

# **CITY OF CISCO, TEXAS**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the Year Ended  
September 30, 2021

**CITY OF CISCO, TEXAS**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Cisco, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cisco, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Opinions

In our opinion, the financial statements referred to above are presented fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cisco, Texas as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cisco, Texas' financial statements as a whole. The combining non-major fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

*Fullerton & Associates, PLLC*

Fullerton & Associates, PLLC  
November 14, 2022

**CITY OF CISCO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**As of and for the year ended September 30, 2021**

As management of the City of Cisco, we offer readers of the City of Cisco, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Cisco, Texas for the fiscal year ended September 30, 2021.

**FINANCIAL HIGHLIGHTS**

Government-Wide Financial Statements

- The assets of the City of Cisco exceeded its liabilities at the close of the 2021 fiscal year by \$13,322,638 (net position).
- As of September 30, 2021, \$1,910,195 (unrestricted) may be used to finance day-to-day operations without constraints, \$10,823,582 of the City's equity is invested in capital assets \$588,861 (restricted for debt service).
- The City's total assets decreased by \$26,854 during the 2021 fiscal year.
- The net position (equity) of the City decreased by \$549,854 during the 2021 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Cisco's General Fund reported an ending unassigned fund balance of (\$398,677) which reflects a decrease of \$111,144 for the year ended September 30, 2021.
- The City's Water & Sewer Fund had an increase of \$41,673 in its net position during the 2021 fiscal year, resulting in an ending fund balance of \$11,958,482, \$7,896,943 (66%) of which is invested in capital assets, \$518,904 (4%) of which is invested in debt service, and \$3,542,635 (30%) of which is unrestricted.
- The City's Airport Fund had a increase of \$20,630 in its net position during the 2021 fiscal year, resulting in an ending fund balance of \$19,167.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Cisco's basic financial statements. The City of Cisco's basic financial statements comprise three components:

- 1) government- wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The statement of net position presents information on all the City of Cisco'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 the financial position of the City of Cisco is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**CITY OF CISCO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**As of and for the year ended September 30, 2021**

The government-wide financial statements reflect functions of the City of Cisco that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Cisco include general government, public safety, maintenance of city streets and alleys, and community services. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cisco, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cisco can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cisco maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The governmental fund financial statements can be found on pages 11-14 of this report.

*Proprietary funds.* When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but the proprietary fund statements provide more detail and additional information, such as cash flows, for the proprietary fund. The City utilizes two proprietary funds, the Water fund. The proprietary fund statements can be found on pages 15-17 of this report.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-39 of this report.

**CITY OF CISCO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**As of and for the year ended September 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cisco, assets exceeded liabilities by \$13,322,638 at the end of 2021. As of September 30, 2021, \$10,823,582 of the City of Cisco's net position (81%) reflects its investment in capital assets (e.g., buildings, and road improvements). The City of Cisco uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**City of Cisco's Net Position—Comparative Schedules**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 404,972	\$ 541,720	\$ 8,614,034	\$ 8,167,933	\$ 9,019,006	\$ 8,709,653
Capital assets and restricted cash	2,774,660	2,939,445	19,190,106	19,361,528	21,964,766	22,300,973
Total assets	<u>3,179,632</u>	<u>3,481,165</u>	<u>27,804,140</u>	<u>27,529,461</u>	<u>30,983,772</u>	<u>31,010,626</u>
Deferred outflows of resources	(174,548)	(87,274)	40,161	(25,821)	(134,387)	(113,095)
Total deferred outflows	<u>(174,548)</u>	<u>(87,274)</u>	<u>40,161</u>	<u>(25,821)</u>	<u>(134,387)</u>	<u>(113,095)</u>
Long-term liabilities	863,471	475,949	15,063,194	11,649,087	15,926,665	12,125,036
Other liabilities	803,566	431,493	815,210	4,626,830	1,618,776	5,058,323
Total liabilities	<u>1,667,037</u>	<u>907,442</u>	<u>15,878,404</u>	<u>16,275,917</u>	<u>17,545,441</u>	<u>17,183,359</u>
Deferred inflows of resources	(26,109)	3,544	7,415	1,032	(18,694)	4,576
Total deferred inflows	<u>(26,109)</u>	<u>3,544</u>	<u>7,415</u>	<u>1,032</u>	<u>(18,694)</u>	<u>4,576</u>
Net position:						
Invested in capital assets net of related debt	2,926,639	2,962,267	7,896,943	7,706,898	10,823,582	10,669,165
Restricted for debt service	69,957	23,870	518,904	557,259	588,861	581,129
Unrestricted	(1,632,440)	(1,030,454)	3,542,635	3,652,652	1,910,195	2,622,198
Total net pension	<u>\$ 1,364,156</u>	<u>\$ 1,955,683</u>	<u>\$ 11,958,482</u>	<u>\$ 11,916,809</u>	<u>\$ 13,322,638</u>	<u>\$ 13,872,492</u>

**CITY OF CISCO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**As of and for the year ended September 30, 2021**

**City of Cisco's Changes in Net Position—Comparative Schedule**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 1,035,276	\$ 1,030,827	\$ 1,486,057	\$ 1,559,442	\$ 2,521,333	\$ 2,590,269
Operating grants and contributions	156,333	369,206	252,934	1,449,692	409,267	1,818,898
General Revenues:					-	-
Maintenance and operation taxes	1,147,974	1,167,375	-	-	1,147,974	1,167,375
Sales and hotel/motel tax	550,417	682,240	-	-	550,417	682,240
Franchise fees	144,629	144,859	-	-	144,629	144,859
Lake lot rentals and leases	65,775	62,603	-	-	65,775	62,603
Investment earnings	3,564	7,929	3,128	6,069	6,692	13,998
Miscellaneous	780,206	182,911	-	-	780,206	182,911
Gain/(Loss) on disposal of fixed assets	6,864	20,479	-	80	6,864	20,559
<b>Total Revenues</b>	<b>3,891,038</b>	<b>3,668,429</b>	<b>1,742,119</b>	<b>3,015,283</b>	<b>5,633,157</b>	<b>6,683,712</b>
Expenditures:						
Administration	896,539	872,071	-	-	896,539	872,071
Police and municipal court	1,025,042	1,361,521	-	-	1,025,042	1,361,521
Animal control	258,150	85,586	-	-	258,150	85,586
Fire	676,886	606,106	-	-	676,886	606,106
Streets	887,017	961,255	-	-	887,017	961,255
Parks and recreation	68,347	90,521	-	-	68,347	90,521
Sanitation	664,114	610,107	-	-	664,114	610,107
Airport	5,890	3,988	-	-	5,890	3,988
Interest	580	-	208,689	206,550	209,269	206,550
Water	-	-	310,492	369,600	310,492	369,600
Wastewater	-	-	218,637	248,354	218,637	248,354
Water plant	-	-	593,048	583,907	593,048	583,907
Utility billing	-	-	92,359	119,308	92,359	119,308
Depreciation	-	-	277,221	290,428	277,221	290,428
<b>Total Expenditures</b>	<b>4,482,565</b>	<b>4,591,155</b>	<b>1,700,446</b>	<b>1,818,147</b>	<b>6,183,011</b>	<b>6,409,302</b>
Change in net position	(591,527)	(922,726)	41,673	1,197,136	(549,854)	274,410
Net Position - beginning of year	1,955,683	2,656,848	11,916,809	10,719,673	13,872,492	13,376,521
Net Position - end of year	<b>\$ 1,364,156</b>	<b>\$ 1,955,683</b>	<b>\$ 11,958,482</b>	<b>\$ 11,916,809</b>	<b>\$ 13,322,638</b>	<b>\$ 13,872,492</b>

**CITY OF CISCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the year ended September 30, 2021**

**FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

As noted earlier, the City of Cisco uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Cisco's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Cisco's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of Fiscal Year 2021, the City of Cisco's governmental General Fund reported an ending fund balance of (\$398,677) of which was unassigned and available for spending at the City's discretion and \$19,167 for the Airport Fund.

