

**CITY OF CLEVELAND
CLEVELAND, OKLAHOMA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

THE CITY OF CLEVELAND, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2022

Table of Contents

Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	4
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	5
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis – Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balance to the Government-Wide Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	9
Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	10
Statement of Fund Net Position – Modified Cash Basis- Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	12
Statement of Cash Flow – Modified Cash Basis – Proprietary Funds	13
Notes to Basic Financial Statements	14
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Modified Cash Basis) and Actual	31
Notes to Supplemental Information	34
Combining and Individual Fund Statements:	
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis – Nonmajor Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis- Nonmajor Governmental Funds	36
Schedule of Expenditures of Federal Awards	37
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	38



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Cleveland, Oklahoma

Disclaimer of Opinion and Unmodified Opinions

We were engaged to audit the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer of Opinion
Business-Type Activities	Disclaimer of Opinion
Governmental Fund - General Fund	Unmodified
Enterprise Fund – Municipal Authority	Disclaimer of Opinion
Enterprise Fund – Airport Authority	Disclaimer of Opinion
Enterprise Fund – CEFA	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion

Because of the significance of the matter discussed in the "Basis for Disclaimer of Opinion and Unmodified Opinions" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the opinion units referenced above for the City of Cleveland, Oklahoma. Accordingly, we do not express an opinion on the opinion units referred to above.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, CEFA, and the Aggregate Remaining Fund Information of the City of Cleveland, Oklahoma, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the City of Cleveland, Oklahoma, 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 unmodified audit opinions.

As discussed in Note C to the financial statements, management has not maintained complete capital asset records to support the historical cost of past capital asset purchases for the governmental or business-type activities. In addition, capital assets of the governmental activities that were recorded were all depreciated over useful life of forty years. Modified cash basis of accounting requires that those assets be depreciated over the useful economic or service life. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 of Cleveland, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the audit opinion units listed above. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 of Cleveland, Oklahoma'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 of Cleveland, Oklahoma's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion of the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Oklahoma's basic financial statements. The budgetary comparison information, which is the responsibility of management, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

The combining and individual nonmajor fund financial statements—modified cash basis and the schedule of expenditure of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 combining and individual nonmajor fund financial statements—modified cash basis and the schedule of expenditure of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024 on our consideration of the City of Cleveland, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cleveland, Oklahoma's internal control over financial reporting and compliance.



October 7, 2024
Oklahoma City, Oklahoma

CITY OF CLEVELAND
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 2,176,782	\$ 2,455,516	\$ 4,632,298
Cash on hand	-	100	100
Due to/from others	-	-	-
Due from golf course	-	64,614	64,614
Restricted assets:			
Cash and investments (Note 1)	127,532	7,327,526	7,455,058
Cash, insurance deposit	95,645	-	95,645
Capital assets:			
Land	-	768,000	768,000
Work in process	-	4,717,699	4,717,699
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	3,973,114	6,308,933	10,282,047
Total assets	6,373,073	21,642,388	28,015,461
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Payroll taxes payable	126	22,621	22,747
Meter deposits	-	293,520	293,520
Rental deposits	-	4,970	4,970
Notes payable (Note 2)	-	99,674	99,674
Revenue bonds payable (Note 2)	-	330,000	330,000
Non-current liabilities:			
Notes payable (Note 2)	-	854,901	854,901
Revenue bonds payable (Note 2)	-	10,050,000	10,050,000
Total liabilities	126	11,655,686	11,655,812
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Net investment in capital assets	3,973,114	460,057	4,433,171
Restricted	719,517	-	719,517
Unrestricted	1,680,316	9,526,645	11,206,961
Total net position	\$ 6,372,947	\$ 9,986,702	\$ 16,359,649

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk	\$ 61,584	\$ -	\$ -	\$ -	\$ (61,584)
City treasurer	1,500	-	-	-	(1,500)
General government	10,562	5,138	517,726	-	512,302
Total general government	73,646	5,138	517,726	-	449,218
Public safety and judiciary:					
City attorney	11,249	-	-	-	(11,249)
Fire and ambulance	516,125	72,679	4,763	-	(438,683)
Municipal court	75,831	176,405	-	-	100,574
Juvenile court	-	2,370	-	-	2,370
Police	593,954	-	13,328	-	(580,626)
911 operations	55,905	121,140	-	-	65,235
Total public safety and judiciary	1,253,064	372,594	18,091	-	(862,379)
Transportation:					
Airport	-	-	-	-	-
Streets	106,663	-	-	-	(106,663)
Total transportation	106,663	-	-	-	(106,663)
Cultural, parks and recreation:					
Library	162,128	4,119	-	9,482	(148,527)
Parks	103,308	137,706	-	-	34,398
Community center	-	-	-	-	-
Cemetery	11,803	40,831	-	-	29,028
Total cultural, parks and recreation	277,239	182,656	-	9,482	(85,101)
Hospitals					
Hospital activities	615,124	-	-	-	(615,124)
Total hospitals	615,124	-	-	-	(615,124)
Unallocated depreciation*	145,839	-	-	-	(145,839)
Total governmental activities	2,471,575	560,388	535,817	9,482	(1,365,888)
Business-type activities					
Airport authority	56,834	5,265	-	-	(51,569)
CEFA	-	-	-	-	-
General and administrative	591,815	167,244	-	29,500	(395,071)
Gas service	1,080,274	1,038,758	-	-	(41,516)
Water service	1,036,145	1,085,057	-	-	48,912
Shop	-	-	-	-	-
Sanitation service	452,829	480,063	-	-	27,234
Wastewater	250,658	494,179	-	-	243,521
Financing costs	456,451	-	-	-	(456,451)
Unallocated depreciation*	260,144	-	-	-	(260,144)
Total business-type activities	4,185,150	3,270,566	-	29,500	(885,084)
Total	\$ 6,656,725	\$ 3,830,954	\$ 535,817	\$ 38,982	\$ (2,250,972)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

