243)</u>	<u>13,466,271</u>	<u>1,060,899</u>
3,992,990	(371,385)	3,621,605	283,846
27,100,891	37,647,854	64,748,745	3,758,422
(138,822)	(44,859)	(183,681)	-
<u>26,962,069</u>	<u>37,602,995</u>	<u>64,565,064</u>	<u>3,758,422</u>
<u>\$ 30,955,059</u>	<u>\$ 37,231,610</u>	<u>\$ 68,186,669</u>	<u>\$ 4,042,268</u>

City of Cleveland, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 8,297,648	\$ 1,537,890	\$ -	\$ 1,957,956
Restricted cash	-	-	13,056	-
Receivables, net	1,672,837	418,585	-	34,581
Prepays	61,246	-	-	-
Due from component unit	67,270	13,000	-	-
Due from other funds	351,672	41,049	-	20,960
Total Assets	\$ 10,450,673	\$ 2,010,524	\$ 13,056	\$ 2,013,497
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 703,983	\$ -	\$ -	\$ 8,401
Due to other funds	84,716	3,500	-	20,385
Total Liabilities	788,699	3,500	-	28,786
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	607,025	418,585	-	-
Total Deferred Inflows of Resources	607,025	418,585	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	61,246	-	-	-
Restricted for:				
Capital projects	-	-	13,056	-
Municipal court	-	-	-	20,960
Debt service	-	1,588,439	-	-
Tourism	-	-	-	917,565
TIRZ	-	-	-	1,015,084
Public safety	-	-	-	31,102
Unassigned reported in:				
General fund	8,993,703	-	-	-
Total Fund Balances	9,054,949	1,588,439	13,056	1,984,711
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 10,450,673	\$ 2,010,524	\$ 13,056	\$ 2,013,497

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 11,793,494
13,056
2,126,003
61,246
80,270
413,681
\$ 14,487,750

\$ 712,384
108,601
820,985

1,025,610
1,025,610

61,246
13,056
20,960
1,588,439
917,565
1,015,084
31,102
8,993,703
12,641,155
\$ 14,487,750

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City of Cleveland, Texas

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

September 30, 2025

Fund Balances - Total Governmental Funds	\$ 12,641,155
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	3,845,299
Capital assets - net depreciable	24,836,893
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	1,025,610
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	391,161
Pension inflows	(403,243)
OPEB outflows	7,579
OPEB inflows	(48,967)
Deferred charge on refunding	16,807
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(31,503)
Compensated absences	(306,861)
Net pension liability	(920,414)
OPEB liability	(223,423)
Bond premium	(502,518)
Bonds, notes, and lease liabilities	(9,372,516)
Net Position of Governmental Activities	<u>\$ 30,955,059</u>

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS For the Year Ended September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Revenues				
Property tax	\$ 3,100,422	\$ 2,678,346	\$ -	\$ 1,004,835
Sales tax	4,899,635	-	-	323,837
Franchise and local taxes	649,834	-	-	-
Intergovernmental	476,660	187,664	-	5,451
Contributions	48,377	-	-	-
Charges for services	1,308,501	-	-	-
License and permits	532,773	-	-	-
Fines and forfeitures	175,454	-	-	-
Investment income	250,197	8,204	60	5,730
Other revenue	111,845	-	-	105
Total Revenues	11,553,698	2,874,214	60	1,339,958
Expenditures				
General government:				
Administration	1,474,887	-	-	-
City council	54,727	-	-	-
Technology	525,219	-	-	-
Public safety:				
Municipal court	225,621	-	-	21,256
Police department	3,616,385	-	-	16,119
Animal control	61,172	-	-	-
Fire and ambulance	2,222,607	-	-	-
Emergency management	19,729	-	-	-
Public works:				
Development services	431,058	-	-	-
Garbage department	12,543	-	-	-
Facility services	123,459	-	-	-
Transportation:				
Street department	599,806	-	-	-
Airport department	708,061	-	-	-
Culture and recreation:				
Library department	518,753	-	-	-
Cemetery and parks	482,291	-	-	-
Civic/community	279,895	-	-	-
Sports facilities	18,803	-	-	-
Economic development	-	-	-	1,342,611
Debt service:				
Principal	103,949	1,506,511	-	-
Interest	11,807	263,517	-	-
Capital outlay	973,070	-	-	-
Total Expenditures	12,463,842	1,770,028	-	1,379,986

**Total
Governmental
Funds**

\$ 6,783,603
5,223,472
649,834
669,775
48,377
1,308,501
532,773
175,454
264,191
111,950

15,767,930

1,474,887
54,727
525,219

246,877
3,632,504
61,172
2,222,607
19,729

431,058
12,543
123,459

599,806
708,061

518,753
482,291
279,895
18,803
1,342,611

1,610,460
275,324
973,070

15,613,856

City of Cleveland, Texas

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

For the Year Ended September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (910,144)	\$ 1,104,186	\$ 60	\$ (40,028)
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,668,869	-	-	-
Transfers (out)	-	(437,249)	(1,111)	-
Insurance proceeds	96,132	-	-	-
Sale of assets	1,850	-	-	-
Debt issuances	341,959	-	-	-
Total Other Financing Sources (Uses)	2,108,810	(437,249)	(1,111)	-
Net Change in Fund Balances	1,198,666	666,937	(1,051)	(40,028)
Beginning fund balances	7,856,283	921,502	14,107	2,024,739
Ending Fund Balances	\$ 9,054,949	\$ 1,588,439	\$ 13,056	\$ 1,984,711

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 154,074

1,668,869

(438,360)

96,132

1,850

341,959

1,670,450

1,824,524

10,816,631

\$ 12,641,155

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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, 2025

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

Net changes in fund balances - total governmental funds	\$	1,824,524
---	----	-----------

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		2,142,315
Depreciation expense		(1,542,844)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		109,973
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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		(35,985)
Accrued interest		5,526
Pension expense		174,500
OPEB expense		(7,397)

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		(2,585)
Amortization of debt premium		56,462
Debt issuances		(341,959)
Principal payments		1,610,460

Change in Net Position of Governmental Activities	\$	3,992,990
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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, 2025

	<u>Water & Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,384,247
Restricted cash	302,140
Receivables, net	968,168
Due from other funds	22,707
Prepays	9,421
Total Current Assets	<u>4,686,683</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	1,189,061
Net depreciable capital assets	39,747,262
Total Noncurrent Assets	<u>40,936,323</u>
Total Assets	<u>45,623,006</u>
<u>Deferred Outflows of Resources</u>	
Pension outflows	62,448
OPEB outflows	1,210
Total Deferred Outflows of Resources	<u>63,658</u>

City of Cleveland, Texas

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

September 30, 2025

	<u>Water & Sewer</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	\$ 201,943
Due to other funds	327,787
Customer deposits	466,952
Accrued interest payable	41,554
Long-term debt - current portion	501,827
Compensated absences - current portion	69,053
Total Current Liabilities	<u>1,609,116</u>
<u>Noncurrent Liabilities</u>	
Net pension liability	146,941
OPEB liability	35,669
Long-term debt - noncurrent portion	6,571,298
Compensated absences - noncurrent portion	7,673
Total Liabilities	<u>8,370,697</u>
<u>Deferred Inflows of Resources</u>	
Pension inflows	64,377
OPEB inflows	7,817
Deferred gain on bond refunding	12,163
Total Deferred Inflows of Resources	<u>84,357</u>
<u>Net Position</u>	
Net investment in capital assets	33,910,805
Unrestricted	3,320,805
Total Net Position	<u>\$ 37,231,610</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, 2025

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 5,463,007
Total Operating Revenues	5,463,007
<u>Operating Expenses</u>	
Administration	583,368
Water production	1,185,291
Sewer department	1,177,825
Sanitation services	422,717
Depreciation	1,471,648
Total Operating Expenses	4,840,849
Operating Income	622,158
<u>Nonoperating Revenues (Expenses)</u>	
Insurance recoveries	88,773
Grants and reimbursements	218,850
Investment income	136,493
Interest expense	(207,150)
Total Nonoperating Revenues (Expenses)	236,966
Income (Loss) Before Transfers and Contributions	859,124
<u>Transfers and Contributions</u>	
Transfers in	437,230
Transfers (out)	(1,667,739)
Change in Net Position	(371,385)
Beginning net position, as previously reported	37,647,854
New Acct. Standard - Implementation of GASB 101	(44,859)
Beginning net position, as adjusted	37,602,995
Ending Net Position	\$ 37,231,610

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, 2025

	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 5,353,016
Payments to suppliers	(2,593,137)
Payments to employees	(681,254)
Net Cash Provided (Used) by Operating Activities	<u>2,078,625</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer in	437,230
Transfer (out)	(1,667,739)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,230,509)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(3,749,097)
Grants and reimbursements	218,850
Insurance recoveries	88,773
Proceeds from capital debt	715,000
Principal paid on debt	(331,250)
Interest paid on debt	(245,784)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,303,508)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	136,493
Net Cash Provided by Investing Activities	<u>136,493</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,318,899)
Beginning cash and cash equivalents	6,005,286
Ending Cash and Cash Equivalents	<u>\$ 3,686,387</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, 2025

	Water & Sewer
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 622,158
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	1,471,648
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(126,891)
prepaids	(526)
Net pension liability	(154,190)
OPEB liability	(9,479)
Due to (from) other funds	261,639
Deferred Outflows of Resources:	
Pension	78,556
OPEB	76
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(68,417)
Customer deposits	16,900
Deferred Inflows of Resources:	
Pension	(9,998)
OPEB	(2,851)
Net Cash Provided (Used) by Operating Activities	\$ 2,078,625

See Notes to Financial Statements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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 assets 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, 2025

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

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

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, 2025

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*.