**CAPITAL ASSETS**

The City of Cisco's investment in capital assets for its governmental activities amounts to \$2,774,660 (net of accumulated depreciation) as of September 30, 2021, and its investment in capital assets for its business-type activities amounts to \$19,190,106 (net of accumulated depreciation). These investments in capital assets includes city land, buildings, water, sewer and sanitation facilities, airport facilities, as well as city vehicles and equipment.

Additional information on the City of Cisco's capital assets can be found in Note 4 on pages 28 through 30 of this report.

**DEBT ADMINISTRATION**

At September 30, 2021, the City had the following debt:

	2021	2020
<b>GOVERNMENTAL FUNDS</b>		
Loans:		
Public Property Finance Contract #8304	\$ 13,431	\$ 26,313
Public Property Finance Contract #8419	36,331	47,322
Capital Leases:		
Caterpillar Financial	54,494	64,989
Caterpillar Financial	160,058	54,494
	\$ 264,314	\$ 193,118
<b>PROPRIETARY FUNDS</b>		
Bonds & Certificates of Obligation		
Utility System Revenue Bonds, Series 1986	\$ 95,000	\$ 115,000
Water works & Sewer Syst Rev Bonds, Series 2001	-	782,000
Combination Tax & Revenue C of O, Series 2008	1,275,000	1,350,000
Combination Tax & Revenue C of O, Series 2008-A	-	2,200,000
Combination Tax & Revenue C of O, Series 2014	150,000	200,000
Combination Tax & Revenue C of O, Series 2018A	4,255,000	4,410,000
Combination Tax & Revenue C of O, Series 2018B	1,530,000	1,540,000
General Obligation Refunding Bonds, Series 2020	3,041,000	-
Loans:		
Public Property Finance Contract #7273	1,002,394	1,096,398
Public Property Finance Contract #8783	28,160	36,633
	\$ 11,376,554	\$ 11,730,031
Total	\$ 11,640,868	\$ 11,923,149

More information can be found in Note 5 – Long-Term Debt beginning on page 30 and Note 6 – Capital Leases beginning on page 33.

**CITY OF CISCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the year ended September 30, 2021**

The City has two outstanding long-term liabilities in the form of capital lease obligations which were issued to finance equipment purchases in the general fund.

Debt outstanding by type	<u>2021</u>	<u>2020</u>
Bonds and notes payable	\$ 11,314,799	\$ 11,689,908
Capital leases	44,973	275,996
Total debt outstanding	\$ <u>11,359,772</u>	\$ <u>11,965,904</u>