	Net (Expense) Revenue and Changes in Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(1,365,888)	(885,084)	(2,250,972)
General revenues:			
Taxes:			
Sales and use taxes	2,579,301	-	2,579,301
Franchise taxes	71,215	-	71,215
Cigarette taxes	18,563	-	18,563
Intergovernmental	97,546	-	97,546
Hotel/motel tax	6,120	-	6,120
Investment earnings	2,062	16,350	18,412
Miscellaneous	78,979	87,825	166,804
Water plant construction	-	506,200	506,200
Rental income	15	15,357	15,372
Sale of surplus	-	-	-
Pension change	-	-	-
Transfers	(329,754)	329,754	-
Total general revenues and transfers	2,524,047	955,486	3,479,533
Change in net position	1,158,159	70,402	1,228,561
Net position - beginning of year	6,372,381	9,916,300	16,288,681
Prior period adjustments	(1,164,492)	-	(1,164,492)
Net position - end of year	\$ 6,366,048	\$ 9,986,702	\$ 16,352,750

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 1,872,969	\$ 303,813	\$ 2,176,782
Due from others	-	-	-
Restricted assets:			
Cash and investments (Note 1)	-	127,532	127,532
Cash, insurance deposit	95,645	-	95,645
Total assets	<u>\$ 1,968,614</u>	<u>\$ 431,345</u>	<u>\$ 2,399,959</u>
Liabilities:			
Payroll taxes payable	\$ 126	\$ -	\$ 126
Due to others	-	-	-
Total liabilities	<u>126</u>	<u>-</u>	<u>126</u>
Fund balance:			
Restricted for:			
Cemetery	-	127,532	127,532
E-911 services	205,551	-	205,551
Workers compensation	95,645	-	95,645
Other purposes	-	290,789	290,789
Assigned to:			
Other capital projects	-	13,024	13,024
Unassigned	<u>1,667,292</u>	<u>-</u>	<u>1,667,292</u>
Total fund balance	<u>1,968,488</u>	<u>431,345</u>	<u>2,399,833</u>
Total liabilities and fund balance	<u>\$ 1,968,614</u>	<u>\$ 431,345</u>	<u>\$ 2,399,959</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

Total Fund Balances - Total Governmental Funds **\$ 2,399,833**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

City Hall	\$	191,130	
Library		822,337	
Parks		931,671	
Cemetery Trust		91,068	
Fire & Police		453,871	
Streets		644,517	
Sanitation		-	
Other		382,600	
Ambulance		-	
Sewer		-	
Community Center		449,021	
		449,021	
			3,966,215

Net assets of governmental activities **\$ 6,366,048**

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Charges for services	\$ 169,295	\$ 80,506	\$ 249,801
Cigarette taxes	18,563	-	18,563
Interest	1,845	218	2,063
Franchise taxes	71,215	-	71,215
Hotel/motel taxes	6,120	-	6,120
Intergovernmental programs	615,272	12,435	627,707
Fines and forfeits	178,775	-	178,775
Rental receipts	15	4,000	4,015
Licenses and permits	5,138	-	5,138
Lot sales	-	1,533	1,533
Miscellaneous revenue	41,534	37,448	78,982
Sale of surplus	-	-	-
Sales and use taxes	2,579,301	-	2,579,301
Special assessments	121,140	-	121,140
Donations and other	-	15,138	15,138
Total revenues	<u>3,808,213</u>	<u>151,278</u>	<u>3,959,491</u>
Expenditures:			
Current:			
General government	73,646	-	73,646
Public safety	1,231,293	21,773	1,253,066
Highways and roads	106,663	-	106,663
Cultural and recreational	217,433	59,808	277,241
Health & welfare	615,124	-	615,124
Capital outlay	711,808	-	711,808
Total expenditures	<u>2,955,967</u>	<u>81,581</u>	<u>3,037,548</u>
Excess of revenues over (under) expenditures	852,246	69,697	921,943
Other financing uses:			
Loan proceeds	-	-	-
Operating transfers in (out)	<u>(329,754)</u>	<u>-</u>	<u>(329,754)</u>
Excess of revenues over (under) expenditures & transfers	522,492	69,697	592,189
Fund balance - beginning of year	<u>1,445,996</u>	<u>361,648</u>	<u>1,807,644</u>
Fund balance - end of year	<u>\$ 1,968,488</u>	<u>\$ 431,345</u>	<u>\$ 2,399,833</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 592,189
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Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(145,838)
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Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	<div style="border-top: 1px solid black; display: inline-block;">711,808</div>
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Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 1,158,159</div>
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CITY OF CLEVELAND
STATEMENT OF FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2022

