

CITY OF CLEVELAND, MISSOURI

FINANCIAL STATEMENTS

JUNE 30, 2024



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CLEVELAND, MISSOURI
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**DANA F. COLE
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
City of Cleveland, Missouri

Report on the Audited Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cleveland, Missouri, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Cleveland, Missouri, as of June 30, 2024, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 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 that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in this circumstance. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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, Missouri'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, Missouri'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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis on pages 4 - 8 and other information on pages 36 - 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025, on our consideration of the City of Cleveland, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cleveland, Missouri's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cleveland, Missouri's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Overland Park, Kansas
January 7, 2025

CITY OF CLEVELAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. The intent of this Management's Discussion and Analysis (MD&A) is to provide an objective and easily readable analysis of the City's financial activities based on current facts and conditions. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FISCAL YEAR HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2024, as compared to fiscal year ended June 30, 2023, respectively, include the following:

The City's beginning cash and investments balance was \$707,628, with \$397,066 in the governmental funds, and \$310,562 in the proprietary fund. The ending cash and investments balance was \$721,622, with \$428,827 in the governmental funds, and \$292,795 in the proprietary fund.

At June 30, 2024, the City's total net position was \$1,392,698. The governmental activities net position was \$801,570 and the business-type activities net position was \$591,128.

During the fiscal year ending June 30, 2024, the City purchased assets in the amount of \$86,327 in the general fund and \$25,463 in the proprietary fund.

At June 30, 2024, the City had invested \$725,767 in capital assets, net of depreciation, including construction in progress, land, buildings, infrastructure, vehicles, equipment, and machinery.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis introduces the City's basic financial statements presented on the modified cash basis of accounting. The basic financial statements include: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The City also includes in the report, additional information to supplement the basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year.

These government-wide financial statements report financial information for the City as a whole. Individual funds are not displayed, but the statements do distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

CITY OF CLEVELAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. General administration, public safety, and park activity are also reported within this fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund - The Street Fund is a special revenue fund whereby the fund is used to account for the proceeds of specific revenue sources that are legally restricted or designated to expenditures for specific purposes. This fund is used to account for the accumulation of financial resources for, and the payment of routine maintenance of, the streets and avenues of the City.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise fund of the City is the Water and Sewer Fund.

Fund financial statements are provided for governmental funds and proprietary funds. All funds of the City are considered major funds and are reported separately.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,392,698 as of June 30, 2024.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and improvements to facilities, vehicles, and large equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

CITY OF CLEVELAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table summarizes the net position for the year ending June 30, 2024, as compared to the year ending June 30, 2023:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current assets	428,827	397,066	248,206	268,073	677,033	665,139
Restricted assets			44,589	42,489	44,589	42,489
Capital assets, net of accumulated depreciation	<u>376,520</u>	<u>326,663</u>	<u>346,497</u>	<u>365,889</u>	<u>723,017</u>	<u>692,552</u>
TOTAL ASSETS	<u>805,347</u>	<u>723,729</u>	<u>639,292</u>	<u>676,451</u>	<u>1,444,639</u>	<u>1,400,180</u>
LIABILITIES						
Current liabilities	3,777	3,869	3,575	9,153	7,352	13,022
Noncurrent liabilities			44,589	42,489	44,589	42,489
TOTAL LIABILITIES	<u>3,777</u>	<u>3,869</u>	<u>48,164</u>	<u>51,642</u>	<u>51,941</u>	<u>55,511</u>
NET POSITION						
Net investment in capital assets	376,520	326,663	346,497	365,889	723,017	692,552
Unrestricted	<u>425,050</u>	<u>393,197</u>	<u>244,631</u>	<u>258,920</u>	<u>669,681</u>	<u>652,117</u>
TOTAL NET POSITION	<u>801,570</u>	<u>719,860</u>	<u>591,128</u>	<u>624,809</u>	<u>1,392,698</u>	<u>1,344,669</u>

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2024, as compared to the year ending June 30, 2023:

	2024	2023
REVENUES		
Charges for services	316,154	311,104
Grants and contributions		67,333
Property taxes	64,570	63,367
Sales taxes	185,985	171,512
Franchise taxes	43,959	44,796
Gasoline taxes	33,729	32,701
Investment earnings	8,463	1,115
Unrealized gain on investments	2,957	(13,710)
Miscellaneous	10,989	5,810
Total revenues	<u>666,806</u>	<u>684,028</u>