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Cisco, Texas, P.O. Box 10, Cisco, Texas 76437.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF CISCO, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	<b>Primary Government</b>			<b>Component Unit</b>
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 21,245	\$ 954,128	\$ 975,373	\$ 1,016,584
Investments	67,511	-	67,511	-
Receivables (net of allowance for uncollectibles)	316,216	146,405	462,621	57,066
Due from other funds	-	530,067	530,067	-
Inventories	-	12,762	12,762	-
Notes receivable	-	-	-	414,501
Capital assets:				
Land	482,698	58,022	540,720	314,849
Construction in progress	17,875	9,963,896	9,981,771	917,738
Infrastructure	20,713,522	15,079,949	35,793,471	-
Buildings and improvements	636,677	-	636,677	1,670,797
Machinery, vehicles, and equipment	3,136,307	800,013	3,936,320	-
Less: accumulated depreciation	(22,212,419)	(6,711,774)	(28,924,193)	(331,149)
Restricted cash	-	6,970,672	6,970,672	-
<b>Total assets</b>	<b>3,179,632</b>	<b>27,804,140</b>	<b>30,983,772</b>	<b>4,060,386</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	(174,548)	40,161	(134,387)	-
<b>Total deferred outflows of resources</b>	<b>(174,548)</b>	<b>40,161</b>	<b>(134,387)</b>	<b>-</b>
<b>LIABILITIES</b>				
Overdrafts	34,223	-	34,223	-
Accounts payable	67,405	94,626	162,031	1,000
Accrued liabilities	66,464	4,537	71,001	-
Deposits payable	-	165,284	165,284	-
Due to other funds	530,067	-	530,067	-
Accrued interest	1,723	28,123	29,846	-
Compensated absences	33,727	3,736	37,463	-
Capital leases payable	44,973	-	44,973	-
Current portion of long-term liabilities	24,984	518,904	543,888	-
Noncurrent liabilities				
Net pension liability	711,492	14,758	726,250	-
Capital leases payable	127,202	-	127,202	-
Notes payable and certificates of obligation	24,777	10,746,136	10,770,913	-
<b>Total liabilities</b>	<b>1,667,037</b>	<b>11,576,104</b>	<b>13,243,141</b>	<b>1,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pension	(26,109)	7,415	(18,694)	-
Debt related to TWDB	-	4,302,300	4,302,300	-
<b>Total deferred inflows of resources</b>	<b>(26,109)</b>	<b>4,309,715</b>	<b>4,283,606</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,926,639	7,896,943	10,823,582	-
Restricted for debt service	69,957	518,904	588,861	-
Unrestricted	(1,632,440)	3,542,635	1,910,195	4,059,386
<b>Total net position</b>	<b>\$ 1,364,156</b>	<b>\$ 11,958,482</b>	<b>\$ 13,322,638</b>	<b>\$ 4,059,386</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals Primary Govt.	Economic Development Corporation	Total
<b>PRIMARY GOVERNMENT</b>								
Governmental activities								
Administrative	\$ 896,539	\$ 33,660	\$ (28,186)	\$ (891,065)	\$ -	\$ (891,065)	\$ -	\$ (891,065)
Police and municipal court	1,025,042	319,001	50,000	(656,041)	-	(656,041)	-	(656,041)
Animal control	258,150	-	-	(258,150)	-	(258,150)	-	(258,150)
Fire	676,886	-	134,519	(542,367)	-	(542,367)	-	(542,367)
Street	887,017	-	-	(887,017)	-	(887,017)	-	(887,017)
Parks and recreation	68,347	-	-	(68,347)	-	(68,347)	-	(68,347)
Sanitation	664,114	682,615	-	18,501	-	18,501	-	18,501
Airport	5,890	-	-	(5,890)	-	(5,890)	-	(5,890)
Economic development	-	-	-	-	-	-	(485,346)	(485,346)
Interest expense	580	-	-	(580)	-	(580)	-	(580)
<b>Total governmental activities</b>	<b>4,482,565</b>	<b>1,035,276</b>	<b>156,333</b>	<b>(3,290,956)</b>	<b>-</b>	<b>(3,290,956)</b>	<b>(485,346)</b>	<b>(3,776,302)</b>
Business-type activities								
Water	310,492	1,088,300	-	-	777,808	777,808	-	777,808
Wastewater	218,637	397,728	252,934	-	432,025	432,025	-	432,025
Water plant	593,048	-	-	-	(593,048)	(593,048)	-	(593,048)
Utility billing	92,359	29	-	-	(92,330)	(92,330)	-	(92,330)
Depreciation expense	277,221	-	-	-	(277,221)	(277,221)	-	(277,221)
Interest expense	208,689	-	-	-	(208,689)	(208,689)	-	(208,689)
<b>Total business-type activities</b>	<b>1,700,446</b>	<b>1,486,057</b>	<b>252,934</b>	<b>-</b>	<b>38,545</b>	<b>38,545</b>	<b>-</b>	<b>38,545</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,183,011</b>	<b>\$ 2,521,333</b>	<b>\$ 409,267</b>	<b>(3,290,956)</b>	<b>38,545</b>	<b>(3,252,411)</b>	<b>(485,346)</b>	<b>(3,737,757)</b>
General revenues:								
Property taxes				1,147,974	-	1,147,974	-	1,738,218
Sales and use taxes				550,417	-	550,417	590,244	550,417
Franchise taxes				144,629	-	144,629	-	144,629
Rentals and leases				65,775	-	65,775	0	65,775
Investment and royalty income				3,564	3,128	6,692	5,353	12,045
Miscellaneous income				780,206	-	780,206	143,982	924,188
Gain/(Loss) on disposal of fixed assets				6,864	-	6,864	617,739	624,603
Total general revenues				2,699,429	3,128	2,702,557	1,357,318	4,059,875
<b>CHANGE IN NET POSITION</b>				<b>(591,527)</b>	<b>41,673</b>	<b>(549,854)</b>	<b>871,972</b>	<b>322,118</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>				<b>1,955,683</b>	<b>11,916,809</b>	<b>13,872,492</b>	<b>3,187,414</b>	<b>17,059,906</b>
<b>NET POSITION AT END OF YEAR</b>				<b>\$ 1,364,156</b>	<b>\$ 11,958,482</b>	<b>\$ 13,322,638</b>	<b>\$ 4,059,386</b>	<b>\$ 17,382,024</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	General Fund	Airport Fund	Total Primary Government	Component Unit	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 21,245	\$ 21,245	\$ 1,016,584	\$ 1,037,829
Investments	67,511	-	67,511	-	67,511
Property taxes receivables (net of allowances)	86,324	-	86,324	27,190	113,514
Sales tax receivable	111,296	-	111,296	-	111,296
Accounts receivable (net of allowances)	118,596	-	118,596	29,876	148,472
Notes receivable	-	-	-	414,501	414,501
Total assets	<u>\$ 383,727</u>	<u>\$ 21,245</u>	<u>\$ 404,972</u>	<u>\$ 1,488,151</u>	<u>\$ 1,893,123</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 67,327	\$ 78	\$ 67,405	\$ 1,000	\$ 68,405
Overdrafts	34,223	-	34,223	-	34,223
Due to other funds	528,067	2,000	530,067	-	530,067
Accrued liabilities	66,464	-	66,464	-	66,464
Total liabilities	<u>696,081</u>	<u>2,078</u>	<u>698,159</u>	<u>1,000</u>	<u>699,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	86,323	-	86,323	-	86,323
Total deferred inflows of resources	<u>86,323</u>	<u>-</u>	<u>86,323</u>	<u>-</u>	<u>86,323</u>
<b>FUND BALANCES</b>					
Unassigned fund balance	<u>(398,677)</u>	<u>19,167</u>	<u>(379,510)</u>	<u>1,487,151</u>	<u>1,107,641</u>
Total fund balances	<u>(398,677)</u>	<u>19,167</u>	<u>(379,510)</u>	<u>1,487,151</u>	<u>1,107,641</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 383,727</u>	<u>\$ 21,245</u>	<u>\$ 404,972</u>	<u>\$ 1,488,151</u>	<u>\$ 1,893,123</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

	Governmental Funds	Component Unit
Total Fund Balances - Governmental Funds Balance Sheet	\$ (379,510)	\$ 1,487,151
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$26,094,300 and the accumulated depreciation was \$22,446,217. In addition, long-term liabilities, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	2,627,705	1,757,105
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term in the government-wide financial statement. The net effect of including the capital outlays and debt principal payments is to increase net position.	102,498	842,974
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(336,714)	(42,269)
Included in the items related to long-term liabilities is the recognition of the City's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.	(649,823)	14,425
Net Position of Governmental Activities - Statement of Net Position	\$ 1,364,156	\$ 4,059,386

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Airport Funds	Total Primary Government	Component Unit	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 1,161,897	\$ -	\$ 1,161,897	\$ -	\$ 1,161,897
Sales and use	509,902	-	509,902	590,244	1,100,146
Franchise	144,629	-	144,629	-	144,629
Hotel/motel	40,515	-	40,515	-	40,515
Sanitation fees	682,614	-	682,614	-	682,614
Municipal court fines and fees	319,001	-	319,001	-	319,001
Licenses and permits	33,660	-	33,660	-	33,660
Rent/Leases	63,085	2,690	65,775	-	65,775
Oil and gas royalties	2,688	-	2,688	-	2,688
Interest	876	-	876	5,353	6,229
Grants and contribution	156,333	-	156,333	-	156,333
Miscellaneous	770,782	23,830	794,612	49,449	844,061
Total revenues	<u>3,885,982</u>	<u>26,520</u>	<u>3,912,502</u>	<u>645,046</u>	<u>4,557,548</u>
<b>EXPENDITURES</b>					
Current:					
General administrative	834,460	-	834,460	-	834,460
Public safety:					
Police	1,175,540	-	1,175,540	-	1,175,540
Animal control	55,256	-	55,256	-	55,256
Fire	598,854	-	598,854	-	598,854
Street	675,488	-	675,488	-	675,488
Sanitation	661,478	-	661,478	-	661,478
Culture and recreation:					
Parks and cemetery	63,253	-	63,253	-	63,253
Airport	-	5,890	5,890	-	5,890
Economic Development	-	-	-	382,738	382,738
Total expenditures	<u>4,064,329</u>	<u>5,890</u>	<u>4,070,219</u>	<u>382,738</u>	<u>4,452,957</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(178,347)</u>	<u>20,630</u>	<u>(157,717)</u>	<u>262,308</u>	<u>104,591</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on sale of assets	67,203	-	67,203	(9,976)	57,227
Total other financing sources (uses)	<u>67,203</u>	<u>-</u>	<u>67,203</u>	<u>(9,976)</u>	<u>57,227</u>
NET CHANGE IN FUND BALANCES	(111,144)	20,630	(90,514)	252,332	161,818
FUND BALANCES AT BEGINNING OF PERIOD	(287,533)	(1,463)	(288,996)	1,234,819	945,823
FUND BALANCES AT END OF PERIOD	<u>\$ (398,677)</u>	<u>\$ 19,167</u>	<u>\$ (379,510)</u>	<u>\$ 1,487,151</u>	<u>\$ 1,107,641</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS**  
**RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Governmental Funds	Component Units
Net Change in Fund Balances - Total Governmental Funds	\$ (90,514)	\$ 252,332
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net</p>	154,054	(31,705)
<p>Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.</p>	(336,714)	(42,269)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in a increase in net position.</p>	76,120	693,614
<p>Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's share of pension expense must be recognized.</p>	(394,473)	-
Change in Net Position of Governmental Activities - Statement of Activities	\$ (591,527)	\$ 871,972