	Business-type Activities - Enterprise Funds			
	Municipal Authority (Major)	Airport Authority (Major)	CEFA (Major)	Totals
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 2,407,506	\$ 6,419	\$ 41,591	\$ 2,455,516
Cash on hand	100	-	-	100
Due from others	-	-	-	-
Due from golf course	64,614	-	-	64,614
Restricted:				
Cash & cash equivalents (Note 1)	7,327,526	-	-	7,327,526
Capital assets:				
Land	768,000	-	-	768,000
Work in process	4,717,699	-	-	4,717,699
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	5,104,867	1,204,066	-	6,308,933
Total assets	\$ 20,390,312	\$ 1,210,485	\$ 41,591	\$ 21,642,388
Liabilities:				
Current liabilities:				
Payroll liabilities	\$ 22,621	\$ -	\$ -	\$ 22,621
Meter deposits	293,520	-	-	293,520
Rental deposits	4,970	-	-	4,970
Due to others	-	-	-	-
Notes payable (Note 2)	99,674	-	-	99,674
Revenue bonds payable (Note 2)	330,000	-	-	330,000
Non-current liabilities:				
Notes payable (Note 2)	854,901	-	-	854,901
Revenue bonds payable (Note 2)	10,050,000	-	-	10,050,000
Total liabilities	11,655,686	-	-	11,655,686
Net position:				
Net investment in capital assets	(744,009)	1,204,066	-	460,057
Restricted	-	-	-	-
Unrestricted	9,478,635	6,419	41,591	9,526,645
Total net position	\$ 8,734,626	\$ 1,210,485	\$ 41,591	\$ 9,986,702

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds			
	Municipal Authority (Major)	Airport Authority (Major)	CEFA (Major)	Totals
Revenues:				
Gas revenue	\$ 1,038,758	\$ -	\$ -	\$ 1,038,758
Water revenue	1,085,057	-	-	1,085,057
Wastewater revenue	494,179	-	-	494,179
Sanitation revenue	480,063	-	-	480,063
Recycle revenue	-	-	-	-
Water plant construction	506,200	-	-	506,200
Administrative revenue	167,244	-	-	167,244
Miscellaneous revenue	87,825	-	-	87,825
Sale of surplus property	-	-	-	-
Rental revenue	15,357	5,265	-	20,622
Total revenues	3,874,683	5,265	-	3,879,948
Operating expenses:				
General and administrative	591,815	7,926	-	599,741
Gas service	1,080,274	-	-	1,080,274
Water service	1,036,145	-	-	1,036,145
Shop	-	-	-	-
Sanitation service	452,829	-	-	452,829
Wastewater	250,658	-	-	250,658
Depreciation expense	260,144	48,908	-	309,052
Total operating expenses	3,671,865	56,834	-	3,728,699
Income before non-operating revenues, expenses & transfers	202,818	(51,569)	-	151,249
Non-operating revenues (expenses):				
Interest revenue	16,324	4	22	16,350
Interest expense	(456,451)	-	-	(456,451)
Grant revenue	29,500	-	-	29,500
Loan admin fees	-	-	-	-
Total	(410,627)	4	22	(410,601)
Income (loss) before operating transfers	(207,809)	(51,565)	22	(259,352)
Transfers in (out)	329,754	-	-	329,754
Change in net position	121,945	(51,565)	22	70,402
Net position at beginning of year	8,612,681	1,262,050	41,569	9,916,300
Net position at end of year	\$ 8,734,626	\$ 1,210,485	\$ 41,591	\$ 9,986,702

