

CITY OF CISCO, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2023

**CITY OF CISCO, TEXAS
TABLE OF CONTENTS**

Independent Auditor's Report.....1

Required Supplementary Information

Management Discussion and Analysis.....4

Basic Financial Statements

Government Wide Statements:

 Statement of Net Position.....9

 Statement of Activities.....10

Fund Financial Statements:

Balance Sheet - Governmental Funds.....11

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position.....12

Statement of Revenues and Expenditures, and Changes
in Fund Balances – Governmental Funds.....13

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund balances to the Statement of Activities.....14

Statement of Net Position - Proprietary Fund.....15

Statement of Revenues, Expenses, and Changes in Net
Position - Proprietary Fund.....16

Statement of Cash Flows - Proprietary Fund.....17

Notes to the Financial Statements.....18

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund
Balance: Budgetary Comparison - General Fund.....36

Schedule of Changes in Net Pension Liability and Related Ratios.....37

Compliance and Internal Control Section

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*.....38



INDEPENDENT AUDITOR'S REPORT

To the Mayor, City Council, and Management
of the City of Cisco, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Cisco, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Cisco, Texas as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the City, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, and the pension schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2024, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Sincerely,



Rod L. Abbott, CPA PLLC
Van Alstyne, Texas
November 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Cisco's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2023. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On the government-wide Statement of Net Position, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources by \$13,651,369 (net position). Total net position decreased (\$390,291) during fiscal year 2023.
- As of September 30, 2023, the City's total governmental funds reported ending fund balances of (\$488,689). The General Fund's fund balance of (\$518,411) increased by \$195,880 during the fiscal year.
- The Water and Sewer Fund's net position totaled \$12,102,253 at September 30, 2023 and the unrestricted portion of net position totaled \$1,234,963. Total net position for this fund decreased by (\$36,871) in 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred inflows / outflows of resources, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, streets, sanitation, animal control, parks and recreation, airport, and general administrative services. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City (known as the primary government), but also the legally separate Cisco 4A and 4B Economic Development Corporations, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

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

The City maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Airport Fund. The General Fund is the only major governmental fund.

Proprietary Funds: The City maintains one type of proprietary fund, which is the Water and Sewer Fund. A proprietary-type fund reports the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City. The Water and Sewer Fund is presented in the business-type activities in the government-wide financial statements.

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.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget versus actual results and progress in funding its obligation to provide pension benefits to its employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, Texas, total net position as of September 30, 2023 is \$13,651,369. The largest portion of the City's net position, \$10,729,607 (79%), reflects its investment in capital assets (e.g., land, buildings and improvements, water and sewer improvements, vehicles and equipment, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	FY23	FY22	FY23	FY22	FY23	FY22
Current and other assets	\$ 68,418	\$ (193,837)	\$ 1,548,963	\$ 3,927,459	\$ 1,617,381	\$ 3,733,622
Capital assets & rest. cash	2,817,567	3,156,414	25,288,409	19,171,797	28,105,976	22,328,211
Total assets	<u>2,885,985</u>	<u>2,962,577</u>	<u>26,837,372</u>	<u>23,099,256</u>	<u>29,723,357</u>	<u>26,061,833</u>
Deferred outflows of resources	466,909	220,482	10,596	4,573	\$ 477,505	225,055
Long-term liabilities	1,244,464	714,680	10,596,440	10,702,076	11,840,904	11,416,756
Other liabilities	559,314	138,908	315,751	256,720	875,065	395,628
Total liabilities	<u>1,803,778</u>	<u>853,588</u>	<u>10,912,191</u>	<u>10,958,796</u>	<u>12,715,969</u>	<u>11,812,384</u>
Deferred inflows of resources	-	284,972	3,833,524	5,910	3,833,524	290,882
Net position:						
Net investment in cap. assets	1,999,525	2,472,505	8,730,082	8,469,722	10,729,607	10,942,227
Restricted	-	-	2,137,208	1,879,840	2,137,208	1,879,840
Unrestricted	(450,409)	(428,006)	1,234,963	1,789,562	784,554	1,361,556
Total net position	<u>\$ 1,549,116</u>	<u>\$ 2,044,499</u>	<u>\$ 12,102,253</u>	<u>\$ 12,139,124</u>	<u>\$ 13,651,369</u>	<u>\$ 14,183,623</u>