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS**  
**STATEMENT OF NET POSITION—PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2021**

	Water and Sewer	Total Enterprise Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 954,128	\$ 954,128
Receivables (net of allowances)	146,405	146,405
Inventory	12,762	12,762
Due from other funds	530,067	530,067
Total current assets	1,643,362	1,643,362
Noncurrent assets:		
Capital assets:		
Land	58,022	58,022
Construction in progress	9,963,896	9,963,896
Machinery, vehicles and equipment	800,013	800,013
Infrastructure	15,079,949	15,079,949
Less accumulated depreciation	(6,711,774)	(6,711,774)
Restricted Cash	6,970,672	6,970,672
Total noncurrent assets	26,160,778	26,160,778
Total assets	\$ 27,804,140	\$ 27,804,140
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	40,161	40,161
Total deferred outflows of resources	40,161	40,161
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 94,626	\$ 94,626
Accrued liabilities	4,537	4,537
Accrued interest	28,123	28,123
Bonds payable- current	518,904	518,904
Customer or lease deposits payable- restricted assets	165,284	165,284
Total current liabilities	811,474	811,474
Noncurrent liabilities:		
Compensated absences	3,736	3,736
Net pension liability	14,758	14,758
Bonds payable	10,746,136	10,746,136
Total noncurrent liabilities	10,764,630	10,764,630
Total liabilities	11,576,104	11,576,104
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	7,415	7,415
Deferred resource related to TWDB	4,302,300	4,302,300
Total deferred inflows of resources	4,309,715	4,309,715
<b>NET POSITION</b>		
Net invested in capital assets	7,896,943	7,896,943
Restricted for debt service	518,904	518,904
Unrestricted	3,542,635	3,542,635
Total fund balances	11,958,482	11,958,482
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 27,844,301</b>	<b>\$ 27,844,301</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION—PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

		Water and Sewer
<b>OPERATING REVENUES</b>		
Charges for Sales and Services		
Water sales	\$	992,074
Sewer charges		397,728
Late fees		47,902
Utility billing surcharge		29
Miscellaneous revenue		48,324
		1,486,057
<b>OPERATING EXPENSES</b>		
Water department expenses		310,492
Wastewater department expenses		218,637
Water plant department expenses		593,048
Utility billing department expenses		92,359
Depreciation and amortization		277,221
		1,491,757
		(5,700)
<b>OPERATING INCOME (LOSS)</b>		
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings		3,128
Contributions and donations		252,934
Interest expense		(208,689)
		47,373
		41,673
<b>INCOME (LOSS) BEFORE TRANSFERS</b>		
		41,673
<b>CHANGE IN NET POSITION</b>		
		41,673
<b>NET POSITION - BEGINNING</b>		
		11,916,809
<b>NET POSITION - ENDING</b>		
	\$	11,958,482

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Water and Sewer</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,460,611	\$ 1,460,611
Cash payments to suppliers for goods and services	(759,430)	(759,430)
Cash payments to employees for services (and related benefit payments)	<u>(400,675)</u>	<u>(400,675)</u>
Net cash provided by operating activities	<u>300,506</u>	<u>300,506</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash released from restrictions	(86,862)	(86,862)
Cash received from state and federal grants and contributions	252,934	252,934
Cash paid for financing bonds	(59,097)	(59,097)
Cash paid for retirement of long-term debt	(3,390,485)	(3,390,485)
Cash received from sale of new bonds	3,041,000	3,041,000
Cash payments for interest and related fees	(198,457)	(198,457)
Cash payments for property, plant and equipment	<u>(105,800)</u>	<u>(105,800)</u>
Net cash used in capital and related financing activities	<u>(546,767)</u>	<u>(546,767)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	3,128	3,128
Net cash provided by investing activities	<u>3,128</u>	<u>3,128</u>
<b>NET INCREASE/ (DECREASE IN CASH AND CASH EQUIVALENTS CASH AND EQUIVALENTS, BEGINNING</b>	<u>(243,133)</u>	<u>(243,133)</u>
<b>CASH AND EQUIVALENTS, ENDING</b>	<u>\$ 7,924,800</u>	<u>\$ 7,924,800</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES		
Operating income (loss)	\$ (5,700)	\$ (5,700)
Adjustments to reconcile operating income		
to net cash flows from operating activities:		
Depreciation	277,221	277,221
Change in net pension assets, liabilities and deferred resources	66,989	66,989
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	884	884
Increase (decrease) in accounts payable	(17,862)	(17,862)
Increase (decrease) in accrued liabilities	(18,784)	(18,784)
Increase (decrease) in meter deposits	<u>(2,242)</u>	<u>(2,242)</u>
Net cash provided by operating activities	<u>\$ 300,506</u>	<u>\$ 300,506</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. Proprietary funds apply only those Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**General Description of Reporting Entity**

The City of Cisco (the “City”) operates under a charter and it prescribes the “Council - Manager” form of government. The City is governed by a mayor, mayor pro-term, and a six-member council. The principal services accounted for as primary governmental functions include public safety, streets, sanitation, cultural and recreation, tourism, and general administrative services. In addition, the City maintains the water and sewer system, the operations of which are accounted for as enterprise funds.

The Cisco Development Corporation (the “CDC”) and the Cisco 4A Development Corporation (“the CDC4A”) are non-profit corporations specifically governed by Sections 4A and 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Art 5190.6. The CDC and CDC4A were organized exclusively for the purposes of benefitting and accomplishing public purposes of the City by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The CDC and CDC4A do not meet the criteria for blending and are, therefore, reported discreetly using a government fund type.

**Basis of Presentation – Government-wide Financial Statements**

The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has two discreetly presented component units. While they are not considered to be major component units, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect on inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between the enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, fees, fines, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category; governmental, proprietary and fiduciary. The emphasis of governmental fund financial statements is on the major governmental fund. All remaining governmental funds are aggregated and reported as non-major funds. The City reports the following major governmental fund:

The General Fund is the City's only major fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF CISCO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Measurement Focus and Basis of Accounting- Continued**

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related liability is incurred, except for principal and interest on general long- term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The proprietary, permanent trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Water & Sewer Fund, Airport Fund, Cisco Development Corporation Fund, and the Cisco 4A Development Corporation Fund.

The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re- appropriated and become part of the subsequent year's budget.

For fiscal year ending September 30, 2021, the City's general fund expected to receive \$4,004,420 in revenues and only received \$3,845,467, for a total unfavorable variance of \$158,953. In addition, the City had favorable budget variances in the following general fund departments:

Administrative	\$ 30,142
Police and municipal court	\$ 132,952
Animal control	\$ 3,463
Fire	\$ 41,404
Streets	\$ 210,506
Parks and recreation	\$ 30,318
Sanitation	\$ 15,457

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Investments

Investments in certificates of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes. The City’s investments in these pooled funds use amortized cost to value portfolio assets and follow the criteria for GASB Statement NO. 79.