The City employees are paid for absences due to vacation according to a prescribed policy. Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

Accordingly, the government-wide and proprietary fund financial statements reflect the accrual for vacation & sick leave at September 30, 2025. Compensated absences are liquidated by the general fund and proprietary fund.

12. Long-Term Obligations

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

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

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

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

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

14. Subscription Based Information Technology Arrangements

The City implemented the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). Upon implementation, the City recorded right to use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets are included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities accrue interest at the implied rate estimated by the City and are relieved with payments over the term of the arrangements.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

15. 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.

16. Other Postemployment Benefits ("OPEB")

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

A. Expenditures in Excess of Appropriations

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

General fund:		
City council	\$	477
Library		8,964
Principal		65,764
Interest		3,157
Capital outlay		224,510
Debt service fund:		
Transfers (out)	\$	437,249

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 \$3,586,206, of which, \$52,062 is restricted by enabling legislation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 8,425,642	0.12
Total fair value	\$ 8,425,642	
Portfolio weighted average maturity		0.12

As of September 30, 2025, the discretely presented component unit had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,435,974	0.12
Total fair value	\$ 1,435,974	
Portfolio weighted average maturity		0.12

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	<u>Total</u>
Property taxes	\$ 607,025	\$ 418,585	\$ -	\$ -	\$ 1,025,610
Sales taxes	993,739	-	-	-	993,739
Occupancy taxes	-	-	34,581	-	34,581
Grant	16,811	-	-	-	16,811
Other	55,262	-	-	-	55,262
Accounts	-	-	-	968,168	968,168
	<u>\$ 1,672,837</u>	<u>\$ 418,585</u>	<u>\$ 34,581</u>	<u>\$ 968,168</u>	<u>\$ 3,094,171</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/Transfers Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 2,381,017	\$ -	\$ -	\$ 2,381,017
Construction in progress	670,067	817,357	(23,142)	1,464,282
Total capital assets not being depreciated	<u>3,051,084</u>	<u>817,357</u>	<u>(23,142)</u>	<u>3,845,299</u>
Capital assets, being depreciated:				
Buildings and improvements	31,991,339	403,074	-	32,394,413
Furniture and equipment	7,969,677	579,925	23,142	8,572,744
Right-of-use assets (furn & equip.)	240,117	85,561	-	325,678
Right-of-use assets (software)	-	256,398	-	256,398
Total capital assets being depreciated	<u>40,201,133</u>	<u>1,324,958</u>	<u>23,142</u>	<u>41,549,233</u>
Less accumulated depreciation				
Buildings and improvements	(9,889,975)	(967,576)	-	(10,857,551)
Furniture and equipment	(5,165,770)	(469,622)	-	(5,635,392)
Right-of-use assets (furn & equip.)	(113,751)	(54,366)	-	(168,117)
Right-of-use assets (software)	-	(51,280)	-	(51,280)
Total accumulated depreciation	<u>(15,169,496)</u>	<u>(1,542,844)</u>	<u>-</u>	<u>(16,712,340)</u>
Net capital assets being depreciated	<u>25,031,637</u>	<u>(217,886)</u>	<u>23,142</u>	<u>24,836,893</u>
Total Net Capital Assets	<u><u>\$ 28,082,721</u></u>	<u><u>\$ 599,471</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,682,192</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 81,614
Public safety	648,768
Public works	262,767
Transportation	195,662
Culture and recreation	354,034
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,542,844</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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	336,912	1,010,440	(336,912)	1,010,440
Total capital assets not being depreciated	<u>515,533</u>	<u>1,010,440</u>	<u>(336,912)</u>	<u>1,189,061</u>
Capital assets, being depreciated:				
Buildings and improvements	47,997	-	-	47,997
Furniture and equipment	2,851,673	157,542	-	3,009,215
Water system	23,087,198	2,521,727	-	25,608,925
Sewer system	32,482,262	42,542	336,912	32,861,716
Total capital assets being depreciated	<u>58,469,130</u>	<u>2,721,811</u>	<u>336,912</u>	<u>61,527,853</u>
Less accumulated depreciation				
Buildings and improvements	(38,760)	(1,408)	-	(40,168)
Furniture and equipment	(1,810,736)	(178,427)	-	(1,989,163)
Water system	(5,442,845)	(735,777)	-	(6,178,622)
Sewer system	(13,016,602)	(556,036)	-	(13,572,638)
Total accumulated depreciation	<u>(20,308,943)</u>	<u>(1,471,648)</u>	<u>-</u>	<u>(21,780,591)</u>
Net capital assets being depreciated	38,160,187	1,250,163	336,912	39,747,262
Total Net Capital Assets	<u>\$ 38,675,720</u>	<u>\$ 2,260,603</u>	<u>\$ -</u>	<u>\$ 40,936,323</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 1,471,648</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,471,648</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,013,293	\$ 578,048	\$ -	\$ 1,591,341
Total capital assets not being depreciated	<u>1,013,293</u>	<u>578,048</u>	<u>-</u>	<u>1,591,341</u>
Net capital assets being depreciated	-	-	-	-
Total Net Capital Assets	<u><u>\$ 1,013,293</u></u>	<u><u>\$ 578,048</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,591,341</u></u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

D. 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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificates of Obligation General Obligation	\$ 6,987,500	\$ -	\$ (603,750)	\$ 6,383,750	\$ 616,250
Refunding Bonds	2,550,000	-	(725,000)	1,825,000	745,000
Less: Deferred Amounts					
Issuance Premium	558,980	-	(56,462)	502,518	-
Note payables	934,119	-	(177,532)	756,587	182,061
SBITA liabilities	-	256,398	(53,679)	202,719	48,935
Lease liabilities	169,398	85,561	(50,499)	204,460	55,524
Total Governmental Activities	\$ 11,199,997	\$ 341,959	\$ (1,666,922)	\$ 9,875,034	\$ 1,647,770
Long-term Liabilities Due in More than One Year				\$ 8,227,264	
Business-Type Activities:					
Certificates of Obligation General Obligation	\$ 1,642,500	\$ -	\$ (101,250)	\$ 1,541,250	\$ 103,750
Refunding Bonds	2,110,000	-	(230,000)	1,880,000	235,000
Note payables	2,639,307	715,000	-	3,354,307	163,077
Less: Deferred Amounts					
Issuance Premium	325,948	-	(28,380)	297,568	-
Total Business-Type Activities	\$ 6,717,755	\$ 715,000	\$ (359,630)	\$ 7,073,125	\$ 501,827
Long-term Liabilities Due in More than One Year				\$ 6,571,298	

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, 2025

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	\$ 575,000
2017 Certificates of obligation	3% - 3.25%	2037	3,920,000	1,760,000
2019 General Obligation Refunding	2%	2032	2,030,000	1,250,000
2021 Certificates of Obligation	2% - 4%	2046	5,745,000	4,623,750
Note payables:				
Fire Truck	2.55%	2029	1,276,045	756,587
SBITA liabilities	2.34%	2028	256,398	202,719
Lease liabilities	3% - 4%	2030	286,951	204,460
Premiums	n/a	various	1,222,717	502,518
Total Governmental Activities			<u>\$ 22,597,111</u>	<u>\$ 9,875,034</u>
Business-Type Activities:				
2021 Certificates of Obligation	2% - 4%	2046	\$ 1,915,000	\$ 1,541,250
2021 General Obligation Refunding	2% - 4%	2033	2,740,000	1,880,000
Note payables:				
AMR Equipment	4.82%	2040	2,639,307	2,639,307
SIB Loan	2.34%	2034	715,000	715,000
Premiums	n/a	various	523,856	297,568
Total Business Type Activities			<u>\$ 8,533,163</u>	<u>\$ 7,073,125</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

<u>Year ending September 30,</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 616,250	\$ 169,689	\$ 785,939
2027	632,500	150,958	783,458
2028	448,750	134,739	583,489
2029	456,250	121,164	577,414
2030	463,750	105,620	569,370
2031	482,500	87,845	570,345
2032	280,000	75,189	355,189
2033	283,750	67,984	351,734
2034	283,750	60,877	344,627
2035	291,250	53,833	345,083
2036	295,000	46,605	341,605
2037	290,000	39,349	329,349
2038	183,750	33,924	217,674
2039	191,250	30,174	221,424
2040	195,000	26,067	221,067
2041	198,750	21,638	220,388
2042	150,000	17,620	167,620
2043	153,750	14,013	167,763
2044	157,500	10,219	167,719
2045	161,250	6,234	167,484
2046	168,750	2,109	170,859
Total	<u>\$ 6,383,750</u>	<u>\$ 1,275,850</u>	<u>\$ 7,659,600</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Year ending September 30,	General Obligation Refunding		
	Principal	Interest	Total
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	\$ 1,825,000	\$ 99,804	\$ 1,924,804

Year ending September 30,	Notes Payable - Fire Truck		
	Principal	Interest	Total
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	\$ 756,587	\$ 48,858	\$ 805,445

Year ending September 30,	Lease Liabilities		
	Principal	Interest	Total
2026	\$ 55,524	\$ 11,620	\$ 67,144
2027	58,732	8,412	67,144
2028	62,124	5,020	67,144
2029	18,901	1,415	20,316
2030	9,179	203	9,382
Total	\$ 204,460	\$ 26,670	\$ 231,130

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 entered into a lease agreement for a copies on March 14, 2025 in the amount of \$85,561. The lease bears an interest rate of 3.74% and will mature on March 1, 2030. The City's leased assets have a total net book value of \$157,561 as of yearend.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Year ending September 30,	SBITA Liabilities		
	Principal	Interest	Total
2026	\$ 48,935	\$ 4,744	\$ 53,679
2027	50,080	3,599	53,679
2028	51,252	2,427	53,679
2029	52,452	1,227	53,679
Total	<u>\$ 202,719</u>	<u>\$ 11,997</u>	<u>\$ 214,716</u>

The City entered into subscription leases for use of software equipment. The property is classified as right to use assets with a total carrying value as of yearend for governmental activities of \$205,118.