CITY OF CLEVELAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	2024	2023
EXPENSES		
General government	172,802	163,582
Public Safety	69,185	52,127
Street	28,668	61,813
Water and sewer operations	348,122	369,952
Total expenses	<u>618,777</u>	<u>647,474</u>
 CHANGE IN NET POSITION	 48,029	 36,554
 NET POSITION, beginning of year	 <u>1,344,669</u>	 <u>1,308,115</u>
 NET POSITION, end of year	 <u><u>1,392,698</u></u>	 <u><u>1,344,669</u></u>

FUND FINANCIAL ANALYSIS

The following is a summary of fund balance transactions for the year ending June 30, 2024:

	Governmental Funds	Proprietary Funds
 BALANCE, July 1, 2023	 393,197	 624,809
Total revenue	352,365	314,441
Total expenses	<u>(320,512)</u>	<u>(348,122)</u>
 BALANCE, June 30, 2024	 <u>425,050</u>	 <u>591,128</u>
 CHANGE IN BALANCE	 <u><u>31,853</u></u>	 <u><u>(33,681)</u></u>

CAPITAL ASSETS

At the end of the audit periods ending June 30, 2024 and 2023, the City had \$725,767 and \$692,552, respectively, invested in a broad range of capital assets, including buildings, police equipment, park facilities, streets, and water and sewer infrastructure. The change in capital assets is the result of additions and improvements to City buildings and utility infrastructure along with depreciation expense for the fiscal year. See additional details regarding the City's capital assets in Note 6 to the financial statements.

BUDGET COMPARISON

Over the course of the year, the Board of Aldermen revised the City's budget to take into consideration changes in expenditures paid.

CITY OF CLEVELAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Overall, the budget for the subsequent year reflects the Board's decisions to pursue some projects that require additional spending above revenues collected during the year. As such, the City will utilize reserves held in savings accounts. Additional details about these projects are identified by fund.

The City will continue to monitor and respond to the ongoing changes in the economy.

FINANCIAL CONTACT

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report should be directed to the City Clerk and questions requesting additional information should be directed to the City Clerk and/or the City Accounting Clerk at 209 W. Main, Cleveland, Missouri, 64734.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	148,841	149,107	297,948
Restricted cash		44,589	44,589
Investments	279,986	99,099	379,085
Capital assets			
Construction in progress		13,750	13,750
Land	101,372		101,372
Depreciable capital assets, net of accumulated depreciation	<u>275,148</u>	<u>332,747</u>	<u>607,895</u>
TOTAL ASSETS	<u>805,347</u>	<u>639,292</u>	<u>1,444,639</u>
LIABILITIES			
Accrued liabilities	3,777	3,575	7,352
Water/sewer connection deposits		<u>44,589</u>	<u>44,589</u>
TOTAL LIABILITIES	<u>3,777</u>	<u>48,164</u>	<u>51,941</u>
NET POSITION			
Net investment in capital assets	376,520	346,497	723,017
Unrestricted	<u>425,050</u>	<u>244,631</u>	<u>669,681</u>
TOTAL NET POSITION	<u>801,570</u>	<u>591,128</u>	<u>1,392,698</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2024

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Primary Government		
Expenses			Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS					
Primary government					
Governmental activities					
General government	172,802	7,306	(165,496)		(165,496)
Public Safety	69,185	10,059	(59,126)		(59,126)
Street	<u>28,668</u>	<u> </u>	<u>(28,668)</u>		<u>(28,668)</u>
Total governmental activities	<u>270,655</u>	<u>17,365</u>	<u>(253,290)</u>		<u>(253,290)</u>
Business-type activities					
Water and sewer	<u>348,122</u>	<u>298,789</u>		<u>(49,333)</u>	<u>(49,333)</u>
Total primary government	<u>618,777</u>	<u>316,154</u>	<u>(253,290)</u>	<u>(49,333)</u>	<u>(302,623)</u>
General revenues					
Taxes					
Property taxes			64,570		64,570
Sales taxes			185,985		185,985
Franchise taxes			43,959		43,959
Motor vehicle fees, vehicle sales tax, and gasoline tax			33,729		33,729
Insurance proceeds				5,463	5,463
Investment earnings			1,167	7,296	8,463
Unrealized gain on investments			64	2,893	2,957
Miscellaneous			<u>5,526</u>		<u>5,526</u>
Total general revenues			<u>335,000</u>	<u>15,652</u>	<u>350,652</u>
CHANGE IN NET POSITION			81,710	(33,681)	48,029
NET POSITION, beginning of year			<u>719,860</u>	<u>624,809</u>	<u>1,344,669</u>
NET POSITION, end of year			<u>801,570</u>	<u>591,128</u>	<u>1,392,698</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General	Street	Total Governmental Funds
ASSETS			
ASSETS			
Cash and cash equivalents	148,841		148,841
Investments	<u>279,986</u>		<u>559,972</u>
TOTAL ASSETS	<u>428,827</u>		<u>428,827</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Current liabilities			
Accounts payable	<u>3,777</u>		<u>3,777</u>
FUND BALANCES			
Assigned	977		977
Unassigned	<u>424,073</u>		<u>424,073</u>
Total fund balances	<u>425,050</u>		<u>425,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>428,827</u>		<u>428,827</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