Receivables and Payables

Amounts are aggregated into a single receivable (net of allowances for uncollectible) line for certain funds and aggregated columns. The allowance is based on historical experiences.

Payables consist of vendor obligations for goods and services.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, vehicle repair parts, and fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Vehicles and machinery and equipment related assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Buildings and improvements are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years.

Land is not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	40 years
Water/Sewer infrastructure	20-100 years
Streets	20 years
Equipment	10 years
Vehicles	5 years
Technology Equipment	5 years

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Inter-fund activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation in the government wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single “Transfers” line on government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single “Internal Balances” line of government-wide statement of net position.

Use of Estimates

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

Debt Issuance Costs

The costs of issuing bonded debt or certificates of obligation for proprietary fund types are expensed as incurred.

Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding as well as the applicable amounts related to the implementation of GASB 68 on the statement of net position.

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The City funds report unavailable revenues from two sources: property taxes and street assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items that qualifies as a deferred inflow is related to the City's pension plan reported in the government-wide statement of net position.

Pensions

For purposes of measuring the net pension asset or 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 Texas Municipal Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

At times, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance

Fund balance is reported in five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, short-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors, contributors, laws and regulations of other governments, enabling legislation or constitutional provisions.

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the City Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (limitation resulting from management’s intended use)

Comprises amounts intended to be used for a specific purpose, as expressed by City Council, by a designated official or committee. By adopting this policy, the City Council has hereby authorized the City Manager as the official to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, as it is intended to be used for the purpose of that fund.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

*Order of Expenditure of Funds:* When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the City Council, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

*Unassigned Fund Balance:* It is the goal of the City of Cisco to achieve and maintain a minimum unassigned fund balance in the General Fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of budgeted expenditures for the fiscal year, providing for approximately 90 days of estimated expenditures.

Fund Balance

Designated Circumstances:

The minimum unassigned fund balance may be spent under these extreme circumstances:

1. Natural disasters, including but not limited to tornados, fire or flood.
2. Opportunities for a grant in which the matching portion may require a portion of the minimum unassigned fund balance.
3. Shortfall in the budgeted revenue in excess of 20%
4. Unforeseeable expenditures in excess of 20% over budget.
5. When unforeseen circumstances or emergencies in another fund require a fund transfer from the general fund.

Replenishment of Minimum Unassigned Fund Balance:

1. When designated circumstances have reduced the unassigned fund balance below the targeted minimum level, the replenishment is to occur within 12 months.
2. Depending on the severity of the reduction of the minimum unassigned fund balance the following measures will be taken to replenish the minimum unassigned fund balance:
  - a. Should calculations reveal that the minimum unassigned fund balance will be replenished through normal activity within the next 12 months no action is necessary
  - b. Reduction of expenditures
  - c. Delay of capital purchases
  - d. Increase in fees and/or taxes
  - e. Salary freeze
  - f. Hiring freeze

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Revenues and Expenditures/Expenses**

Program Revenues

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 program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Compensated Absences

The City's policy does permit employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

**Compliance and Accountability**

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

The city had no violations of finance-related provisions

Action Taken

None needed

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Custodial Credit Risk – Deposits

State law requires governmental entities to contract with financial institutions in which fund will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Investment Balances

As of September 30, 2021, the City had the following investments

Investment Type	Fair Value
Certificates of Deposit	\$ 162,042
Investment Pools	67,511
Total	\$ 229,553

**Interest rate risk** – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

**Credit risk** – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2021, the City’s investments in certificates of deposit and investment pools were rated A1 by Standard and Poor’s.

**Concentration of credit risk** – To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually, this limitation is 20%.

**Foreign Currency Risk for Investments** – To City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

Investment Accounting Policy

All investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short- term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continued**

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the **Public Funds Investment Act** (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments in Pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. These Pools do not place any limitations or restrictions such as notice periods or maximum transaction amounts on withdrawals. The Pools have a credit rating of AAAM from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety principle. The Pools each invest in a quality portfolio of debt securities that are legally permissible for local governments in the state.

**NOTE 3 – RECEIVABLES AND PAYABLES**

Receivables at September 30, 2021 were as follows:

	Property Taxes	Other Government	Accounts	Total Receivables
Governmental Activities:				
General Fund	\$ 86,324	\$ 111,296	\$ 118,596	\$ 316,216
Component Unit		27,190	29,876	57,066
Total Governmental Activities	<u>\$ 86,324</u>	<u>\$ 138,486</u>	<u>\$ 148,472</u>	<u>\$ 373,282</u>
Business-type Activities:				
Water and Sewer Fund			\$ 146,405	\$ 146,405
Total Business-type Activities			<u>\$ 146,405</u>	<u>\$ 146,405</u>

**CITY OF CISCO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 3 – RECEIVABLES AND PAYABLES– Continued**

Payables at September 30, 2021 were as follows:

	Accounts	Salaries and Benefits	Accrued Interest	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$ 67,405	\$ 66,464	\$ 1,723	\$ 135,592
Total Governmental Activities	<u>\$ 67,405</u>	<u>\$ 66,464</u>	<u>\$ 1,723</u>	<u>\$ 135,592</u>
<b>Business-type Activities:</b>				
Water and Sewer Fund	\$ 94,626	\$ 4,537	\$ 28,123	\$ 127,286
Total Business-type Activities	<u>\$ 94,626</u>	<u>\$ 4,537</u>	<u>\$ 28,123</u>	<u>\$ 127,286</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 482,698	\$ -	\$ -	\$ 482,698
Construction in progress	-	17,875	-	17,875
Total capital assets not being depreciated	<u>482,698</u>	<u>17,875</u>	<u>-</u>	<u>500,573</u>
Capital assets being depreciated				
Infrastructure - streets and bridges	20,713,522	-	-	20,713,522
Building and improvements	636,677	-	-	636,677
Furniture and equipment	2,982,253	154,054	(82,926)	3,053,381
Total capital assets being depreciated	<u>24,332,452</u>	<u>154,054</u>	<u>(82,926)</u>	<u>24,403,580</u>
Less accumulated depreciation for:				
Infrastructure - streets and bridges	(19,398,011)	(85,598)	-	(19,483,609)
Building and improvements	(308,247)	(22,793)	-	(331,040)
Furniture and equipment	(2,169,447)	(228,323)	82,926	(2,314,844)
Total accumulated depreciation	<u>(21,875,705)</u>	<u>(336,714)</u>	<u>82,926</u>	<u>(22,129,493)</u>
Total capital assets being depreciated, net	<u>2,456,747</u>	<u>(182,660)</u>	<u>-</u>	<u>2,274,087</u>
Governmental activities capital assets, net	<u>\$ 2,939,445</u>	<u>\$ (164,785)</u>	<u>\$ -</u>	<u>\$ 2,774,660</u>

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 4 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to the departments of the governmental activities of the primary government as follows:

Administration	\$	6,505
Police and municipal court		71,561
Animal control		2,451
Fire		64,210
Streets		184,889
Parks and recreation		5,094
Airport		2,004
Total depreciation expense - governmental activities	\$	<u>336,714</u>