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
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>\$ 1,541,250</u>	<u>\$ 336,260</u>	<u>\$ 1,877,510</u>

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Year ending September 30,	General Obligation Refunding Bonds		
	Principal	Interest	Total
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
2032	145,000	4,450	149,450
2033	150,000	1,500	151,500
Total	<u>\$ 1,880,000</u>	<u>\$ 185,050</u>	<u>\$ 2,065,050</u>

Year ending September 30,	Notes Payable - AMR Equipment		
	Principal	Interest	Total
2026	\$ 90,471	\$ 126,181	\$ 216,652
2027	67,584	121,679	189,263
2028	77,736	119,131	196,867
2029	125,059	114,407	239,466
2030	139,153	108,212	247,365
2031-2035	950,331	420,430	1,370,761
2036-2040	1,188,973	148,010	1,336,983
Total	<u>\$ 2,639,307</u>	<u>\$ 1,158,050</u>	<u>\$ 3,797,357</u>

Year ending September 30,	Notes Payable - SIB Loan		
	Principal	Interest	Total
2026	\$ 72,606	\$ 16,794	\$ 89,400
2027	74,305	15,095	89,400
2028	76,044	13,356	89,400
2029	77,823	11,577	89,400
2030	79,644	9,756	89,400
2031-2034	334,578	19,946	354,523
Total	<u>\$ 715,000</u>	<u>\$ 86,524</u>	<u>\$ 801,523</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 \$16,807. Current year amortization expense for governmental activities totaled \$2,585.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 \$12,163. Current year amortization expense for business-type activities totaled \$1,520.

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	\$ 270,876	\$ 35,985	\$ -	\$ 306,861	\$ 276,175
Total Governmental Activities	<u>\$ 270,876</u>	<u>\$ 35,985</u>	<u>\$ -</u>	<u>\$ 306,861</u>	<u>\$ 276,175</u>
Long-term liabilities due in more than one year				<u>\$ 30,686</u>	
Business-Type Activities:					
Other liabilities:					
Compensated Absences	\$ 76,726	\$ -	\$ -	\$ 76,726	\$ 69,053
Total Business-Type Activities	<u>\$ 76,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,726</u>	<u>\$ 69,053</u>
Long-term liabilities due in more than one year				<u>\$ 7,673</u>	

H. Customer Deposits

The City had customer deposits of \$466,952 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

I. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2025 were as follows:

Receivable Fund:	Payable Fund:				Total
	General	Debt Service	Nonmajor Governmental	Water & Sewer	
General	\$ -	\$ 3,500	\$ 20,385	\$ 327,787	\$ 351,672
Debt service	41,049	-	-	-	41,049
Water & sewer	22,707	-	-	-	22,707
Nonmajor govt.	20,960	-	-	-	20,960
Total	\$ 84,716	\$ 3,500	\$ 20,385	\$ 327,787	\$ 436,388

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 \$84,100 as of September 30, 2025.

Transfers between the primary government funds during the 2025 year were as follows:

Transfer in:	Transfer out:			Total
	Debt Service	Capital Projects	Water & Sewer	
General	\$ 19	\$ 1,111	\$ 1,667,739	\$ 1,668,869
Water & sewer	437,230	-	-	437,230
Total	\$ 437,249	\$ 1,111	\$ 1,667,739	\$ 2,106,099

During the current year, the CEDC contributed \$82,142 and \$187,664 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 2,700 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

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

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

Public Funds Investment & Collateral Acts

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, 2025, 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

C. Arbitrage

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

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 938 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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 three payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

	<u>Plan Year 2024</u>	<u>Plan Year 2023</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 Retroactive Repeating	70% of CPI

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	95
Active employees	<u>97</u>
Total	<u>255</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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 10.04% and 9.29% in calendar years 2024 and 2025, respectively.

The City's contributions to TMRS for the year ended September 30, 2025, were \$623,522 which were the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
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 110% of the Public Safety table used for males and 100% of 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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.

City of Cleveland, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (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 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
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.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

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

1% Decrease	Current Single Rate	1% Increase
5.75%	6.75%	7.75%
\$ 3,644,157	\$ 1,067,355	\$ (1,026,092)

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	\$ 16,731,457	\$ 15,008,804	\$ 1,722,653
Changes for the year:			
Service Cost	716,307	-	716,307
Interest	1,125,511	-	1,125,511
Difference between expected and actual experience	(44,003)	-	(44,003)
Changes of assumptions	-	-	-
Contributions – employer	-	604,852	(604,852)
Contributions – employee	-	301,222	(301,222)
Net investment income	-	1,557,274	(1,557,274)
Benefit payments, including refunds of emp. contributions	(830,757)	(830,757)	-
Administrative expense	-	(10,002)	10,002
Other changes	-	(234)	234
Net changes	967,058	1,622,356	(655,298)
Balance at 12/31/24	\$ 17,698,515	\$ 16,631,160	\$ 1,067,355

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, 2025, the City recognized pension expense of \$363,821.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

At September 30, 2025, 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	\$ -	\$ (163,844)
Differences between expected and actual economic experience	-	(242,947)
Pension assumption changes	-	(60,829)
Contributions subsequent to the measurement date	453,609	-
Total	\$ 453,609	\$ (467,620)

The City reported \$453,609 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, 2026. 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:	
2025	\$ (188,497)
2026	72,180
2027	(242,467)
2028	(108,836)
2029	-
Thereafter	-
	\$ (467,620)

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

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

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	14
Active employees	97
Total	153

The City's contributions to the TMRS SDBF for the years ended 2024 and 2025 were \$10,343 and \$11,666, 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
2023	0.19%	0.19%	100.0%
2024	0.17%	0.17%	100.0%
2025	0.18%	0.18%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	\$0

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 258,274
Changes for the year:	
Service Cost	12,049
Interest	9,771
Difference between expected and actual experience	2,128
Changes of assumptions	(12,888)
Benefit payments	(10,242)
Net changes	818
Balance at 12/31/24	\$ 259,092

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$6,816.

At September 30, 2025, 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	\$ -	\$ (48,200)
Difference between expected and actual experience	-	(8,584)
Contributions subsequent to measurement date	8,789	-
Total	\$ 8,789	\$ (56,784)

The City reported \$8,789 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, 2026.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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:	
2025	\$ (19,987)
2026	(21,676)
2027	(13,168)
2028	(956)
2029	(997)
Thereafter	-
	\$ (56,784)

E. Restatements

Due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and the water & sewer fund. The restatements are summarized below:

	Governmental Activities	Business-type Activities	Water & Sewer Fund
Prior year ending net position/fund balance, as reported	\$ 27,100,891	\$ 37,647,854	\$ 37,647,854
Implementation of GASB 101	(138,822)	(44,859)	(44,859)
Restated beginning net position/fund balance	\$ 26,962,069	\$ 37,602,995	\$ 37,602,995

F. New Accounting Standard

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$183,681 as of September 30, 2024.