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds			
	Municipal Authority (Major)	Airport Authority (Major)	CEFA (Major)	Totals
Cash flows from operating activities:				
Cash received from customers & service users	\$ 3,874,683	\$ 5,265	\$ -	\$ 3,879,948
Cash payments for goods & services & employees	(3,389,250)	(7,926)	-	(3,397,176)
Other operating revenues	-	-	-	-
Net cash provided by operating activities	<u>485,433</u>	<u>(2,661)</u>	<u>-</u>	<u>482,772</u>
Cash flows from noncapital financing activities:				
Operating transfers out to other funds	(1,776,827)	-	-	(1,776,827)
Operating transfers in from other funds	2,106,581	-	-	2,106,581
Change in meter deposits	18,521	-	-	18,521
Change in due to/from accounts	8,400	374	-	8,774
Net cash provided (used) for noncapital financing activities	<u>356,675</u>	<u>374</u>	<u>-</u>	<u>357,049</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(3,778,384)	-	-	(3,778,384)
Loan proceeds	-	-	-	-
Grant revenues	29,500	-	-	29,500
Principal paid on debt	(426,983)	-	-	(426,983)
Interest paid on debt	(456,451)	-	-	(456,451)
Trustee fees	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>(4,632,318)</u>	<u>-</u>	<u>-</u>	<u>(4,632,318)</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments - restricted	3,685,311	-	-	3,685,311
Interest on investments	16,324	4	22	16,350
Net cash provided by investing activities	<u>3,701,635</u>	<u>4</u>	<u>22</u>	<u>3,701,661</u>
Net increase (decrease) in cash & cash equivalents	(88,575)	(2,283)	22	(90,836)
Cash and cash equivalents - beginning of year	<u>2,496,081</u>	<u>8,702</u>	<u>41,569</u>	<u>2,546,352</u>
Cash and cash equivalents - end of year	<u>\$ 2,407,506</u>	<u>\$ 6,419</u>	<u>\$ 41,591</u>	<u>\$ 2,455,516</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 202,818	\$ (51,569)	\$ -	\$ 151,249
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	260,144	48,908	-	309,052
Change in assets and liabilities:				
Increase (decrease) in payroll taxes payable	22,471	-	-	22,471
Total adjustments	<u>282,615</u>	<u>48,908</u>	<u>-</u>	<u>331,523</u>
Net cash provided by operating activities	<u>\$ 485,433</u>	<u>\$ (2,661)</u>	<u>\$ -</u>	<u>\$ 482,772</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cleveland, Oklahoma (the City) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the City as well as a further description of departures from governmental GAAP are discussed below.

A. Reporting Entity

The City of Cleveland, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (gas, water, sewer, and sanitation), judicial, culture, parks and recreation, public improvements and planning and zoning for the City of Cleveland, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Cleveland Municipal Authority (CMA) was created pursuant to a Trust Indenture for the benefit of the City of Cleveland, Oklahoma. CMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and natural gas facilities for the City of Cleveland. The water, sanitary sewer, natural gas, and solid waste disposal systems owned by the City have been leased to CMA until such date that all indebtedness of the Authority is retired or provided for. CMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. CMA is exempt from State and Federal Income taxes. CMA is reported as an enterprise fund.

The Cleveland Airport Authority (CAA) is a public trust which operates the municipal airport facilities. The City is named as the beneficiary of the CAA.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Cleveland Educational Facilities Authority (CEFA) was created by Trust Indenture dated May 12, 2016, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cleveland, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2016 General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

Excluded Entities:

The Cleveland Hospital Authority (CHA) receives a portion of sales tax collected (one cent of three and one-half cents collected) from the City as approved by a vote of the citizens. However, the City has determined that the Hospital does not meet the criteria for inclusion in its basic financial statements since the City is not financially accountable and the hospital does not otherwise meet the requirements of GASB Statement No. 14 for inclusion. Copies of the audited financial statements can be obtained from the Hospital Authority, 1401 W. Pawnee Street, Cleveland, OK 74020.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are normally prepared using the accrual basis of accounting but the City of Cleveland's presentation is on a modified cash basis.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. The City presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become 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 be used to pay liabilities of the current period. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments). The City records governmental fund expenditures as they are paid rather than when the obligation is incurred.

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Police Operations, Fire Operations, Feyodi Park and Library Memorial.

Capital Projects Fund – account for and report resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Capital Improvement Fund.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is composed of the Cemetery Trust Fund.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Proprietary Funds – are accounted for on the modified cash basis financial statements. Revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld and other withholdings which the City records as a modification to the cash basis of accounting. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The City's major enterprise funds are: 1) the Cleveland Municipal Authority – which accounts for the operations of providing public works (natural gas, water, sewer, and sanitation) to the City; 2) the Cleveland Airport Authority – which accounts for operations of the airport; and a non-major fund which is considered a major by the city 3) the Cleveland Educational Facilities Authority – which accounts for the promotion of development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City does not have a fiduciary fund at this time.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in the Bond Accounts, Bond Sinking Fund Accounts, and Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture. In addition, certain funds are restricted for Cemetery land acquisitions and for the payment of specific expenditures.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in governmental funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary funds consist primarily of natural gas in storage. Inventory is valued on the average-cost basis.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$2,500. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases in the governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts. The amount by which these departures would affect the assets, net position, and expenses of the Governmental Activities is not readily determinable. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Business-Type Activities Estimated Lives
Buildings	15 - 40 years
Water and sewer plants	35 - 40 years
Water and sewer lines	35 - 40 years
Gas lines and equipment	10 - 35 years
Machinery and equipment	7 - 10 years
Improvements other than buildings	50 years

8. Compensated Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation time based on their length of service. Employees may carry forward ten days to the next calendar year. Vacation leave which is unused and vested to the employee is payable upon separation of employment in good standing. Full-time employees may accumulate sick leave based on their length of service, up to a maximum of 120 working days of accrued leave. Unused sick leave is payable to an employee upon separation of employment at a buy back of 1 day for every 3 days. The accumulated buy back will not exceed a total of 40 days. Accrued compensated absences are not recorded in the City's financial statements.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2022, the City held deposits of approximately \$12,176,102 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The cash and investments held at June 30, 2022 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 11,865,051	\$ 11,865,051
Certificate of deposit	3.00	N/A	311,051	311,051
Total investments			<u>\$ 12,176,102</u>	<u>\$ 12,176,102</u>
Reconciliation to Statement of Net Assets				
Governmental activities			\$ 2,393,060	
Business-type activities			9,783,042	
			<u>\$ 12,176,102</u>	

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 3% in Certificates of deposit (\$311,051) and 97% in Money Market funds (\$11,865,051).