Capital asset activity for business-type activities for the year ended September 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type</b>				
Capital assets not being depreciated:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Construction in progress	9,858,096	105,800		9,963,896
Total capital assets not being depreciated	<u>9,916,118</u>	<u>105,800</u>	<u>-</u>	<u>10,021,918</u>
Capital assets being depreciated				
Infrastructure	15,079,949	-	-	15,079,949
Furniture and equipment	800,013	-	-	800,013
Total capital assets being depreciated	<u>15,879,962</u>	<u>-</u>	<u>-</u>	<u>15,879,962</u>
Less accumulated depreciation for:				
Infrastructure	(5,740,102)	(262,488)	-	(6,002,590)
Furniture and equipment	(694,451)	(14,732)	-	(709,183)
Total accumulated depreciation	<u>(6,434,553)</u>	<u>(277,220)</u>	<u>-</u>	<u>(6,711,773)</u>
Total capital assets being depreciated, net	<u>9,445,409</u>	<u>(277,220)</u>	<u>-</u>	<u>9,168,189</u>
Governmental activities capital assets, net	<u>\$ 19,361,527</u>	<u>\$ (171,420)</u>	<u>\$ -</u>	<u>\$ 19,190,107</u>

**CITY OF CISCO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 4 – CAPITAL ASSETS – Continued**

Capital asset activity for CEDC funds for the year ended September 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>CEDC</b>				
Capital assets not being depreciated:				
Projects	-	917,739	-	917,739
Land	\$ 314,849	\$ -	\$ (34,348)	\$ 280,501
Total capital assets not being depreciated	314,849	917,739	(34,348)	1,198,240
 Capital assets being depreciated				
Buildings	1,731,136	-	(40,416)	1,690,720
Total capital assets being depreciated	1,731,136	-	(40,416)	1,690,720
 Less accumulated depreciation for:				
Buildings	(288,880)	(42,269)	14,425	(316,724)
Total accumulated depreciation	(288,880)	(42,269)	14,425	(316,724)
 Total capital assets being depreciated, net	1,442,256	(42,269)	(25,991)	1,373,996
 Governmental activities capital assets, net	\$ 1,757,105	\$ 875,470	\$ (60,339)	\$ 2,572,236

**NOTE 5 – LONG-TERM DEBT**

In March 2001, the City Council passed an ordinance which authorized the issuance of the City of Cisco, Texas Waterworks and Sewer System Revenue Bonds Series 2001 in the amount of \$1,433,000 for the purpose of improving and extending the City's water and sewer system. The bonds are to pay interest at the rate of 4.5% semiannually on each January 10<sup>th</sup> and July 10<sup>th</sup> each year until fully retired in 2040. The bonds were refunded in the current year with City of Cisco General Obligation Refunding Bonds, series 2020 in the amount of \$782,000.

In February 2008, the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Revenue Certificate of Obligation, Series 2008 in the amount of \$2,200,000 for the purpose of improving its water treatment facilities. The bonds are interest-free and principal is due annually beginning February 15, 2011 and continuing on each succeeding February 15<sup>th</sup> until fully retired in 2038.

In February 2008, the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Revenue Certificate of Obligation, Series 2008 in the amount of \$3,000,000 for the purpose of improving its water treatment facility. The bonds bear interest rates varying from 1.80%-4.20% due in semiannual installments on each February 15<sup>th</sup> and August 15<sup>th</sup> beginning in 2009 and continuing each succeeding year until fully retired in 2038. The bonds were refunded in the current year with City of Cisco General Obligation Refunding Bonds, series 2020, in the amount of \$2,200,000.

In May 2014 the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Surplus Revenue Certificate of Obligation, Series 2014 in the amount of \$475,000 for the purpose of improving its water distribution system. The bonds bear interest rates varying from 0.00%-2.24% due in semiannual installments on each February 15<sup>th</sup> and August 15<sup>th</sup> beginning in 2014 and continuing each succeeding year until fully retired in 2024.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 5 – LONG-TERM DEBT– Continued**

In January 2016, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #7273 in the amount of \$1,443,750 for the purpose of acquiring and installing electronic water meters through-out the city. The contract was issued in February 2016 and bears an interest rate of 3.99% due in semi-annual installments on each February 4<sup>th</sup> and August 4<sup>th</sup> beginning in 2016 and continuing each succeeding year until fully retired in 2031.

In February 2017, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #7719 in the amount of \$75,000 for the purpose of acquiring a sewer machine. The contract was issued in May 2017 and bears an interest rate of 3.80% due in annual installments on each March 24<sup>th</sup> beginning in 2018 and continuing each succeeding year until fully retired in 2021.

In May 2018 the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Surplus Revenue Certificate of Obligation, Series 2018A in the amount of \$4,565,000 for the purpose of improving its water distribution system. The bonds bear interest rates varying from 0.00% due in semiannual installments on each February 15<sup>th</sup> beginning in 2021 and continuing each succeeding year until fully retired in 2049.

In May 2018 the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Surplus Revenue Certificate of Obligation, Series 2018B in the amount of \$1,550,000 for the purpose of improving its water distribution system. The bonds bear interest rates varying form 0.76%-2.13% due in semiannual installments on each February 15<sup>th</sup> and August 15<sup>th</sup> beginning in 2019 and continuing each succeeding year until fully retired in 2049.

In July 2018, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #8304 in the amount of \$50,500 for the purpose of acquiring a fire truck. The contract was issued in July 2018 and bears an interest rate of 4.30% due in annual installments on each July 30<sup>th</sup> beginning in 2019 and continuing each succeeding year until fully retired in 2022.

In October 2018, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #8419 in the amount of \$57,796 for the purpose of compact track loader. The contract was issued in October 2018 and bears an interest rate 4.93% due in annual installments on each October 31<sup>st</sup> beginning in 2019 and continuing each succeeding year until fully retired in October 2023.

In September 2019, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #8783 in the amount of \$36,633 for the purpose of an excavator. The contract was issued in September 2019 and bears an interest rate of 5.34% due in annual installments on each September 17<sup>th</sup> beginning in 2021 and continuing each succeeding year until fully retired in September 2023.

In October 2020, the City Council passed an ordinance authorizing the issuance of General Obligation Refunding Bonds, Series 2020, in the amount of \$3,041,000 for the purpose of refunding Water Works and Sewer System Revenue Bonds, Series 2001 in the amount of \$782,000 and Combination Tax & Revenue Certificates of Obligation, Series 2008 in the amount of \$2,200,000.

In October 2020, the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas, General Obligation Refunding Bonds, Series 2020, in the amount of \$3,041,000 for the purpose of refunding Water Works and Sewer system Revenue Bonds, Series 2001 in the amount of \$782,000 and Combination Tax & Revenue Certificates of Obligation, Series 2008-A in the amount of \$2,200,000.