City of Cleveland, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

G. Subsequent Events

There were no material subsequent events through March 27, 2026, 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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Property tax	\$ 3,220,078	\$ 3,220,078	\$ 3,100,422	\$ (119,656)
Sales tax	4,201,667	4,201,667	4,899,635	697,968
Franchise and local taxes	594,281	594,281	649,834	55,553
Intergovernmental	-	152,605	476,660	324,055
Contributions	21,000	41,300	48,377	7,077
Charges for services	1,254,977	1,254,977	1,308,501	53,524
License and permits	368,000	368,000	532,773	164,773
Fines and forfeitures	161,500	161,500	175,454	13,954
Investment income	240,000	240,000	250,197	10,197
Other revenue	82,650	83,400	111,845	28,445
Total Revenues	<u>10,144,153</u>	<u>10,317,808</u>	<u>11,553,698</u>	<u>1,235,890</u>
<u>Expenditures</u>				
General government:				
Administration	1,544,849	1,503,499	1,474,887	28,612
City council	46,750	54,250	54,727	(477) *
Technology	610,311	610,311	525,219	85,092
Public safety:				
Municipal court	241,318	241,318	225,621	15,697
Police department	3,906,280	3,924,681	3,616,385	308,296
Animal control	78,048	79,198	61,172	18,026
Fire and ambulance	2,134,801	2,411,284	2,222,607	188,677
Emergency management	31,727	31,727	19,729	11,998
Public works:				
Development services	526,714	528,898	431,058	97,840
Garbage department	11,250	13,250	12,543	707
Facility services	243,249	168,249	123,459	44,790
Transportation:				
Street department	561,812	771,703	599,806	171,897
Airport department	701,382	708,882	708,061	821
Culture and recreation:				
Library department	507,289	509,789	518,753	(8,964) *
Cemetery and parks	567,449	567,449	482,291	85,158
Civic/community	278,381	283,381	279,895	3,486
Sports facilities	31,200	31,200	18,803	12,397
Debt Service:				
Principal	38,185	38,185	103,949	(65,764) *
Interest	8,650	8,650	11,807	(3,157) *
Capital outlay	197,025	748,560	973,070	(224,510) *

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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Expenditures	12,266,670	13,234,464	12,463,842	770,622
Revenues Over (Under)				
Expenditures	(2,122,517)	(2,916,656)	(910,144)	2,006,512
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 2,134,102	\$ 2,144,244	\$ 1,668,869	\$ (475,375)
Insurance proceeds	-	74,738	96,132	21,394
Sale of assets	5,000	5,000	1,850	(3,150)
Lease issuances	-	-	341,959	341,959
Total Other Financing Sources				
(Uses)	2,139,102	2,223,982	2,108,810	(115,172)
Net Change in Fund Balance	\$ 16,585	\$ (692,674)	1,198,666	\$ 1,891,340
Beginning fund balance			7,856,283	
Ending Fund Balance			\$ 9,054,949	

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>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Total pension liability				
Service cost	\$ 716,307	\$ 647,993	\$ 596,472	\$ 545,874
Interest	1,125,511	1,093,673	1,051,269	971,852
Differences between expected and actual experience	(44,003)	(404,757)	(236,559)	372,542
Changes of assumptions	-	(138,817)	-	-
Benefit payments, including refunds of participant contributions	(830,757)	(690,407)	(927,069)	(550,966)
Net change in total pension liability	<u>967,058</u>	<u>507,685</u>	<u>484,113</u>	<u>1,339,302</u>
Total pension liability - beginning	<u>16,731,457</u>	<u>16,223,772</u>	<u>15,739,659</u>	<u>14,400,357</u>
Total pension liability - ending (a)	<u>17,698,515</u>	<u>16,731,457</u>	<u>16,223,772</u>	<u>15,739,659</u>
Plan fiduciary net position				
Contributions - employer	\$ 604,852	\$ 594,658	\$ 523,829	\$ 498,839
Contributions - members	301,222	280,633	255,777	237,543
Net investment income	1,557,274	1,537,517	(1,057,851)	1,650,907
Benefit payments, including refunds of participant contributions	(830,757)	(690,407)	(927,069)	(550,966)
Administrative expenses	(10,002)	(9,790)	(9,159)	(7,643)
Other	(233)	(68)	10,930	53
Net change in plan fiduciary net position	<u>1,622,356</u>	<u>1,712,543</u>	<u>(1,203,543)</u>	<u>1,828,733</u>
Plan fiduciary net position - beginning	<u>15,008,804</u>	<u>13,296,261</u>	<u>14,499,804</u>	<u>12,671,071</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,631,160</u>	<u>\$ 15,008,804</u>	<u>\$ 13,296,261</u>	<u>\$ 14,499,804</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,067,355</u>	<u>\$ 1,722,653</u>	<u>\$ 2,927,511</u>	<u>\$ 1,239,855</u>
Plan fiduciary net position as a percentage of the total pension liability	94%	90%	82%	92%
Covered payroll	\$ 6,024,446	\$ 5,615,192	\$ 5,115,538	\$ 4,750,866
Fund's net pension liability as a percentage of covered payroll	18%	31%	57%	26%

Notes to schedule:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
\$	509,750	\$ 437,356	\$ 395,063	\$ 385,239	\$ 361,883	\$ 310,615
	901,287	837,773	797,496	747,381	699,231	693,226
	149,698	52,935	(136,743)	81,087	106,870	(125,466)
	-	65,894	-	-	-	36,902
	(515,803)	(462,603)	(497,953)	(454,374)	(478,284)	(492,054)
	<u>1,044,932</u>	<u>931,355</u>	<u>557,863</u>	<u>759,333</u>	<u>689,700</u>	<u>423,223</u>
	<u>13,355,425</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>
	<u>14,400,357</u>	<u>13,355,425</u>	<u>12,424,070</u>	<u>11,866,207</u>	<u>11,106,874</u>	<u>10,417,174</u>
\$	463,526	\$ 408,197	\$ 363,729	\$ 350,699	\$ 308,931	\$ 306,308
	220,099	189,496	170,286	166,051	156,659	143,537
	882,655	1,540,427	(306,841)	1,239,934	567,304	12,441
	(515,803)	(462,603)	(497,953)	(454,374)	(478,284)	(492,054)
	(5,711)	(8,701)	(5,926)	(6,422)	(6,406)	(7,578)
	(221)	(261)	(310)	(325)	(345)	(373)
	<u>1,044,545</u>	<u>1,666,555</u>	<u>(277,015)</u>	<u>1,295,563</u>	<u>547,859</u>	<u>(37,719)</u>
	<u>11,626,526</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>12,671,071</u>	<u>\$ 11,626,526</u>	<u>\$ 9,959,971</u>	<u>\$ 10,236,986</u>	<u>\$ 8,941,423</u>	<u>\$ 8,393,564</u>
\$	<u>1,729,286</u>	<u>\$ 1,728,899</u>	<u>\$ 2,464,099</u>	<u>\$ 1,629,221</u>	<u>\$ 2,165,451</u>	<u>\$ 2,023,610</u>

	88%	87%	80%	86%	81%	81%
\$	4,401,986	\$ 3,789,910	\$ 3,405,719	\$ 3,321,023	\$ 3,133,188	\$ 2,870,749
	39%	46%	72%	49%	69%	70%

City of Cleveland, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 623,522	\$ 600,955	\$ 601,629	\$ 528,168
Contributions in relation to the actuarially determined contribution	623,522	600,955	601,629	528,168
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 6,575,126	\$ 5,899,509	\$ 5,511,296	\$ 5,122,641
Employer contributions as a percentage of covered payroll	9.48%	10.19%	10.92%	10.31%

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	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 476,535	\$ 442,354	\$ 395,012	\$ 357,632	\$ 341,779	\$ 323,843
<u>476,535</u>	<u>442,354</u>	<u>395,012</u>	<u>357,632</u>	<u>341,779</u>	<u>323,843</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,535,082	\$ 4,179,243	\$ 3,674,680	\$ 3,357,437	\$ 3,286,315	\$ 3,215,934
10.51%	10.58%	10.75%	10.65%	10.40%	10.07%

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>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Total OPEB liability				
Service cost	\$ 12,049	\$ 10,669	\$ 20,462	\$ 14,728
Interest	9,771	9,711	6,477	6,560
Differences between expected and actual experience	2,128	(4,295)	(13,263)	(792)
Changes of assumptions	(12,888)	13,067	(111,567)	9,701
Benefit payments, including refunds of participant contributions	(10,242)	(10,669)	(8,184)	(9,977)
Net change in total OPEB liability	<u>818</u>	<u>18,483</u>	<u>(106,075)</u>	<u>20,220</u>
Total OPEB liability - beginning	<u>\$ 258,274</u>	<u>\$ 239,791</u>	<u>\$ 345,866</u>	<u>\$ 325,646</u>
Total OPEB liability - ending	<u><u>\$ 259,092</u></u>	<u><u>\$ 258,274</u></u>	<u><u>\$ 239,791</u></u>	<u><u>\$ 345,866</u></u>
Covered-employee payroll	\$ 6,024,446	\$ 5,615,192	\$ 5,115,538	\$ 4,750,866
City's total OPEB liability as a percentage of covered-employee payroll	4.30%	4.60%	4.69%	7.28%

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>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> ¹
\$ 20,249	\$ 9,475	\$ 10,217	\$ 8,635
7,932	8,942	8,824	8,827
(19,894)	(14,494)	(25,357)	-
41,012	42,175	(14,913)	18,684
<u>(3,962)</u>	<u>(4,169)</u>	<u>(3,746)</u>	<u>(3,985)</u>
<u>45,337</u>	<u>41,929</u>	<u>(24,975)</u>	<u>32,161</u>
\$ 280,309	\$ 238,380	\$ 263,355	\$ 231,194
\$ 325,646	\$ 280,309	\$ 238,380	\$ 263,355
\$ 4,401,986	\$ 3,789,910	\$ 3,405,719	\$ 3,321,023
7.40%	7.40%	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, 2025

	<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	\$ 904,084	\$ 37,985	\$ 803	\$ -
Receivables, net	34,581	-	-	-
Due from other funds	-	-	-	911
Total Assets	\$ 938,665	\$ 37,985	\$ 803	\$ 911
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 715	\$ 7,686	\$ -	\$ -
Due to other funds	20,385	-	-	-
Total Liabilities	21,100	7,686	-	-
<u>Fund Balances</u>				
Restricted for:				
Tourism	917,565	-	-	-
TIRZ	-	-	-	-
Municipal court	-	-	-	911
Public safety	-	30,299	803	-
Total Fund Balances	917,565	30,299	803	911
Total Liabilities and Fund Balances	\$ 938,665	\$ 37,985	\$ 803	\$ 911