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/21	Additions	Disposals	Balance 6/30/22
Governmental Activities:				
Depreciable assets:				
City Hall	\$ 239,536	\$ -	\$ -	\$ 239,536
Library	955,048	-	-	955,048
Parks	786,516	466,981	-	1,253,497
Cemetery Trust	146,396	-	-	146,396
Fire & Police	843,075	-	-	843,075
Streets	970,357	-	-	970,357
Other	176,500	244,827	-	421,327
Community center	737,342	-	-	737,342
Total depreciable assets	4,854,770	711,808	-	5,566,578
Less accumulated depreciation	1,447,626	145,838	-	1,593,464
Net governmental activities capital assets	\$ 3,407,144	\$ 565,970	\$ -	\$ 3,973,114
Business-Type Activities:				
Non-depreciable assets:				
Land	768,000	-	-	768,000
Work in process	2,035,412	3,708,334	1,026,047	4,717,699
Depreciable assets:				
Equipment	1,065,855	70,050	-	1,135,905
Water improvements	6,021,326	-	-	6,021,326
Sewer improvements	2,833,980	-	-	2,833,980
Gas improvements	363,196	-	-	363,196
Airport improvements	1,970,592	-	-	1,970,592
Other improvements	938,529	1,026,047	-	1,964,576
Total depreciable assets	13,193,478	1,096,097	-	14,289,575
Less accumulated depreciation:				
Equipment	(995,601)	(44,087)	-	(1,039,688)
Water improvements	(3,845,719)	(92,740)	-	(3,938,459)
Sewer improvements	(1,584,099)	(70,850)	-	(1,654,949)
Gas improvements	(363,196)	-	-	(363,196)
Airport improvements	(717,619)	(48,908)	-	(766,527)
Other improvements	(165,357)	(52,466)	-	(217,823)
Total accumulated depreciation	(7,671,591)	(309,051)	-	(7,980,642)
Net business-type activities capital assets	\$ 8,325,299	\$ 4,495,380	\$ 1,026,047	\$ 11,794,632

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The City is not obligated in any manner for the debt of its component units. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Current Portion
Note Payable - OWRB	\$ 7,395,000	\$ -	\$ 175,000	\$ 7,220,000	\$ 180,000
Note Payable - OWRB	3,160,000	-	-	3,160,000	-
Note Payable - Indian Electric	132,529	-	28,400	104,129	28,685
Note Payable - American Heritage	680,000	-	140,000	540,000	150,000
Note Payable - American Heritage	223,069	-	41,767	181,302	43,151
Note Payable - American Heritage	63,058	-	8,690	54,368	9,497
Note Payable - American Heritage	93,195	-	18,418	74,777	18,341
Note Payable - American Heritage	14,707	-	14,707	-	-
Total	<u>\$ 11,761,558</u>	<u>\$ -</u>	<u>\$ 426,982</u>	<u>\$ 11,334,576</u>	<u>\$ 429,674</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 429,674	\$ 443,898	\$ 873,572
2024	442,338	426,449	868,787
2025	465,087	408,621	873,708
2026	393,452	389,900	783,352
2027	407,257	370,982	778,239
2028-2032	2,231,768	1,585,035	3,816,803
2033-2037	2,725,000	1,084,369	3,809,369
2038-2042	3,450,000	483,420	3,933,420
2043	790,000	14,709	804,709
Total Liability	<u>\$ 11,334,576</u>	<u>\$ 5,207,383</u>	<u>\$ 16,541,959</u>

Principal, redemption premium, and interest on CMA debt are payable from the gross revenues of the water, sanitary sewer, natural gas, and solid waste disposal systems, from other funds established by the bond indentures and from sales tax revenues. Detail information on long-term debt is reflected in Note 3.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. AUTHORITIES

A. Cleveland Municipal Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (natural gas, water, sewer and sanitation) were transferred to the Cleveland Municipal Authority. The Municipal Authority provides utility services for its customers including the City of Cleveland and its related departments. Utility charges for general activities of the City of Cleveland (City Hall, Police and Fire Departments, Library, maintenance departments, etc.) are metered but not billed or reflected as revenue. Likewise, the various departments of the City benefiting from these services are not charged for the services. This factor for gratis services has been incorporated in the current rate structure charged by the Authority. Since the Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Authority to provide cost free services to the City of Cleveland.