**CITY OF CISCO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 5 – LONG-TERM DEBT– Continued**

*Governmental Funds*

Payee	Interest	Amounts Outstanding 9/30/2020	Issued	Retired	Amounts Outstanding 9/30/2021	Amounts Due In One Year
Public Property Finance #8304	4.30%	26,313	-	12,882	13,431	13,431
Public Property Finance #8419	4.93%	47,322	-	10,992	36,330	11,553
		\$ 73,635	-	23,874	49,761	\$ 24,984

*Proprietary Funds*

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/30/20	Issued	Retired	Amounts Outstanding 9/30/21
Utility System Revenue Bonds Series 1986	6.13%	\$ 390,000	\$ 115,000	\$ -	\$ 20,000	\$ 95,000
Waterworks and Sewer System Revenue Bonds, Series 2001	4.5%	\$ 1,433,000	782,000	-	782,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2008	0.00%	\$ 2,200,000	1,350,000	-	75,000	1,275,000
Combination Tax and Revenue Certificates of Obligation, Series 2008-A	1.80% to 4.20%	\$ 3,000,000	2,200,000	-	2,200,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014	0.00% to 2.241%	\$ 475,000	200,000	-	50,000	150,000
Combination Tax and Revenue Certificates of Obligation, Series 2018A	0.00%	\$ 4,565,000	4,410,000	-	155,000	4,255,000
Combination Tax and Revenue Certificates of Obligation, Series 2018B	0.76% to 2.13%	\$ 1,550,000	1,540,000	-	10,000	1,530,000
General Obligation Refunding Bonds, Series 2020		\$ 3,041,000		3,041,000		3,041,000
Public Property Finance Contract	3.99%	\$ 1,443,750	1,096,399	-	94,004	1,002,395
Public Property Finance Contract	5.34%	\$ 36,633	36,633		8,473	28,160
Bond Discount, Series 2018A			(89,051)	-	(3,125)	(85,926)
Bond Discount, Series 2018B			(24,707)	-	(867)	(23,840)
			\$ 11,616,274	\$ 3,041,000	\$ 3,390,485	\$ 11,266,789

**CITY OF CISCO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 6: CAPITAL LEASES**

The City entered into a capital lease agreement dated November 10, 2015, for the acquisition of a new motorgrader in the amount of \$226,300. The City agreed to make monthly installment payments beginning December 16, 2015 of \$1,314 including imputed interest at a 2.5% rate. A balloon payment of \$173,814 was due November 3, 2020. The City refinanced the motorgrader for 60 months on December 20, 2020 at a rate of 2.99%, with monthly amounts of \$2,619.14 for 60 months and a final payment of \$136,619.

The City entered into a capital lease agreement dated November 16, 2015, for the acquisition of a new vibratory soil compactor in the amount of \$132,800. The City agreed to make monthly installment payments beginning December 10, 2015 of \$1,378 including imputed interest at a rate of 2.5%. Since the risks and benefits of ownership were assumed by the City, the lease has been accounted for as a capital lease which is in substance a purchase. In December 2020, the City refinanced the lease for an additional 47 months at a rate of 2.99% and monthly payments of \$1,361.46.

A summary of changes in general long-term capital lease payable for the year ended September 30, 2021, as follows:

Payee	Interest	Amounts			Amounts	
		Outstanding 9/30/2020	Issued	Retired	Outstanding 9/30/2021	Amounts Due In One Year
Caterpillar Financial - Roller	2.50%	\$ 64,989	\$ -	\$ 10,750	\$ 54,239	\$ 17,934
Caterpillar Financial - Motor Grader	2.50%	137,372	-	19,436	117,936	27,039
		<u>\$ 202,361</u>	<u>-</u>	<u>30,186</u>	<u>172,175</u>	<u>\$ 44,973</u>

**NOTE 7: DEBT SERVICE REQUIREMENTS – BONDS, NOTES AND CAPITAL LEASES**

The annual debt service requirements to maturity for long-term bonds and notes payable as of September 30, 2021, are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 576,404	142,046	\$ 718,450
2023	586,007	132,212	718,219
2024	590,755	121,958	712,713
2025	592,654	111,690	704,343
2026	574,710	102,123	676,833
2027-2031	2,928,929	368,973	3,297,902
2032-2036	2,532,000	178,285	2,710,285
2037-2041	1,210,000	75,139	1,285,139
2042-2046	1,090,000	41,545	1,131,545
2047-2049	675,000	7,132	682,132
	<u>\$ 11,356,457</u>	<u>\$ 1,281,103</u>	<u>\$ 12,637,560</u>

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 7: DEBT SERVICE REQUIREMENTS – Continued**

The annual future minimum lease requirements long-term capital leases as of September 30, 2021 follows:

Year Ending September 30,	Total Lease Payments	Less: Incremental Value of Interest	Present Value of Minimum Lease Payments
2022	\$ 34,918	\$ (2,828)	\$ 32,089
2023	22,582	(1,154)	21,428
	\$ 57,500	(3,982)	53,518

**NOTE 8: RETIREMENT PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM**

**Plan Description**

The City of Cisco (the City) participates as one of approximately 900 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing board of the City, within the options available in the state statutes governing TRMS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

	Plan Year 2020
Employee deposit rate	5.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as a fraction)	60/5, 0/20
Updated service credit	100% repeating
Annuity increase (to retirees)	50% of CIP repeating

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 8: RETIREMENT PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM - Continued**

**Contributions**

The contribution rates for employees in TMRS are 5% of employee gross earnings, and the City matching percentages are 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City are required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.43% and 6.56% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, was \$96,060 and was equal to the required contributions.

**Net Pension Liability**

Actuarial assumptions. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Health post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 8: RETIREMENT PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM - Continued**

Asset Class	Minimum %	Target %	Maximum%
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Global public equity	20%	30%	40%
Real Estate	5%	10%	15%
Real Return	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	5%	10%	15%
Cash Equivalents	0%	0%	10%

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

***Changes in the Net Pension Liability (Asset)***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12-31-19	\$ 3,930,468	\$ 4,028,656	\$ (98,188)
Changes for the year:			
Service cost	173,239		173,239
Interest	265,933		265,933
Change in benefit terms	-		-
Difference between expected/actual experience	43,949		43,949
Changes in assumptions	-		-
Contributions - employer		98,225	(98,225)
Contributions - employee		76,858	(76,858)
Net investment income		305,458	(305,458)
Benefit payments, including refunds of employee contributions	(154,683)	(154,683)	-
Administrative expenses		(1,979)	1,979
Other charges		(76)	76
Net changes	328,438	323,803	4,635
Balance at 12-31-20	\$ 4,258,906	\$ 4,352,459	\$ (93,553)

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 8: RETIREMENT PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued**

**Sensitivity of the net position liability to changes in the discount rate.** The following shows the net pension liability calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$468,438	(\$93,553)	(\$555,814)

**Pension plan fiduciary net position.** Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TRMS financial report. That report may be obtained on the internet at [www.trms.com](http://www.trms.com).

Changes Since the Prior Actuarial Valuation. There were no changes of actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.**

For the year ended September 30, 2021, the City recognized pension expense of \$66,722.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 43,949	\$ -
Changes in actuarial assumptions		-
Differences between projected and actual investment earnings (net of current year amortization)	(33,524)	
Contributions subsequent to the measurement date	130,755	
Total	\$ 141,180	\$ -

\$130,755 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 8: RETIREMENT PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM - Continued**

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	
Notes	There were no benefit changes during the year.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City is exposed to risks of loss from destruction of City property and from general liability incurred as a part of performing the City's normal operations. The City is protected from these risks through insurance through the Texas Municipal Intergovernmental Risk Pool. The City's loss exposure is limited to deductibles of \$1,000 to \$5,000 within specified aggregate limits. All claims exceeding the specified deductibles are the responsibility of Texas Municipal Intergovernmental Risk Pool and not the City. There have been no reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City's employees are covered under the Texas Municipal Intergovernmental Risk Pool. The City has no liability under the plan over and above normal premium contributions.