<u>Court Security</u>	<u>TIRZ #1</u>	<u>TIRZ #2</u>	<u>Total</u>
\$ -	\$ 676,319	\$ 338,765	\$ 1,957,956
-	-	-	34,581
20,049	-	-	20,960
<u>\$ 20,049</u>	<u>\$ 676,319</u>	<u>\$ 338,765</u>	<u>\$ 2,013,497</u>

\$ -	\$ -	\$ -	\$ 8,401
-	-	-	20,385
<u>-</u>	<u>-</u>	<u>-</u>	<u>28,786</u>

-	-	-	917,565
-	676,319	338,765	1,015,084
20,049	-	-	20,960
-	-	-	31,102
<u>20,049</u>	<u>676,319</u>	<u>338,765</u>	<u>1,984,711</u>

<u>\$ 20,049</u>	<u>\$ 676,319</u>	<u>\$ 338,765</u>	<u>\$ 2,013,497</u>
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City of Cleveland, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2025

	Hotel/Motel Fund	Money Seizures Fund	Fire Department	Court Technology
Revenues				
Sales taxes	\$ 323,837	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	5,451	-	-
Investment income	3,950	13	4	-
Other revenue	-	105	-	-
Total Revenues	327,787	5,569	4	-
Expenditures				
Economic development	228,934	-	-	-
Municipal court	-	-	-	-
Police department	-	16,119	-	-
Capital outlay	-	-	-	-
Total Expenditures	228,934	16,119	-	-
Revenues Over (Under) Expenditures	98,853	(10,550)	4	-
Net Change in Fund Balances	98,853	(10,550)	4	-
Beginning fund balances	818,712	40,849	799	911
Ending Fund Balances	\$ 917,565	\$ 30,299	\$ 803	\$ 911

<u>Court Security</u>	<u>TIRZ #1</u>	<u>TIRZ #2</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 323,837
-	666,487	338,348	1,004,835
-	-	-	5,451
-	1,274	489	5,730
-	-	-	105
<u>-</u>	<u>667,761</u>	<u>338,837</u>	<u>1,339,958</u>
-	603,712	509,965	1,342,611
21,256	-	-	21,256
-	-	-	16,119
-	-	-	-
<u>21,256</u>	<u>603,712</u>	<u>509,965</u>	<u>1,379,986</u>
<u>(21,256)</u>	<u>64,049</u>	<u>(171,128)</u>	<u>(40,028)</u>
(21,256)	64,049	(171,128)	(40,028)
41,305	612,270	509,893	2,024,739
<u>\$ 20,049</u>	<u>\$ 676,319</u>	<u>\$ 338,765</u>	<u>\$ 1,984,711</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, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 1,805,307	\$ 2,678,346	\$ 873,039
Intergovernmental revenue	-	187,664	187,664
Investment income	3,500	8,204	4,704
Total Revenues	1,808,807	2,874,214	1,065,407
<u>Expenditures</u>			
Debt Service:			
Principal	1,677,533	1,506,511	171,022
Interest and fiscal charges	349,812	263,517	86,295
Total Expenditures	2,027,345	1,770,028	257,317
Revenues Over (Under) Expenditures	(218,538)	1,104,186	1,322,724
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	(437,249)	(437,249) *
Total Other Financing Sources (Uses)	-	(437,249)	(437,249)
Net Change in Fund Balances	\$ (218,538)	666,937	\$ 885,475
Beginning fund balances		921,502	
Ending Fund Balances		\$ 1,588,439	

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, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 262,500	\$ 323,837	\$ 61,337
Investment income	2,000	3,950	1,950
Total Revenues	264,500	327,787	63,287
 <u>Expenditures</u>			
Economic development	242,301	228,934	13,367
Capital outlay	184,088	-	184,088
Total Expenditures	426,389	228,934	197,455
Revenues Over (Under) Expenditures	(161,889)	98,853	260,742
Net Change in Fund Balances	\$ (161,889)	98,853	\$ 260,742
Beginning fund balances		818,712	
Ending Fund Balances		\$ 917,565	

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, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 731,710	\$ 666,487	\$ (65,223)
Investment income	500	1,274	774
Total Revenues	732,210	667,761	(64,449)
 <u>Expenditures</u>			
TIRZ expenses	732,210	603,712	128,498
Total Expenditures	732,210	603,712	128,498
Revenues Over (Under) Expenditures	-	64,049	64,049
Net Change in Fund Balances	\$ -	64,049	\$ 64,049
Beginning fund balances		612,270	
Ending Fund Balances		\$ 676,319	

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 #2
For the Year Ended September 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 338,499	\$ 338,348	\$ (151)
Investment income	500	489	(11)
Total Revenues	338,999	338,837	(162)
 <u>Expenditures</u>			
Economic development	509,999	509,965	34
Total Expenditures	509,999	509,965	34
Revenues Over (Under) Expenditures	(171,000)	(171,128)	(128)
Net Change in Fund Balances	\$ (171,000)	(171,128)	\$ (128)
Beginning fund balances		509,893	
Ending Fund Balances		\$ 338,765	

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 annual comprehensive 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)

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	\$ 9,300,893	\$ 7,530,596	\$ 8,525,256	\$ 10,618,793
Restricted	1,480,473	1,524,020	1,482,062	1,019,640
Unrestricted	3,632,188	3,301,477	5,108,055	5,391,640
Total Governmental Activities Net Position	\$ 14,413,554	\$ 12,356,093	\$ 15,115,373	\$ 17,030,073
Business-type Activities				
Net investment in capital assets	\$ 10,020,518	\$ 12,222,622	\$ 12,060,753	\$ 12,736,499
Restricted	-	-	-	-
Unrestricted	1,882,829	2,113,244	1,431,007	906,227
Total Business-type Activities Net Position	\$ 11,903,347	\$ 14,335,866	\$ 13,491,760	\$ 13,642,726
Primary Government				
Net investment in capital assets	\$ 19,321,411	\$ 19,753,218	\$ 20,586,009	\$ 23,355,292
Restricted	1,480,473	1,524,020	1,482,062	1,019,640
Unrestricted	5,515,017	5,414,721	6,539,062	6,297,867
Total Primary Government Net Position	\$ 26,316,901	\$ 26,691,959	\$ 28,607,133	\$ 30,672,799

Source: City's Audited Financial Statements

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 10,844,439	\$ 13,187,163	\$ 11,588,852	\$ 14,379,333	\$ 16,539,511	\$ 18,677,948
528,756	1,677,498	1,791,596	2,352,899	2,996,381	3,586,206
5,941,535	5,439,899	8,081,895	6,806,172	7,564,999	8,690,905
<u>\$ 17,314,730</u>	<u>\$ 20,304,560</u>	<u>\$ 21,462,343</u>	<u>\$ 23,538,404</u>	<u>\$ 27,100,891</u>	<u>\$ 30,955,059</u>
\$ 13,809,538	\$ 12,067,638	\$ 15,581,792	\$ 18,839,662	\$ 31,986,929	\$ 33,910,805
-	-	-	-	-	-
1,500,035	3,916,608	2,794,809	3,528,292	5,660,925	3,320,805
<u>\$ 15,309,573</u>	<u>\$ 15,984,246</u>	<u>\$ 18,376,601</u>	<u>\$ 22,367,954</u>	<u>\$ 37,647,854</u>	<u>\$ 37,231,610</u>
\$ 24,653,977	\$ 25,254,801	\$ 27,170,644	\$ 33,218,995	\$ 48,526,440	\$ 52,588,753
528,756	1,677,498	1,791,596	2,352,899	2,996,381	3,586,206
7,441,570	9,356,507	10,876,704	10,334,464	13,225,924	12,011,710
<u>\$ 32,624,303</u>	<u>\$ 36,288,806</u>	<u>\$ 39,838,944</u>	<u>\$ 45,906,358</u>	<u>\$ 64,748,745</u>	<u>\$ 68,186,669</u>

City of Cleveland, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government:	\$ 1,103,435	\$ 1,183,915	\$ 1,285,000	\$ 1,447,736
Public safety	3,337,458	3,436,830	3,555,562	3,703,467
Public works	216,938	196,678	485,250	461,180
Transportation	752,884	933,812	678,439	757,647
Culture and recreation:	1,161,286	1,254,290	1,243,431	1,395,381
Grants	-	716,105	-	-
Economic development	198,116	204,066	272,960	202,728
Interest	269,796	368,281	316,888	286,837
Total governmental activities	<u>7,039,913</u>	<u>8,293,977</u>	<u>7,837,530</u>	<u>8,254,976</u>
Business-type activities:				
Water and sewer	2,638,757	2,731,814	2,854,161	3,000,660
Total business-type activities	<u>2,638,757</u>	<u>2,731,814</u>	<u>2,854,161</u>	<u>3,000,660</u>
Total primary government	<u>\$ 9,678,670</u>	<u>\$ 11,025,791</u>	<u>\$ 10,691,691</u>	<u>\$ 11,255,636</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 655,966	\$ 440,672	\$ 527,371	\$ 478,081
Public works	64,024	188,800	443,939	218,940
Transportation	101,303	103,074	106,371	149,134
Culture and recreation	176,264	158,459	180,669	192,845
Operating grants and contributions	299,135	311,487	230,653	288,387
Capital grants and contributions	1,977,877	17,375	-	248,843
Total governmental activities	<u>3,274,569</u>	<u>1,219,867</u>	<u>1,489,003</u>	<u>1,576,230</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,432,391	3,471,283	3,503,244	3,545,253
Operating grants and contributions	-	-	-	-
Capital grants and contributions	220,248	320,273	-	43,882
Total business-type activities	<u>3,652,639</u>	<u>3,791,556</u>	<u>3,503,244</u>	<u>3,589,135</u>
Total primary government	<u>\$ 6,927,208</u>	<u>\$ 5,011,423</u>	<u>\$ 4,992,247</u>	<u>\$ 5,165,365</u>
Net (Expense)/Revenue				
Governmental activities	\$ (3,765,344)	\$ (7,074,110)	\$ (6,348,527)	\$ (6,678,746)
Business-type activities	1,013,882	1,059,742	649,083	588,475
Total primary government	<u>\$ (2,751,462)</u>	<u>\$ (6,014,368)</u>	<u>\$ (5,699,444)</u>	<u>\$ (6,090,271)</u>