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

Fund balance - total governmental funds	425,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$824,166 and the accumulated depreciation and amortization is \$447,646.	<u>376,520</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>801,570</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Major Funds		Eliminations	Total Governmental Funds
	General	Street		
REVENUES				
Sales taxes	115,700	70,285		185,985
Property taxes	64,570			64,570
Motor vehicle and gas taxes		33,729		33,729
Franchise taxes	43,959			43,959
Licenses, fees, and permits	4,238			4,238
Fines and forfeitures	10,059			10,059
Charges for services	3,068			3,068
Investment earnings	1,167			1,167
Unrealized loss on investments	64			64
Community building rental	550			550
Miscellaneous	4,976			4,976
Total revenues	248,351	104,014		352,365
EXPENDITURES				
Salaries and payroll taxes	92,810			92,810
Contract labor	8,629			8,629
Repairs and maintenance	33,799	7,127		40,926
Administration and supplies	21,699			21,699
Insurance	13,291			13,291
Professional services	39,046			39,046
Utilities	14,681			14,681
Vehicle and mileage	1,702			1,702
Park development	740			740
Police equipment	95			95
Capital improvements		86,327		86,327
Miscellaneous	566			566
Total expenditures	227,058	93,454		320,512
EXCESS OF REVENUES OVER EXPENDITURES				
	21,293	10,560		31,853
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,560		(10,560)	
Operating transfers out		(10,560)	10,560	
Total other financing sources (uses)	10,560	(10,560)		

CITY OF CLEVELAND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Major Funds			Total Governmental Funds
	General	Street	Eliminations	
NET CHANGE IN FUND BALANCE	31,853			31,853
FUND BALANCES, beginning of year	393,197	_____	_____	393,197
FUND BALANCES, end of year	425,050	_____	_____	425,050

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2024

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

Net changes in fund balances - total governmental funds	31,853
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay in the current period.

Capital outlay	86,327	
Depreciation	<u>(36,470)</u>	
		<u>49,857</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>81,710</u>
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See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

ASSETS	
Current assets	
Cash and cash equivalents	149,107
Investments	<u>99,099</u>
Total current assets	<u>248,206</u>
Noncurrent assets	
Restricted cash	44,589
Construction in progress	13,750
Capital assets, net of accumulated depreciation	<u>332,747</u>
Total noncurrent assets	<u>391,086</u>
TOTAL ASSETS	<u>639,292</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	<u>3,575</u>
Noncurrent liabilities	
Water/sewer connection deposits	<u>44,589</u>
TOTAL LIABILITIES	<u>48,164</u>
NET POSITION	
Net investment in capital assets	346,497
Unrestricted	<u>244,631</u>
TOTAL NET POSITION	<u>591,128</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES	
Charges for services	<u>298,789</u>
OPERATING EXPENSES	
Costs of production	118,024
Salaries, employee benefits, and taxes	65,324
Contract labor	4,578
Other operating expenses	8,265
Repairs and maintenance	63,041
Administration expenses	16,404
Professional services	8,652
Insurance	5,466
Utilities	9,071
Supplies	1,350
Depreciation	44,855
Other	3,092
Total operating expenses	<u>348,122</u>
OPERATING LOSS	<u>(49,333)</u>
NONOPERATING REVENUES	
Interest	7,296
Insurance proceeds	5,463
Unrealized gain on investments	2,893
Total nonoperating revenues	<u>15,652</u>
CHANGE IN NET POSITION	(33,681)
NET POSITION, beginning of year	<u>624,809</u>
NET POSITION, end of year	<u><u>591,128</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the City of Cleveland, Missouri (the City).