RESTRICTED FUNDS:

Under the terms and provisions of the Bond Indenture, special accounts and reserve funds of the Authority are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any creditors of the Authority. These accounts and reserve funds are to be maintained so long as any bonds are outstanding.

Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

NOTES PAYABLE:

On July 18, 2018, the Authority issued a bond payable to Oklahoma Water Resources Board in the amount of \$7,660,000 for Water System Project. Interest varies on the note and late payment charges if necessary. Varying semi-annual payments begin September 15, 2019 and will continue until September 15, 2038. The note is secured by the property purchased.

On April 14, 2021, the Authority issued a bond payable to Oklahoma Water Resources Board in the amount of \$3,160,000 for Sanitation Facilities Project. Interest varies on the note and late payment charges if necessary. Varying semi-annual payments begin September 15, 2021 and will continue until September 15, 2042. The note is secured by the property purchased.

On January 28, 2019, the Authority issued a note payable to Indian Electric Cooperative, Inc. in the amount of \$200,000 to improve the library. Interest is 1% on the note. Payments are to February 20, 2019 and will continue monthly in the amount of \$2,466.25. The note is secured by a letter of credit from the American Heritage Bank of Mannford.

On July 18, 2018, the Authority issued a note payable to American Heritage Bank in the amount of \$1,020,000 for the swimming pool upgrade. Interest is 3.25% on the note and late payment charges if necessary. Varying semi-annual payments begin February 1, 2019 and will continue until August 1, 2025. The note is secured by the property purchased.

On March 15, 2015, the Authority issued a note payable to American Heritage Bank in the amount of \$450,000 for new city hall. Interest is 3% on the note and late payment charges if necessary. Payments began April, 2015 and will continue monthly in the amount of \$3,118.99. The note is secured by the property purchased.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. AUTHORITIES

A. Cleveland Municipal Authority (A Blended Component Unit)

On September 1, 2017, the Authority issued a note payable to American Heritage Bank in the amount of \$100,000 for building purchase. Interest is 5% on the note and late payment charges if necessary. Payments began September, 2017 and will continue monthly in the amount of \$740.02. The note is secured by the property purchased.

On September 29, 2016, the Authority issued a note payable to American Heritage Bank in the amount of \$100,000 for golf course additions and additional amount was added during the year for golf cart purchases. Interest is 3.1% on the note and late payment charges if necessary. Payments changed and will continue monthly in the amount of \$1,700. The note is secured by the property purchased.

On December 13, 2019, the Authority issued a note payable to American Heritage Bank in the amount of \$48,033 for the purchase of a vehicle. Interest is 2.59% on the note and late payment charges if necessary. Payments began January, 2020 and will continue monthly in the amount of \$1,054.40. The note is secured by the property purchased. This loan was paid off in the current year.

B. Cleveland Educational Facilities Authority (An Enterprise Fund)

The Cleveland Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2016, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cleveland, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2016 General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

Non-Commitment Debt:

This debt is considered non-commitment (conduit) debt to the City and Authority since the debt payments are made solely from direct financing lease payments. Payments are made by the Cleveland Public Schools to trustee banks that pay the bondholders. In the event of default by the Schools, the City or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the School are the security for the debt.

The Cleveland Educational Facilities Authority (CEFA) issued \$9,500,000 of the Educational Facilities Lease Revenue Bonds in 2016, for the benefit of the Cleveland Public Schools. The property, upon which the Project is located, together with improvements, is leased by the School District to the Authority and then subsequently subleased by the Authority back to the District. The bonds are secured by an assignment of the lease revenues and the property leased and subleased. Debt service on the bonds is payable solely from the lease revenues described above.

4. 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; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the City maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR), which can be applied against future premium increases and an Escrow Fund made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the City reports the required contribution to the pool, net of refunds, as insurance expense. The balances in the RSR Fund and the Escrow Fund were \$0 and \$95,645, respectively.

B. Contingent Liabilities

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant 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 amount, if any, 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.

C. Deferred Compensation Plan

The Cleveland Municipal Authority (CMA) and the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all CMA and City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination of employment, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the CMA's and City's management that CMA and City have no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION (Continued)

D. Employee Retirement System and Other Benefit Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Benefit Plan

Oklahoma Police Pension and Retirement Plan

Plan description – The City of Cleveland, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded.

If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City was \$26,785.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION (Continued)

D. Employee Retirement System and Other Benefit Plans (Continued)

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Cleveland, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City was \$28,760.

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION (Continued)

D. Employee Retirement System and Other Benefit Plans (Continued)

Oklahoma Municipal Retirement Fund - Defined Benefit

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 20.3% of covered payroll. For the year ended June 30, 2022, the City recognized \$126,317 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll. Employees contribute a fixed 6% to the plan in accordance with the plan provisions adopted by the City Council.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date of the audit report, which is the date the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the City and has concluded that while it is reasonably possible that the virus could have a negative effect on the City's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

6. Prior Period Adjustment

Due to the correction of the fixed assets and depreciation schedule of the Governmental Activities on the Statement of Net Position. The beginning net position is decreased by \$1,164,492 due to removing old assets that needed to be removed and adjusting depreciation.