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	1,416,600	\$ 1,529,229	\$ 1,532,194	\$ 1,787,082	\$ 2,105,053	\$ 2,118,610
	3,982,916	4,427,708	4,952,951	5,600,367	5,627,657	6,537,583
	459,795	706,638	1,075,180	831,635	791,981	829,086
	761,901	940,466	929,148	950,090	1,285,109	1,440,218
	1,316,044	1,397,441	1,510,373	1,729,161	1,750,321	1,338,802
	-	-	-	-	-	-
	144,123	135,014	159,971	216,786	194,757	733,184
	267,390	390,359	322,436	300,858	259,203	215,921
	<u>8,348,769</u>	<u>9,526,855</u>	<u>10,482,253</u>	<u>11,415,979</u>	<u>12,014,081</u>	<u>13,213,404</u>
	<u>3,103,284</u>	<u>3,289,684</u>	<u>3,597,096</u>	<u>4,081,870</u>	<u>4,570,718</u>	<u>5,047,999</u>
	<u>3,103,284</u>	<u>3,289,684</u>	<u>3,597,096</u>	<u>4,081,870</u>	<u>4,570,718</u>	<u>5,047,999</u>
\$	<u>11,452,053</u>	<u>\$ 12,816,539</u>	<u>\$ 14,079,349</u>	<u>\$ 15,497,849</u>	<u>\$ 16,584,799</u>	<u>\$ 18,261,403</u>
\$	267,966	\$ 243,245	\$ 291,135	\$ 209,610	\$ 173,985	\$ 175,454
	286,355	764,131	698,711	492,075	431,589	532,773
	289,370	288,005	334,504	324,527	-	-
	211,361	50,398	272,674	351,417	999,078	1,308,501
	477,781	2,434,293	2,507,878	1,155,079	434,586	717,052
	314,546	324,468	15,205	524,429	294,327	1,100
	<u>1,847,379</u>	<u>4,104,540</u>	<u>4,120,107</u>	<u>3,057,137</u>	<u>2,333,565</u>	<u>2,734,880</u>
	3,528,833	3,805,008	4,142,960	4,629,529	4,853,435	5,463,007
	-	-	-	-	-	-
	272,676	31,175	3,200	3,404,213	15,680,546	218,850
	<u>3,801,509</u>	<u>3,836,183</u>	<u>4,146,160</u>	<u>8,033,742</u>	<u>20,533,981</u>	<u>5,681,857</u>
\$	<u>5,648,888</u>	<u>\$ 7,940,723</u>	<u>\$ 8,266,267</u>	<u>\$ 11,090,879</u>	<u>\$ 22,867,546</u>	<u>\$ 8,416,737</u>
\$	(6,501,390)	\$ (5,422,315)	\$ (6,362,146)	\$ (8,358,842)	\$ (9,680,516)	\$ (10,478,524)
	698,225	546,499	549,064	3,951,872	15,963,263	633,858
\$	<u>(5,803,165)</u>	<u>\$ (4,875,816)</u>	<u>\$ (5,813,082)</u>	<u>\$ (4,406,970)</u>	<u>\$ 6,282,747</u>	<u>\$ (9,844,666)</u>

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,677,409	\$ 2,760,419	\$ 2,901,329	\$ 3,063,702
Sales and other taxes	3,096,142	3,004,420	3,268,102	4,348,951
Franchise taxes	497,207	490,642	522,006	475,052
Earnings on investments	46,808	51,997	65,180	119,109
Gain on sale of assets	2,860	3,830	147,514	5,000
Grants and contributions not restricted to specific programs	-	-	716,105	80,930
Proceeds from insurance	29,941	28,826	125,738	11,112
Miscellaneous	9,676	20,132	14,960	15,643
Transfers	-	-	-	473,947
Total governmental activities	<u>6,360,043</u>	<u>6,360,266</u>	<u>7,760,934</u>	<u>8,593,446</u>
Business-type activities:				
Investment earnings	39,255	29,160	40,798	33,129
Proceeds from insurance	3,310	-	41,037	3,309
Miscellaneous	-	-	-	-
Transfers	-	-	-	(473,947)
Total business-type activities	<u>42,565</u>	<u>29,160</u>	<u>81,835</u>	<u>(437,509)</u>
Total primary government	<u>\$ 6,402,608</u>	<u>\$ 6,389,426</u>	<u>\$ 7,842,769</u>	<u>\$ 8,155,937</u>
Change in Net Position				
Governmental activities	\$ 2,594,699	\$ (713,844)	\$ 1,412,407	\$ 1,914,700
Business-type activities	1,056,447	1,088,902	730,918	150,966
Total primary government	<u>\$ 3,651,146</u>	<u>\$ 375,058</u>	<u>\$ 2,143,325</u>	<u>\$ 2,065,666</u>

Source: City's Audited Financial Statements

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 3,188,794	\$ 3,586,950	\$ 4,166,969	\$ 4,973,404	\$ 6,297,302	\$ 6,893,576
3,513,801	3,923,615	4,384,744	4,393,269	5,074,753	5,223,472
597,880	608,222	606,617	715,663	624,164	649,834
92,382	24,262	40,464	161,689	242,298	264,191
9,025	-	-	-	-	-
-	-	-	-	-	-
-	320,433	-	-	-	96,132
275,453	65,876	98,354	80,181	206,379	113,800
(891,288)	(117,213)	(1,777,219)	17,577	798,107	1,230,509
<u>6,786,047</u>	<u>8,412,145</u>	<u>7,519,929</u>	<u>10,341,783</u>	<u>13,243,003</u>	<u>14,471,514</u>
15,517	3,612	11,921	50,006	107,004	136,493
61,817	7,349	54,151	7,052	7,740	-
-	-	-	-	-	88,773
891,288	117,213	1,777,219	(17,577)	(798,107)	(1,230,509)
<u>968,622</u>	<u>128,174</u>	<u>1,843,291</u>	<u>39,481</u>	<u>(683,363)</u>	<u>(1,005,243)</u>
<u>\$ 7,754,669</u>	<u>\$ 8,540,319</u>	<u>\$ 9,363,220</u>	<u>\$ 10,381,264</u>	<u>\$ 12,559,640</u>	<u>\$ 13,466,271</u>
\$ 284,657	\$ 2,989,830	\$ 1,157,783	\$ 1,982,941	\$ 3,562,487	\$ 3,992,990
1,666,847	674,673	2,392,355	3,991,353	15,279,900	(371,385)
<u>\$ 1,951,504</u>	<u>\$ 3,664,503</u>	<u>\$ 3,550,138</u>	<u>\$ 5,974,294</u>	<u>\$ 18,842,387</u>	<u>\$ 3,621,605</u>

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General fund:				
Restricted	\$ -	\$ -	\$ -	\$ -
Nonspendable	51,259	-	-	-
Committed	38,488	38,488	38,488	38,488
Assigned	-	-	-	-
Unassigned	4,322,500	4,069,926	5,867,923	6,324,013
Total general fund	<u>\$ 4,412,247</u>	<u>\$ 4,108,414</u>	<u>\$ 5,906,411</u>	<u>\$ 6,362,501</u>
All other governmental funds:				
Restricted	1,313,553	3,123,318	2,133,350	2,321,334
Nonspendable	482	-	-	-
Committed	768	773	779	785
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 1,314,803</u>	<u>\$ 3,124,091</u>	<u>\$ 2,134,129</u>	<u>\$ 2,322,119</u>

Source: City's Audited Financial Statements

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ -	\$ -	\$ 1,277,439	\$ 30,418	\$ 36,033	\$ 61,246
-	-	24,564	53,631	64,304	-
38,488	38,488	-	-	-	-
-	-	-	-	-	-
6,486,814	6,940,934	7,037,476	7,253,232	7,755,946	8,993,703
<u>\$ 6,525,302</u>	<u>\$ 6,979,422</u>	<u>\$ 8,339,479</u>	<u>\$ 7,337,281</u>	<u>\$ 7,856,283</u>	<u>\$ 9,054,949</u>
1,061,518	8,457,554	3,321,521	2,731,680	2,960,348	3,586,206
-	-	-	-	-	-
-	-	-	-	-	-
<u>(5,445)</u>	<u>(2,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,056,073</u>	<u>\$ 8,454,709</u>	<u>\$ 3,321,521</u>	<u>\$ 2,731,680</u>	<u>\$ 2,960,348</u>	<u>\$ 3,586,206</u>