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City operates under a Mayor-Board of Aldermen form of government and provides the following services as authorized by its articles of incorporation: road infrastructure, water and sewer, culture and recreation, safety, public improvements, planning and zoning, and general administrative services. The City's combined financial statements included the accounts of all City operations.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Cleveland, Missouri. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Cleveland, Missouri.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The basic criterion for inclusion in the City's financial statements is control by or dependence on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective board. Based on these criteria, the City has no component units.

B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the activities of the City. The effects of interfund activity, within the governmental and business-type activities columns, have been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements as applicable. The City considers all funds as major funds.

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

D. FUND TYPES

The accounts of the City are organized on the basis of funds, which are grouped into the following fund types:

Governmental Fund Types

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund - The Street Fund is a special revenue fund whereby the fund is used to account for the proceeds of specific revenue sources that are legally restricted or designated to expenditures for specific purposes. This fund is used to account for the accumulation of financial resources for, and the payment of routine maintenance of, the streets and avenues of the City. The City reports the Street Fund as a major fund.

Proprietary Fund Types

Enterprise Funds - These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND TYPES (Continued)

Proprietary Fund Types (Continued)

user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate. The Water and Sewer Fund is an enterprise fund. The City reports the Water and Sewer Fund as a major fund.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide statement of net position and statement of activities, governmental activities and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate for the governmental activities:

All funds utilize a current financial resources measurement focus on the modified cash basis of accounting. Only cash, certificates of deposit, and items arising from cash transactions are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions.

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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

For the City of Cleveland, Missouri, the difference between the cash and modified cash basis of accounting is the reporting of capital assets in the governmental and proprietary funds as well as the recognition of various liabilities including meter deposits payable at the end of the audit period.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for all funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

F. CAPITAL ASSETS

The City reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net position. Capital assets, including infrastructure assets acquired since January 1, 2004, are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Property and water and sewer facility	5 - 40 years
Equipment and vehicles	5 - 20 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CASH AND CASH EQUIVALENTS

Operating cash resources for the individual funds are combined to form a pool of cash. Interest income on the operating cash pool is retained by the General Fund. Funds with overdrawn balances, if any, are not charged interest. Interest earned on nonoperating cash accounts is earned by the fund to which each account belongs.

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at cost, which approximates fair value.

H. ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of fine revenues and are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required.

I. COMPENSATED ABSENCES

Employees of the City are entitled to paid vacation depending on job classification, length of service, and other factors. The modified cash basis of accounting dictates no liability be recorded in the accompanying financial statements.

J. INTERFUND TRANSACTIONS

During the course of normal operations, the City may transfer revenues between funds for various reasons. The City's interfund transfers consist of transfers of revenues from a fund that statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them. Legally authorized transfers that are not intended to be repaid are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds. Short-term amounts owed between funds, if any, are classified as "due to/from other funds."

K. EQUITY CLASSIFICATION

Government-Wide Statements

Net position is displayed in three components:

Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATION (Continued)

Government-Wide Statements (Continued)

Unrestricted net position does not meet the definition of restricted or net investment in capital assets.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The City currently has no amounts classified in this category.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City currently has no amounts classified in this category.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen (City Council). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATION (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Committed (Continued)

This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City currently has no amounts classified in this category.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the City Clerk through the budgetary process.

Unassigned

This classification includes the residual fund balance for the General Fund.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. REVENUES, EXPENDITURES, AND EXPENSES

Sales and Use Tax

Local sales taxes are collected by the Missouri Department of Revenue and remitted to the City in the month following receipt. The Missouri Department of Revenue receives the sales tax approximately one month after collection by vendors.

Property Tax

Each budget year, the City approves a tax rate for the upcoming fiscal year. All taxes are due December 31 of the year levied and are considered delinquent on January 1 following the year levied. Cass County bills and collects property taxes and remits them to the City on a monthly basis.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Program Revenues

In the statement of activities, cash basis revenues that are derived from each activity or from parties outside of the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Permits, licenses, and fees
Police	Fines and court cost revenues

All other governmental revenues are reported as general. All taxes are classified as general revenues even if restricted for a specific purpose.

Defining Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, or as other financing sources and uses.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as governmental funds - by department and proprietary fund - by operating and nonoperating. In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

N. LEASES

Right-to-use assets are not recorded as assets on the government-wide or fund financial statements, and amortization is not recognized. Likewise, the related liabilities for these leases are not recognized in the financial statements. Payment on all leases are recorded as expenditures in the financial statements.

O. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GASB Statement 96 provides guidance related to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The standard generally requires the recording of a right-to-use subscription asset (intangible asset) and a corresponding liability. There is an exception for short-term SBITAs defined as those

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

with maximum possible terms of 12 months or less including options to extend, regardless of their probability of being exercised. Since the City is on the modified cash basis of accounting there was no effect on the financial statements other than expanded disclosures regarding these agreements. For those meeting the statement's criteria the arrangements including commitments to maturity are disclosed. The City currently has no material commitments under these types of arrangements.

NOTE 2. CASH AND EQUIVALENTS

At June 30, 2024, the carrying amount of the City's cash and cash equivalents was \$342,537.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2024, the City's carrying amount of deposits with Citizens Bank was \$364,518, and was fully covered by federal deposit insurance and as beneficiary of an irrevocable and unconditional letter of credit. State law requires all funds in depositories to be fully insured or collateralized.

NOTE 3. INVESTMENTS

The City invests in marketable securities as allowed by Missouri statutes. Investments consist of shares in taxable bonds and certificates of deposit. Investments are reported at fair value.

As of June 30, 2024, the City had the following investments:

Type of Investment	Fair Value
Taxable bonds	<u>379,085</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk - The City's investment policy is that the City may invest money accumulated through revenues as deemed appropriate by the Board of Aldermen. The Board of Aldermen should always weigh the amount of risk in any investment in an effort to preserve capital. The City has diversified their investments to include certificates of deposit and taxable bonds through financial institutions.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 4. WATER/SEWER CONNECTION DEPOSITS

The City collects deposits from customers when a new water/sewer connection is established. The deposit is returned when service is terminated. Deposits held at June 30, 2024, totaled \$44,589. The City reserves funds for the repayment of connection deposits.

NOTE 5. COMMITMENTS AND CONTINGENCIES

From year to year, the City may participate in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	<u>101,372</u>			<u>101,372</u>
Capital assets, being depreciated				
Buildings	120,494			120,494
Infrastructure	408,367	86,327		494,694
Equipment	72,206			72,206
Vehicles	<u>35,400</u>			<u>35,400</u>
Total capital assets, being depreciated	<u>636,467</u>	<u>86,327</u>		<u>722,794</u>
Less accumulated depreciation for:				
Buildings	25,997	3,892		29,889
Infrastructure	320,436	21,541		341,977
Equipment	50,022	3,957		53,979
Vehicles	<u>14,721</u>	<u>7,080</u>		<u>21,801</u>
Total accumulated depreciation	<u>411,176</u>	<u>36,470</u>		<u>447,646</u>
Governmental activities capital assets, net	<u>326,663</u>	<u>49,857</u>		<u>376,520</u>

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Construction in progress	13,750	_____	(13,750)	_____
Capital assets, being depreciated				
Infrastructure	1,157,569	39,213	_____	1,196,782
Equipment and machinery	41,844	_____	_____	41,844
Total capital assets, being depreciated	<u>1,199,413</u>	<u>39,213</u>	_____	<u>1,238,626</u>
Less accumulated depreciation for:				
Infrastructure	814,224	41,963	_____	856,187
Equipment and machinery	33,050	2,892	_____	35,942
Total accumulated depreciation	<u>847,274</u>	<u>44,855</u>	_____	<u>892,129</u>
Business-type activities capital assets, net	<u>365,889</u>	<u>(5,642)</u>	<u>(13,750)</u>	<u>346,497</u>

Depreciation

Depreciation expense was charged to the functions as follows:

Governmental activities	
General government	7,849
Public Safety	7,080
Street	<u>21,541</u>
Total governmental activities	<u>36,470</u>
Business-type activities	
Water and sewer	<u>44,855</u>

NOTE 7. 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; and natural disasters. The City has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 8. PROPERTY TAX

Property taxes assessed on January land levies are set and filed with the county clerk by September 1 of each year. Property taxes attach as an enforceable lien on November 1 and the taxes are due to be collected by December 31. Uncollected amounts become delinquent after that date. The County of Cass, Missouri, bills and collects property taxes on behalf of the City.

The levy for 2023 is as follows, as assessed by the state:

General governmental services
Real property, personal property, and business personal property at 0.4330 cents per \$100 assessed valuation.

The assessed valuation of the tangible taxable property for purposes of local taxation was:

Real estate	11,337,266
Personal property	<u>2,942,743</u>
Total current valuation	<u>14,280,009</u>

NOTE 9. PENSION PLAN

Plan Description

The City of Cleveland, Missouri, contributes to the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multi-employer, statewide public employee retirement plan for units of local government which is legally separate and fiscally independent of the state of Missouri. LAGERS was established in 1967 and is administered in accordance with RSMo. 70.600 - 70.755. At June 30, 2024, there were 877 participating political subdivisions.