Health insurance is provided for City employees under a traditional plan through the Texas Municipal League. Any portion of health insurance premiums for employee's spouses or dependents are paid for by the employee.

**CITY OF CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 10 – NOTES RECEIVABLE**

The CDC entered into several long-term notes receivable contracts with various individuals and businesses for economic development activities. The purposes of all loans are for start-up capital infusions for new business ventures and for facilities acquisitions. Interest rates on the loans are all 0%. Of the outstanding loans receivable, 100% of the ending balances are considered current.

Following is the summarized activity of the notes receivable for the year.

Beginning Balance	Loans Advanced	Loan Write-off	Loans Retired	Ending Balance
\$ 441,287	\$ 297,333	\$ 266,250	\$ 57,868	\$ 414,502

**NOTE 11 – SUBSEQUENT EVENTS**

We have considered all events and transactions between the fiscal yearend of September 30, 2021, and the date this report was available to be issued, November 14, 2022, and determined there were no significant subsequent events to disclose.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF CISCO, TEXAS  
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual Amounts (GAAP Basis)	Variance From Final Budget (unfavorable) favorable
<b>REVENUES</b>				
Ad valorem taxes (including penalties and interest	\$ 1,235,498	\$ 1,245,198	\$ 1,161,897	\$ (83,301)
Sales and hotel/motel tax	588,750	588,750	509,902	(78,848)
Franchise taxes	150,000	150,000	144,629	(5,371)
Sanitation fees	737,750	754,025	682,614	(71,411)
Municipal court fines and fees	304,750	310,930	319,001	8,071
Licenses and permits	22,700	34,875	33,660	(1,215)
Rent/leases	65,555	65,555	63,085	(2,470)
Oil and gas royalties	3,000	3,000	2,688	(312)
Interest	2,000	2,000	876	(1,124)
Grants and contributions	79,000	79,305	156,333	77,028
Miscellaneous	-	770,782	770,782	-
Total revenues	<u>3,189,003</u>	<u>4,004,420</u>	<u>3,845,467</u>	<u>(158,953)</u>
<b>EXPENDITURES</b>				
Administrative	1,408,537	864,603	834,460	30,143
Police and municipal court	1,053,232	1,308,493	1,175,540	132,953
Animal control	52,614	58,719	55,256	3,463
Fire	473,893	640,258	598,854	41,404
Streets	812,792	885,994	675,488	210,506
Parks and recreation	82,701	93,571	63,253	30,318
Sanitation	522,420	676,935	661,478	15,457
Airport	2,840	-	-	-
Total expenditures	<u>4,409,029</u>	<u>4,528,573</u>	<u>4,064,329</u>	<u>464,244</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,220,026)</u>	<u>(524,153)</u>	<u>(218,862)</u>	<u>305,291</u>
<b>FUND BALANCE - BEGINNING</b>	<u>(288,996)</u>	<u>(287,533)</u>	<u>(287,533)</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ (1,509,022)</u>	<u>\$ (811,686)</u>	<u>\$ (506,395)</u>	<u>\$</u>

CITY OF CISCO, TEXAS  
SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE LAST TEN FISCAL YEARS ENDED SEPTEMBER 30,2021

	<b>Plan Year Ended December 31,</b>					
	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	\$ 173,239	\$ 164,590	\$ 150,031	\$ 117,060	\$ 112,983	\$ 104,045
Interest (on the total pension liability)	265,933	249,602	236,994	215,422	183,166	180,168
Changes of benefit terms	-	-	-	299,201	-	-
Difference between expected and actual experience	43,949	(3,575)	(50,024)	89,791	(6,074)	(73,338)
Change of assumptions	-	(2,690)	-	-	-	44,629
Benefit payments, including refunds of employee contributions	(154,683)	(185,940)	(129,066)	(109,262)	(117,635)	(122,826)
<b>Net Change in Total Pension Liability</b>	<u>328,438</u>	<u>221,987</u>	<u>207,935</u>	<u>612,212</u>	<u>172,440</u>	<u>132,678</u>
<b>Total Pension Liability - Beginning</b>	3,930,468	3,708,481	3,500,546	2,888,334	2,715,894	2,583,216
<b>Total Pension Liability - Ending</b>	<u>\$ 4,258,906</u>	<u>\$ 3,930,468</u>	<u>\$ 3,708,481</u>	<u>\$ 3,500,546</u>	<u>\$ 2,888,334</u>	<u>\$ 2,715,894</u>
 <b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 98,225	\$ 96,060	\$ 77,200	\$ 30,367	\$ 27,143	\$ 34,001
Contributions - employee	76,858	73,216	66,209	62,332	59,779	56,301
Net investment income	305,458	541,531	(107,854)	440,623	203,391	4,489
Benefit payments, including refunds of employee contributions	(154,683)	(185,940)	(129,066)	(109,262)	(117,635)	(122,826)
Administrative expense	(1,979)	(3,063)	(2,086)	(2,285)	(2,298)	(2,734)
Other	(76)	(92)	(109)	(116)	(124)	(135)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>323,803</u>	<u>521,712</u>	<u>(95,706)</u>	<u>421,659</u>	<u>170,256</u>	<u>(30,904)</u>
<b>Plan Fiduciary Net Position - Beginning</b>	4,028,656	3,506,944	3,602,650	3,180,991	3,010,735	3,041,639
<b>Plan Fiduciary Net Position - Ending</b>	<u>\$ 4,352,459</u>	<u>\$ 4,028,656</u>	<u>\$ 3,506,944</u>	<u>\$ 3,602,650</u>	<u>\$ 3,180,991</u>	<u>\$ 3,010,735</u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ (93,553)</u>	<u>\$ (98,188)</u>	<u>\$ 201,537</u>	<u>\$ (102,104)</u>	<u>\$ (292,657)</u>	<u>\$ (294,841)</u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liabil</b>	102.20%	102.50%	94.57%	102.92%	110.13%	110.86%
 <b>Covered Payroll</b>	1,537,168	1,464,328	1,324,190	1,246,649	1,195,583	1,126,030
 <b>Net Pension Liability as a Percentage of Covered Payroll</b>	-6.09%	-6.71%	15.22%	-8.19%	-24.48%	-26.18%

A full 10 year schedule will be displayed as soon as it becomes available.

# **COMPLIANCE AND INTERNAL CONTROL SECTION**

To The Honorable Mayor and City Council of the  
City of Cisco, Texas

**INDEPENDENT AUDITORS' 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**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cisco, Texas (The City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cisco, Texas' basic financial statements, and have issued our report thereon dated November 14, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cisco, Texas' internal control over financial reporting 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 the City of Cisco, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cisco, Texas' 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 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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Cisco, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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*.

## 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 City of Cisco, Texas' 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 Cisco, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fullerton & Associates, PLLC*

Fullerton & Associates, PLLC  
November 14, 2022