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2016	2017	2018	2019
Revenues				
Property taxes	\$ 2,705,538	\$ 2,695,641	\$ 2,929,142	\$ 3,059,338
Sales and other taxes	3,096,142	3,004,420	3,268,102	4,348,951
Franchise taxes	497,207	490,642	522,006	475,052
Licenses, permits, & fees	56,771	188,172	427,083	210,299
Charges for services	405,417	384,906	442,047	489,458
Fines and forfeitures	524,092	312,075	381,190	324,470
Intergovernmental	2,001,438	29,417	3,145	279,434
Earnings on investments	46,808	51,997	65,180	119,109
Contributions	273,924	300,693	577,508	378,726
Miscellaneous	22,603	24,736	22,990	41,528
Total Revenues	9,629,940	7,482,699	8,638,393	9,726,365
Expenditures				
General government	1,034,477	1,116,386	1,194,425	1,362,220
Public safety	3,114,285	3,117,794	3,216,720	3,384,659
Public works	215,059	189,159	470,129	446,155
Transportation	610,752	656,843	399,755	472,316
Culture and recreation	896,788	967,403	947,367	1,073,846
Grants	-	716,105	-	-
Economic Development	197,764	202,139	269,810	200,911
Capital outlay	3,075,355	345,281	1,649,264	1,125,002
Debt service:				
Principal	1,089,755	1,055,000	1,145,000	1,180,000
Interest	255,863	247,358	354,223	316,123
Bond issuance costs	33,043	124,186	-	-
Total Expenditures	10,523,141	8,737,654	9,646,693	9,561,232
Revenues Over (Under)				
Expenditures	(893,201)	(1,254,955)	(1,008,300)	165,133

	2020	2021	2022	2023	2024	2025
\$	3,188,794	\$ 3,586,950	\$ 4,007,791	\$ 4,916,606	\$ 6,206,788	\$ 6,783,603
	3,513,801	3,923,615	4,384,744	4,393,269	5,074,753	5,223,472
	597,880	608,222	606,617	715,663	624,164	649,834
	286,355	764,131	698,711	492,075	431,589	532,773
	500,731	509,508	607,178	675,944	999,078	1,308,501
	267,966	243,245	291,135	209,610	173,985	175,454
	502,498	2,697,871	2,598,587	1,652,785	395,002	669,775
	92,382	24,262	40,464	161,689	242,298	264,191
	365,982	189,200	23,087	26,723	44,534	48,377
	271,246	64,376	66,816	111,899	199,679	111,950
	<u>9,587,635</u>	<u>12,611,380</u>	<u>13,325,130</u>	<u>13,356,263</u>	<u>14,391,870</u>	<u>15,767,930</u>
	1,314,318	1,433,741	1,459,830	1,707,379	2,051,673	2,054,833
	3,833,182	4,313,538	4,834,057	5,502,949	5,407,728	6,182,889
	324,175	453,979	698,794	425,388	522,454	567,060
	587,956	764,924	851,975	789,377	1,102,648	1,307,867
	1,034,135	1,117,528	1,188,393	1,356,516	1,424,537	1,299,742
	-	-	-	-	-	-
	147,198	137,840	164,194	532,856	561,492	1,342,611
	1,078,543	1,555,266	5,889,250	3,084,737	1,540,215	973,070
	1,210,000	935,000	1,205,746	1,455,033	1,519,366	1,610,460
	279,110	251,520	347,190	351,191	318,894	275,324
	64,009	168,158	-	-	-	-
	<u>9,872,626</u>	<u>11,131,494</u>	<u>16,639,429</u>	<u>15,205,426</u>	<u>14,449,007</u>	<u>15,613,856</u>
	(284,991)	1,479,886	(3,314,299)	(1,849,163)	(57,137)	154,074

City of Cleveland, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS (Continued)

Last Ten Years

(modified accrual basis of accounting)

	2016	2017	2018	2019
Other Financing Sources (Uses)				
Sale of assets	\$ 2,860	\$ 3,830	\$ 147,514	\$ 5,000
Insurance proceeds	29,941	28,826	125,738	-
Debt issuance	930,000	4,071,371	-	-
Lease issuance	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in (out)	829,903	(1,343,617)	1,543,083	473,947
Total Other Financing Sources (Uses)	1,792,704	2,760,410	1,816,335	478,947
Net Change in Fund Balances	\$ 899,503	\$ 1,505,455	\$ 808,035	\$ 644,080
Ratio of total debt service expenditures to noncapital	18%	16%	19%	18%

Source: City's Audited Financial Statements

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 9,025	\$ 1,500	\$ 31,538	\$ 38,157	\$ 6,700	\$ 1,850
-	320,433	-	-	-	96,132
-	5,745,000	1,276,045	-	-	-
-	-	-	201,390	-	341,959
2,030,000	-	-	-	-	-
-	423,150	-	-	-	-
(1,965,991)	-	-	-	-	-
<u>(891,288)</u>	<u>(117,213)</u>	<u>(1,777,219)</u>	<u>17,577</u>	<u>798,107</u>	<u>1,230,509</u>
<u>(818,254)</u>	<u>6,372,870</u>	<u>(469,636)</u>	<u>257,124</u>	<u>804,807</u>	<u>1,670,450</u>
<u>\$ (1,103,245)</u>	<u>\$ 7,852,756</u>	<u>\$ (3,783,935)</u>	<u>\$ (1,592,039)</u>	<u>\$ 747,670</u>	<u>\$ 1,824,524</u>
17%	12%	14%	16%	15%	14%

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City of Cleveland, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2024	960,120,832	102,722,022	264,269,587	798,573,267	0.77000
2025	1,058,275,813	113,771,297	291,300,724	880,746,386	0.77000

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

	2016	2017	2018	2019
Direct Rates:				
City of Cleveland - Operating	0.54200	0.56568	0.53568	0.54450
City of Cleveland - Debt Service	0.23800	0.20432	0.23432	0.22550
Total Direct Rate	0.78000	0.77000	0.77000	0.77000
 Overlapping Rates:				
Liberty County	0.57880	0.57880	0.57880	0.57880
Cleveland ISD	1.31500	1.38000	1.41500	1.41500
Total Entities	1.89380	1.95880	1.99380	1.99380

Tax rates per \$100 of assessed valuation.

Source: Liberty County Appraisal Districts and City records.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
0.54450	0.50280	0.50290	0.46771	0.42524	0.361161
0.22550	0.25720	0.25210	0.24790	0.34476	0.408839
<u>0.77000</u>	<u>0.76000</u>	<u>0.75500</u>	<u>0.71561</u>	<u>0.77000</u>	<u>0.77000</u>
0.57880	0.55430	0.55430	0.47990	0.47000	0.47000
1.34500	1.24970	1.24700	1.21180	1.02640	1.02410
<u>1.92380</u>	<u>1.80400</u>	<u>1.80130</u>	<u>1.69170</u>	<u>1.49640</u>	<u>1.49410</u>

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

Property Tax Payer	2025			2016		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Home Rent 2 LLC	\$ 33,551,016	1	3.81%	\$ -	n/a	-
Mckinley Development Co Inc.	13,354,723	2	1.52%	-	n/a	-
Wal-Mart Real Estate	11,782,440	3	1.34%	-	n/a	-
HM South Texas Concrete	11,453,090	4	1.30%	-	n/a	-
Entergy Texas Inc.	10,048,640	5	1.14%	-	n/a	-
Brookline Land Investments	7,888,280	6	0.90%	-	n/a	-
BNSF Railway Company	7,774,720	7	0.88%	-	n/a	-
Door Hospitality	6,908,120	8	0.78%	-	n/a	-
Yellow Rose Commercial	5,846,178	9	0.66%	-	n/a	-
Cleveland Auto Properties	5,738,710	10	0.65%	-	n/a	-
NHCI of Hillsboro Inc.	-	n/a	-	9,758,380	1	3.17%
Wal-Mart Real Estate	-	n/a	-	8,127,150	2	2.64%
Cleveland Diagnostic Plaza	-	n/a	-	7,589,950	3	2.46%
Wal-Mart Stores of Texas, LLC	-	n/a	-	6,590,880	4	2.14%
Entergy Texas Inc.	-	n/a	-	4,546,810	5	1.48%
Southwestern Bell Telephone LP	-	n/a	-	3,634,710	6	1.18%
Cleveland Regional Medical Corp.	-	n/a	-	3,589,110	7	1.17%
Tobin Ben Co.	-	n/a	-	3,009,370	8	0.98%
Sleepy Hollow Holdings LP	-	n/a	-	2,821,660	9	0.92%
Campbell Concrete & Materials, LP	-	n/a	-	2,638,100	10	0.86%
Total	\$ 114,345,917		12.98%	\$ 52,306,120		17.00%
Total Assessed Valuation	\$ 880,746,386		100%	\$ 307,679,650		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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Tax levy	\$ 2,665,275	\$ 2,815,854	\$ 2,994,333	\$ 3,183,951
Current tax collected	\$ 2,467,612	\$ 2,509,840	\$ 2,696,797	\$ 2,864,968
Percent of current tax collections	92.58%	89.13%	90.06%	89.98%
Delinquent tax collections	\$ 174,845	\$ 280,265	\$ 267,145	\$ 275,160
Total tax collections	\$ 2,642,457	\$ 2,790,106	\$ 2,963,942	\$ 3,140,129
Total collections as a percentage of levy	99.1%	99.1%	99.0%	98.6%