Responsibility for the operation and administration of the plan is vested in the LAGERS Board of Trustees consisting of seven persons. Three trustees are elected by the employees who participate in the system, three trustees are elected by the members of the governing bodies of those political subdivisions which participate in the system, and one trustee is appointed by the governor. The regular term of office for members of the LAGERS Board of Trustees is four years. Members of the LAGERS Board of Trustees serve without compensation with respect to their duties, but are reimbursed by LAGERS for their actual and necessary expenses incurred in the performance of their duties.

For the City's year ending June 30, 2024, the net pension liability is based on an actuarial valuation performed as of February 29, 2024, and a measurement date of June 30, 2024.

At the date the actuarial valuation was performed, the City had two active employees, three inactive employees entitled to but not receiving benefits, and one inactive employee (or their beneficiaries) who are currently receiving benefits.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Benefits Provided

LAGERS provides retirement, death, and disability benefits to employees of participating political subdivisions. All benefits vests after 5 years of service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect for their political subdivision. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance. The LAGERS Board of Trustees establishes the benefit plans and provisions that are available for adoption. The political subdivision's governing body adopts all benefits of the plan. Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Contributions and Pension Liability

Each participating unit of government is obligated by state law to make all required contributions to the plan. The required contributions are actuarially determined using the individual entry-age actuarial cost method. There are no long-term contracts for contributions to the plan. All actuarial liabilities are amortized over a period of 30 years or less. Administrative costs of LAGERS are financed through investment earnings of the system. Employee contributions are determined at the election of the governing body of the local government. Should the governing body elect to participate in the contributory plan, all employees must contribute 4% of their gross salary. The governing body may elect to participate in the noncontributory plan which would result in no employee contributions.

The City's contribution to the plan for its year ended June 30, 2024, was \$6,902.

The Plan's total pension expense for its fiscal year ended June 30, 2024, was \$17,545.

The City's total pension liability (asset) by division as of June 30, 2024, was as follows:

General Division	14,734
Police Division	<u>3,568</u>
Total	<u><u>18,302</u></u>

Actuarial Assumptions

The pension liability for the June 30, 2024, measurement date was determined using the following actuarial assumptions applied to the measurement:

Actuarial Cost Method	Entry Age Normal & Modified Terminal Funding
-----------------------	----------------------------------------------

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Amortization Method	A level of percentage of payroll amortization method is used to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 7 - 15 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increases	2.75% - 6.75% including wage inflation
Investment Rate of Return	7.00%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	<p>The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The preretirement mortality tables used were 75% of the PubG-2010 Employee.</p> <p>Mortality Table for males and females of general groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire, and Public Safety groups.</p> <p>Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.</p>
Other Information	None

The long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) is 7.00%.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds, with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the valuation, the expected rate of return on pension plan investments was 7.00%. The municipal bond rate is 3.97% (based on the weekly rate closest to, but not later than, the measurement date of the "20-Year Municipal GO AA Index" rate from Fidelity). The resulting single discount rate is 7.00% for the General and 6.53% for the Police Divisions.

This rate considers the ability of the plan to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required, as described in the preceding paragraph.

LAGERS has provided tables to the City that provide background for the development of the single discount rate. These tables are described as follows:

The Projection of Contributions table shows the development of expected contributions in future years. Normal cost contributions for future hires are not included (nor are their liabilities).

The Projection of Plan Fiduciary Net Position table shows the development of expected asset levels in future years.

The Present Values of Projected Benefit Payments table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Assumed Asset Allocation

Activities undertaken by LAGERS Investment Team include setting and implementing investment strategies; appointing and dismissing investment managers; monitoring investment allocation, liquidity, and performance; and ensuring safekeeping of assets.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Assumed Asset Allocation (Continued)

To achieve the goal of a 7.00% long-term rate of return, LAGERS Investment Team sets an investment strategy which is devised after analyzing the long-term view of the market and consulting with LAGERS' Board of Trustees.