CITY OF CLEVELAND
SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues:				
Charges for services	\$ 29,000	\$ 29,000	\$ 169,295	\$ 140,295
Cigarette taxes	14,250	14,250	18,563	4,313
Interest	1,000	1,000	1,845	845
Franchise taxes	65,550	65,550	71,215	5,665
Hotel/motel taxes	3,800	3,800	6,120	2,320
Intergovernmental programs	114,100	114,100	615,272	501,172
Fines and forfeits	121,500	121,500	178,775	57,275
Rental receipts	-	-	15	15
Licenses and permits	3,000	3,000	5,138	2,138
Miscellaneous revenue	94,000	94,000	41,534	(52,466)
Sale of surplus	-	-	-	-
Sales and use taxes	1,910,450	1,910,450	2,579,301	668,851
Special assessments	106,000	106,000	121,140	15,140
Donations and other	-	-	-	-
Total revenues	<u>2,462,650</u>	<u>2,462,650</u>	<u>3,808,213</u>	<u>1,345,563</u>
Expenditures:				
Current:				
General government	172,200	172,200	73,646	98,554
Public safety	1,323,200	1,323,200	1,231,293	91,907
Highways and roads	101,200	101,200	106,663	(5,463)
Cultural and recreational	232,400	232,400	217,433	14,967
Health and welfare	775,200	775,200	615,124	160,076
Capital outlay	-	-	711,808	(711,808)
Total expenditures	<u>2,604,200</u>	<u>2,604,200</u>	<u>2,955,967</u>	<u>(351,767)</u>
Excess of revenue over				
(under) expenditures	(141,550)	(141,550)	852,246	993,796
Other financing sources (uses):				
Operating transfers in (out)	<u>138,050</u>	<u>138,050</u>	<u>(329,754)</u>	<u>(467,804)</u>
Net changes in fund balance	(3,500)	(3,500)	522,492	525,992
Fund balance at beginning of year	<u>1,445,996</u>	<u>1,445,996</u>	<u>1,445,996</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,442,496</u>	<u>\$ 1,442,496</u>	<u>\$ 1,968,488</u>	<u>\$ 525,992</u>

**CITY OF CLEVELAND
SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)**

SPECIAL REVENUE FUNDS

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
Revenues:				
Charges for services	\$ 39,800	\$ 39,800	\$ 84,506	\$ 44,706
Interest	100	100	183	83
Intergovernment programs	22,000	22,000	12,435	(9,565)
Miscellaneous income	12,000	12,000	37,448	25,448
Property sales	-	-	-	-
Donations and other	2,000	2,000	15,138	13,138
Total revenues	<u>75,900</u>	<u>75,900</u>	<u>149,710</u>	<u>73,810</u>
Expenditures:				
Current:				
Public safety	11,500	11,500	21,773	(10,273)
Cultural and recreational	93,000	93,000	59,808	33,192
Capital outlay	-	-	-	-
Total expenditures	<u>104,500</u>	<u>104,500</u>	<u>81,581</u>	<u>22,919</u>
Excess of revenue over				
(under) expenditures	(28,600)	(28,600)	68,129	96,729
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	(28,600)	(28,600)	68,129	96,729
Fund balance at beginning of year	<u>222,660</u>	<u>222,660</u>	<u>222,660</u>	<u>-</u>
Fund balance at end of year	<u>\$ 194,060</u>	<u>\$ 194,060</u>	<u>\$ 290,789</u>	<u>\$ 96,729</u>

**CITY OF CLEVELAND
SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)**

CAPITAL PROJECTS FUND

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 7	\$ 7
Intergovernment programs	-	-	-	-
Donations and other	-	-	-	-
Miscellaneous	7,350,000	7,350,000	-	(7,350,000)
Total revenues	<u>7,350,000</u>	<u>7,350,000</u>	<u>7</u>	<u>(7,349,993)</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Capital outlay	7,288,771	7,288,771	-	7,288,771
Total expenditures	<u>7,288,771</u>	<u>7,288,771</u>	<u>-</u>	<u>7,288,771</u>
Excess of revenue over (under) expenditures	61,229	61,229	7	(61,222)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	61,229	61,229	7	(61,222)
Fund balance at beginning of year	<u>13,017</u>	<u>13,017</u>	<u>13,017</u>	<u>-</u>
Fund balance at end of year	<u>\$ 74,246</u>	<u>\$ 74,246</u>	<u>\$ 13,024</u>	<u>\$ (61,222)</u>