Source: Liberty, Montgomery and San Jacinto County reports.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 3,186,119	\$ 3,560,554	\$ 3,824,817	\$ 4,770,465	\$ 5,915,029	\$ 6,513,674
\$ 3,031,165	\$ 3,419,960	\$ 3,650,616	\$ 4,547,179	\$ 5,655,876	\$ 6,222,463
95.14%	96.05%	95.45%	95.32%	95.62%	95.53%
\$ 109,050	\$ 87,395	\$ 106,964	\$ 122,771	\$ 93,358	\$ -
\$ 3,140,215	\$ 3,507,355	\$ 3,757,580	\$ 4,669,950	\$ 5,749,234	\$ 6,222,463
98.6%	98.5%	98.2%	97.9%	97.2%	95.5%

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities:				
Deferred amounts:				
Premium	\$ 365,087	\$ 482,555	\$ 442,210	\$ 401,865
Certificates of Obligation	2,565,000	6,275,000	5,935,000	5,570,000
General Obligation Refunding Bonds	5,770,000	5,115,000	4,505,000	3,885,000
Other notes payable	780,000	590,000	395,000	200,000
Lease & SBITA liabilities	-	-	-	-
Business-type activities:				
Certificates of Obligation	\$ 4,440,000	\$ 4,210,000	\$ 3,975,000	\$ 3,400,000
Premium	79,543	74,698	69,853	65,008
General Obligation Refunding Bonds	-	-	-	-
Notes payable	-	-	-	-
Total primary government	<u>\$ 13,999,630</u>	<u>\$ 16,747,253</u>	<u>\$ 15,322,063</u>	<u>\$ 13,521,873</u>
Percentage of personal income (1)	9.09%	10.84%	9.80%	8.58%
Per capita (1)	\$ 1,777	\$ 2,119	\$ 1,916	\$ 1,677

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 125.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 361,678	\$ 728,366	\$ 671,904	\$ 615,442	\$ 558,980	\$ 502,518
3,210,000	8,675,000	8,150,000	7,575,000	6,987,500	6,383,750
5,285,000	4,630,000	3,960,000	3,260,000	2,550,000	1,825,000
-	-	1,276,045	1,107,235	934,119	756,587
-	38,727	27,981	218,148	169,398	407,179
\$ 3,180,000	\$ 1,915,000	\$ 1,835,000	\$ 1,740,000	\$ 1,642,500	\$ 1,541,250
60,007	411,089	382,709	354,329	325,948	297,568
-	2,740,000	2,545,000	2,330,000	2,110,000	1,880,000
-	-	-	-	2,639,307	3,354,307
<u>\$ 12,096,685</u>	<u>\$ 19,138,182</u>	<u>\$ 18,848,639</u>	<u>\$ 17,200,154</u>	<u>\$ 17,917,752</u>	<u>\$ 16,948,159</u>
7.37%	11.66%	11.34%	8.93%	7.21%	6.18%
\$ 1,441	\$ 2,279	\$ 2,355	\$ 2,023	\$ 2,003	\$ 1,877

City of Cleveland, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2016	2017	2018	2019
NET TAXABLE ASSESSED VALUE				
All property	\$ 307,679,650	\$ 320,628,908	\$ 338,745,936	\$ 356,017,330
NET BONDED DEBT (1)				
Gross bonded debt	13,219,630	16,157,253	14,927,063	13,321,873
Less: debt service funds	537,878	585,724	595,066	282,175
Net Bonded Debt	\$ 12,681,752	\$ 15,571,529	\$ 14,331,997	\$ 13,039,698
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	4.12%	4.86%	4.23%	3.66%
POPULATION	7,879	7,904	7,998	8,061
NET BONDED DEBT PER CAPITA	\$ 1,610	\$ 1,970	\$ 1,792	\$ 1,618

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

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 539,283,136	\$ 414,673,921	\$ 632,473,288	\$ 688,862,089	\$ 798,573,267	\$ 880,746,386
12,096,685	19,099,455	18,820,658	17,200,154	17,917,752	16,948,159
289,042	620,505	736,630	961,790	921,502	1,588,439
<u>\$ 11,807,643</u>	<u>\$ 18,478,950</u>	<u>\$ 18,084,028</u>	<u>\$ 16,238,364</u>	<u>\$ 16,996,250</u>	<u>\$ 15,359,720</u>
2.19%	4.46%	2.86%	2.36%	2.13%	1.74%
8,396	8,396	8,003	8,503	8,946	9,029
\$ 1,406	\$ 2,201	\$ 2,260	\$ 1,910	\$ 1,900	\$ 1,701

City of Cleveland, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2025

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	\$ 301,189,989 **	1.35%	\$ 4,051,005
Liberty County	28,478,050 ***	6.58%	1,873,856
	329,668,039		
Subtotal, overlapping debt			5,924,861
City Direct Debt			9,875,034
Total Direct and Overlapping Debt			\$ 15,799,895

Sources: Taxing Entities and City, Cleveland ISD, and Liberty County.

* 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 8/31/2024

*** As of 9/30/2024

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>
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%
2024	8,946	248,484,096	27,776	4.4%
2025	9,029	274,165,585	30,365	4.1%

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 Five Years Ago

Employer	2025			2020*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cleveland ISD	2,031	1	25.20%	1,200	1	16.02%
Wal-Mart Supercenter	326	2	4.04%	340	2	4.54%
Texas Emergency Hospital	175	3	2.17%	187	3	2.50%
Union Tank Co.	123	5	1.53%	176	5	2.35%
City of Cleveland	119	4	1.48%	103	4	1.38%
Cleveland Correctional Center	103	6	1.28%	92	6	1.23%
H-E-B Foods	90	7	1.12%	90	7	1.20%
Cleveland Health Care Center	65	8	0.81%	87	8	1.16%
Martin Chevrolet Buick GMC	62	9	0.77%	61	9	0.81%
McCoy's Building Supply	40	10	0.50%	48	10	0.64%
Total	3,134		38.88%	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 five years prior 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government and administration	18	19	18	20	18	14	13	13	15	16
Public safety	55	55	56	59	53	54	57	61	55	60
Public works	6	6	6	8	7	6	8	8	10	10
Culture and recreation	15	13	17	14	13	13	13	17	19	18
Water and sewer	17	16	14	14	12	9	13	12	12	10
Community development	4	4	3	4	3	2	4	2	3	3
Economic development	-	-	-	1	1	1	1	1	2	2
Total	<u>115</u>	<u>113</u>	<u>114</u>	<u>120</u>	<u>107</u>	<u>99</u>	<u>109</u>	<u>114</u>	<u>116</u>	<u>119</u>

Sources: Various City departments.

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

Function/Program	2016	2017	2018	2019	2020
Public safety					
Police					
Number of employees	37	34	36	39	32
Number of violations (citations)	1,818	1,690	2,780	2,191	1,636
Fire					
Number of employees	18	18	19	19	19
Number of volunteers	19	18	15	16	16
Number of fire runs	2,112	2,639	2,158	2,245	1,712
Public works					
Streets (miles)	52	52	52	54	56
Building permits issued	610	549	854	875	1,220
Cultural and recreational					
Parks and recreation					
Park maintain & operate per acre	133	133	133	133	133
Participants in parks programs					
Library					
Volumes in collection	61,389	59,237	61,365	68,696	68,475
Water and sewer					
Number of water connections	2,470	2,452	2,451	2,471	2,526
Number of sewer connections	2,278	2,250	2,251	2,261	2,306
Average daily water consumption ^a	1.42	1.42	0.49	0.73	0.75
Maximum storage capacity ^a	2.7	2.7	2.7	2.7	2.7

Sources: Various City departments.

^a Millions of gallons

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
35	35	36	32	37
1,721	2,384	1,937	1,650	1,618
20	24	23	23	23
14	7	6	6	9
2,181	2,261	2,688	2,774	2,640
56	56	56	78	80
1,682	1,821	1,149	1,133	1,280
133	133	133	133	133
47,664	47,922	49,793	42,767	47,224
2,837	2,995	3,124	3,149	3,245
2,600	2,754	2,767	2,913	3,081
0.77	1.10	0.93	1.07	1.31
3.3	3.8	3.7	3.7	3.7

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

Function/Program	2016	2017	2018	2019
Public safety				
Police stations	1	1	1	1
Police patrol units	17	19	18	18
Fire stations	1	1	1	1
Public works				
Streets-paved (miles)	52	52	52	54
Cultural and recreational				
Parks (acres)	133	133	133	133
Playgrounds	3	3	5	5
Library	1	1	1	1
Water and sewer				
Fire hydrants	300	300	300	300
Ground storage facilities	7	7 #	7	7
Elevated storage facilities	2	2	2	2
Lift stations	17	17	17	18

Sources: Various City departments.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1	1	1	1	1	1
17	20	20	17	19	21
1	1	1	2	2	2
56	56	56	56	78	80
133	133	133	133	133	133
5	5	5	5	4	4
1	1	1	1	1	1
300	400	400	400	400	460
7	8	8	8	8	8
2	2	3	3	3	3
18	19	20	20	20	20