The assumed asset allocation is as follows:

Equities	37.8%
Fixed income	25.2%
Real assets/returns	30.9%
Strategic	3.4%
Alpha	4.2%

Pension Liability Sensitivity

The following table presents the net pension liability for the City's proportionate share of the net pension liability as of June 30, 2024, calculated using the discount rate of 7.00%, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.00% Decrease (6.00%)	Current Rate (7.00%)	1.00% Increase (8.00%)
General Division	39,536	14,734	(6,386)
Police Division	9,276	3,568	(867)
Total	<u>48,812</u>	<u>18,302</u>	<u>(7,253)</u>

Changes in Net Pension Liability

Total Pension Liability

Service cost	5,436
Interest on total pension liability	14,192
Difference between expected and actual experience of the total pension liability	7,421
Change of assumptions	2,220
Benefit payments, including refunds of employee contributions	<u>(1,647)</u>
Net change in total pension liability	27,622
Total pension liability - beginning	<u>200,876</u>
Total pension liability - ending	<u>228,498</u>

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Changes in Net Pension Liability (Continued)

Plan Fiduciary Net Position

Contributions - employer	6,902
Contributions - employee	2,655
Net investment income	10,222
Benefit payments, including refunds of employee contributions	(1,647)
Pension plan administrative expense	(401)
Other	<u>104</u>
Net change in fiduciary net position	17,835
Plan fiduciary net position - beginning	<u>192,361</u>
Plan fiduciary net position - ending	<u>210,196</u>
 Net Pension Liability	 <u>18,302</u>

Pension Plan Fiduciary Net Position

Additional financial and actuarial information supporting the preparation of the schedule of changes in fiduciary net position is included in the System's Comprehensive Annual Financial Report, for the year ended June 30, 2024. The Comprehensive Annual Financial Report can be obtained at www.molagers.org or from Missouri Local Area Government Employee Retirement System (LAGERS), P.O. Box 1665, Jefferson City, MO, 65102.

NOTE 10. TRANSFERS

Operating transfers during the year ended June 30, 2024, were as follows:

	<u>Transfers In</u>
	General
Transfers Out	
Street Fund	<u>10,560</u>

Transfers from the Street Fund were used to allocate operating expenses paid by the General Fund.

CITY OF CLEVELAND, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMPLIANCE WITH MISSOURI STATUTES

Missouri House Bill No. 103 amending RSMo Section 302.341.2 became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of "annual general operating revenue" from fines and costs for traffic violations as follows:

Fines and costs for traffic violations	8,812
Annual general operating revenue	209,612
Fines and costs for traffic violations as a percentage of annual general operating revenue	4%

NOTE 12. SUBSEQUENT EVENT

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 7, 2025, the date the financial statements were available to be issued.

OTHER INFORMATION

CITY OF CLEVELAND, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	170,500	180,268	180,270	(2)
Franchise taxes	44,200	43,957	43,959	(2)
Licenses, fees, and permits	6,500	4,238	4,238	
Fines and forfeitures	10,000	7,734	10,059	(2,325)
Charges for services	2,130	5,391	3,068	2,323
Investment earnings	602	3,974	1,167	2,807
Unrealized gain on investments			64	(64)
Community building rental	500	550	550	
Miscellaneous	500	4,976	4,976	
	<u>234,932</u>	<u>251,088</u>	<u>248,351</u>	<u>2,737</u>
TOTAL REVENUES				
EXPENDITURES				
Salaries and payroll taxes	132,000	92,808	92,810	(2)
Contract labor	10,000	8,629	8,629	
Repairs and maintenance	13,250	25,741	33,799	(8,058)
Administration and supplies	20,750	21,690	21,699	(9)
Insurance	8,600	13,291	13,291	
Professional services	20,000	39,045	39,046	(1)
Utilities	12,850	14,680	14,681	(1)
Capital improvements	7,500	7,351		7,351
Community building	500			
Vehicle and mileage	1,950	1,702	1,702	
Park development	5,000	740	740	
Police equipment	2,000	95	95	
Miscellaneous	1,350	565	566	(1)
	<u>235,750</u>	<u>226,337</u>	<u>227,058</u>	<u>(721)</u>
TOTAL EXPENDITURES				
OTHER FINANCING SOURCES				
Operating transfers in			10,560	
NET CHANGE IN FUND BALANCES			31,853	
FUND BALANCES, beginning of year - budgetary basis			393,197	
FUND BALANCES, end of year - budgetary basis			425,050	