CITY OF CLEVELAND
Cleveland, Oklahoma

NOTES TO SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2022
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF CLEVELAND
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue				Capital Projects	Permanent Funds	Total Non-Major Governmental Funds
	Police Operations	Fire Operations	Feyodi Park	Library Memorial	Capital Improvement	Cemetery Trust	
Assets:							
Cash and equivalents	\$ 15,644	\$ 11,505	\$ 210,981	\$ 52,659	\$ 13,024	\$ -	\$ 303,813
Restricted cash:							
Cash and investments	-	-	-	-	-	127,532	127,532
Depreciable assets	-	-	-	-	-	-	-
Total assets	<u>\$ 15,644</u>	<u>\$ 11,505</u>	<u>\$ 210,981</u>	<u>\$ 52,659</u>	<u>\$ 13,024</u>	<u>\$ 127,532</u>	<u>\$ 431,345</u>
Liabilities:							
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to others	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Assigned	-	-	-	-	13,024	-	13,024
Restricted	15,644	11,505	210,981	52,659	-	127,532	418,321
Total fund balances	<u>15,644</u>	<u>11,505</u>	<u>210,981</u>	<u>52,659</u>	<u>13,024</u>	<u>127,532</u>	<u>431,345</u>
Total liabilities and fund balances	<u>\$ 15,644</u>	<u>\$ 11,505</u>	<u>\$ 210,981</u>	<u>\$ 52,659</u>	<u>\$ 13,024</u>	<u>\$ 127,532</u>	<u>\$ 431,345</u>

CITY OF CLEVELAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	Special Revenue				Capital Projects	Permanent Funds	Total Non-Major Governmental Funds
	Police Operations	Fire Operations	Feyodi Park	Library Memorial	Capital Improvement	Cemetery Trust	
Revenues:							
Charges for services	\$ -	\$ 947	\$ 79,559	\$ -	\$ -	\$ -	\$ 80,506
Intergovernmental programs	7,672	4,763	-	-	-	-	12,435
Donations	5,656	-	-	9,482	-	-	15,138
Interest	4	9	139	31	7	28	218
Miscellaneous income	7,287	-	-	30,161	-	-	37,448
Property sales	-	-	-	-	-	-	-
Rental income	-	-	4,000	-	-	-	4,000
Lot sales	-	-	-	-	-	1,533	1,533
Total revenues	\$ 20,619	\$ 5,719	\$ 83,698	\$ 39,674	\$ 7	\$ 1,561	\$ 151,278
Expenditures:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	13,538	8,235	-	-	-	-	21,773
Cemetery	-	-	-	-	-	-	-
Cultural & recreation	-	-	28,778	31,030	-	-	59,808
Capital outlay	-	-	-	-	-	-	-
Total expenditures	13,538	8,235	28,778	31,030	-	-	81,581
Excess of revenues over (under) expenditures	7,081	(2,516)	54,920	8,644	7	1,561	69,697
Other financing uses:							
Operating transfers in (out)	-	-	-	-	-	-	-
Excess of revenues over (under) expenditures & transfers	7,081	(2,516)	54,920	8,644	7	1,561	69,697
Fund balance - beginning of year	8,563	14,021	156,061	44,015	13,017	125,971	361,648
Fund balance - end of year	\$ 15,644	\$ 11,505	\$ 210,981	\$ 52,659	\$ 13,024	\$ 127,532	\$ 431,345

**CITY OF CLEVELAND
Cleveland, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
CDBG - Urban City Program	14.218	<u>244,827</u>	<u>244,827</u>	<u>244,827</u>
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma Office of Management and Enterprise Services:</u>				
ARPA	21.027	<u>272,899</u>	<u>272,899</u>	<u>272,899</u>
Total of Expenditures of Federal Awards		\$ <u>517,726</u>	\$ <u>517,726</u>	\$ <u>517,726</u>

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2022. Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Cleveland, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cleveland, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Cleveland, Oklahoma's basic modified cash basis financial statements, and have issued our report thereon dated October 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Cleveland, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Cleveland, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cleveland, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, which are described in the accompanying schedule of findings as item 2022-1.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cleveland, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Cleveland, Oklahoma's Responses to Findings

City of Cleveland, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. City of Cleveland, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HBC CPAs & Advisors". The signature is stylized and appears to be written with a marker or thick pen.

October 7, 2024

Oklahoma City, Oklahoma

**CITY OF CLEVELAND, OKLAHOMA
FINDINGS RELATED TO REPORT ON INTERNAL CONTROL AND
NONCOMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND AGREEMENTS
YEAR ENDED JUNE 30, 2022**

Finding No.	2022-1 (Repeat Finding 2021-1)
Criteria:	The City should maintain capital asset records to support the assets recorded on the financial statements and those assets should be depreciated over their useful lives.
Condition:	<p>As reported in the financial statement notes, the City has not maintained complete capital asset records to support historical cost of past capital asset purchases.</p> <p>The Governmental Activities capital assets were also depreciated over a life of forty years.</p>
Cause:	The City has maintained proper records in recent years, however, there are significant purchases in past years where there is not sufficient documentation.
Effect or Potential Effect:	<p>The potential effect as it relates to the cost of capital assets on the financial statements cannot be determined.</p> <p>Depreciation expense in the Governmental Activities is understated.</p>
Management's Response	Going forward management will keep proper and sufficient records for new purchases that are made by the City.