CITY OF CLEVELAND, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL
STREET FUND
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes	<u>106,000</u>	<u>104,014</u>	<u>104,014</u>	<u> </u>
EXPENDITURES				
Contract labor	10,000			
Capital improvements			86,327	(86,327)
Repairs and maintenance	<u>50,000</u>	<u>93,454</u>	<u>7,127</u>	<u>86,327</u>
TOTAL EXPENDITURES	<u>60,000</u>	<u>93,454</u>	<u>93,454</u>	<u> </u>
OTHER FINANCING USES				
Operating transfers out			<u>(10,560)</u>	
NET CHANGE IN FUND BALANCES				
FUND BALANCES, beginning of year - budgetary basis			<u> </u>	
FUND BALANCES, end of year - budgetary basis			<u> </u>	

CITY OF CLEVELAND, MISSOURI
NOTES TO BUDGETARY SCHEDULES

NOTE 1. SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED
CASH BASIS - BUDGET AND ACTUAL

Basis of Accounting

The accompanying schedules of revenues, expenditures, and changes in fund balances - modified cash basis - budget and actual are presented on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

Budget Law

The City is required by state law to adopt annual budgets for all funds. Total expenditures may not exceed the total budgeted expenditures. Appropriations for expenditures lapse at year end. Any revisions to the adopted budget of total expenditures to any fund must be approved by the Board of Aldermen.



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 Honorable Mayor and Board of Aldermen
City of Cleveland, Missouri

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 financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cleveland, Missouri, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Missouri's basic financial statements and have issued our report thereon dated January 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cleveland, Missouri's internal control over financial reporting (internal control) as a basis for designing 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 the City of Cleveland, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cleveland, Missouri'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cleveland, Missouri'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 financial statements. 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 is required to be reported under *Government Auditing Standards*.

The City of Cleveland, Missouri's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Cleveland, Missouri's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Cleveland, Missouri's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the City of Cleveland, Missouri'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 City of Cleveland, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana J Cole + Company, LLP

Overland Park, Kansas
January 7, 2025

CITY OF CLEVELAND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

2024-001 SEGREGATION OF DUTIES

Criteria

Adequate segregation of duties is necessary for the auditor to plan tests of controls to support a low assessed level of control risk.

Condition

The City has a limited number of personnel involved in the accounting function, thus limiting its internal control procedures.

Cause

The City is limited with its expenditure budget to hire additional staff to further segregate accounting and financial reporting duties.

Potential Effect

Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting.

Recommendation

We recommend that the City continue to monitor and evaluate its internal controls with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

City's Response

The cost to the City for additional staff to segregate accounting functions would be prohibitive. Measures have been put in place to segregate as many duties as possible. These include written policies and procedures, and contracting with an independent CPA firm to review accounting entries and perform monthly compilation services. With these mitigating controls, the present system seems to be operating as understood by all parties involved.

2024-002 RELIANCE UPON THE AUDITOR

Criteria

As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with the modified cash basis of accounting.

CITY OF CLEVELAND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

2024-002 RELIANCE UPON THE AUDITOR (Continued)

Condition

Management should possess the ability to prepare financial statements in accordance with the modified cash basis of accounting. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors. During our audit, we prepared a draft of the financial statements and note disclosure from a trial balance containing necessary adjustments to properly present the City's financial records.

Cause

City personnel do not possess the expertise necessary to provide the auditors with a draft of the year end financial statements, supplementary information, and notes to the financial statements.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries, the adequacy of the financial statement disclosures prepared by the auditors, and apply analytical procedures to the draft financial statements among other procedures as considered necessary by management.

City's Response

The City relies on the auditors to propose adjustments necessary to prepare the financial statements including the related note disclosures. The City reviews such financial statements and related disclosures and approves all adjustments.

CITY OF CLEVELAND, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

2023-001 SEGREGATION OF DUTIES

The City has a limited number of personnel involved in the accounting function, thus limiting its internal control procedures. The City has implemented some mitigating controls, and the present system seems to be operating as understood by all parties involved. This is a continued finding as noted in item 2024-001.

2023-002 RELIANCE UPON THE AUDITOR

Management should possess the ability to prepare financial statements prepared in accordance with the modified cash basis of accounting. The preparation of financial statements under this basis of accounting would require that management possess the ability to properly record and classify transactions in a general ledger and prepare the financial statements and related disclosures without the assistance from the auditors. This is a continued finding as noted in item 2024-002.

2023-003 REQUIRED COLLATERALIZATION

As of June 30, 2023, the City had deposits in excess of insurance or collateralization in the amount of \$111,217. Cash balances increased during the year, and coverage was not updated in a timely manner. Custodial Risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City and bank will review balances and provide adequate collateralization. This is not a continuing finding for the year ended June 30, 2024.