An additional portion of the City's net position of \$2,137,208 (16%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by federal, state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining balance of unrestricted net position in the amount of \$784,554 (5%) may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities:

The City's total revenue for governmental activities was \$4,651,232 of which 30% was from property taxes and 29% was from sales taxes, franchise taxes, and other taxes. The total expenses for all programs were \$5,004,652. Approximately 30% was for police and emergency management, 17% was for fire protection, and 17% was for administration. Governmental activities showed a decrease in net position of (\$353,420) in 2023.

Business-type Activities:

The City's total revenue for business-type activities was \$2,133,608, including \$1,659,224 for charges for services. Total Water and Sewer Fund expenses were \$2,170,479. Business-type activities had a net decrease in net position of (\$36,871) compared to an increase of \$180,642 in the prior year.

	Governmental Activities		Business-type Activities		Total	
	FY23	FY22	FY23	FY22	FY23	FY22
Revenues:						
Program Revenues:						
Charges for services	\$ 1,472,556	\$ 1,104,953	\$ 1,659,224	\$ 1,458,974	\$ 3,131,780	\$ 2,563,927
Operating grants and contributions	-	90,825	-	-	-	90,825
Capital grants and contributions	180,176	552,919	471,244	758,073	651,420	1,310,992
General Revenues:						
Property taxes	1,403,471	1,208,209	-	-	1,403,471	1,208,209
Sales taxes and franchise fees	1,334,521	910,364	-	-	1,334,521	910,364
Investment income	9,104	1,908	1,144	1,489	10,248	3,397
Gain on sold assets	61,782	47,191	-	-	61,782	47,191
Other	189,622	156,558	1,996	24,787	191,618	181,345
	<u>4,651,232</u>	<u>4,072,927</u>	<u>2,133,608</u>	<u>2,243,323</u>	<u>6,784,840</u>	<u>6,316,250</u>
Expenses:						
General government	839,267	639,156	-	-	839,267	639,156
Parks and recreation	83,364	65,550	-	-	83,364	65,550
Police and court	1,496,933	1,170,209	-	-	1,496,933	1,170,209
Streets and maintenance	845,165	680,601	-	-	845,165	680,601
Fire protection	810,277	819,404	-	-	810,277	819,404
Sanitation	831,036	742,684	-	-	831,036	742,684
Debt service - interest	10,228	19,521	-	-	10,228	19,521
Animal control	65,561	62,626	-	-	65,561	62,626
Airport	22,821	1,963	-	-	22,821	1,963
Water and sewer operations	-	-	2,170,479	2,062,681	2,170,479	2,062,681
	<u>5,004,652</u>	<u>4,201,714</u>	<u>2,170,479</u>	<u>2,062,681</u>	<u>7,175,131</u>	<u>6,264,395</u>
Excess (deficiency) of revenues over expenditures before transfers	(353,420)	(128,787)	(36,871)	180,642	(390,291)	51,855
Transfers In (Out)	-	-	-	-	-	-
Increase in net position	(353,420)	(128,787)	(36,871)	180,642	(390,291)	51,855
Net position - October 1	2,044,499	1,364,156	12,139,124	11,958,482	14,183,623	13,322,638
Prior period adjustments	(141,963)	809,130	-	-	(141,963)	809,130
Net position - September 30	<u>\$ 1,549,116</u>	<u>\$ 2,044,499</u>	<u>\$ 12,102,253</u>	<u>\$ 12,139,124</u>	<u>\$ 13,651,369</u>	<u>\$ 14,183,623</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - The focus of the City's governmental funds is to provide information on near- term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City'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.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was (\$518,411), which is a \$195,880 increase during fiscal year 2023.

General Fund Budgetary Highlights:

Total actual revenues for the year were underbudget by (\$541,455), while the actual expenditures were below the budgeted projections by \$198,443. These variances, combined with other variances from the "Other Financing Sources" section, resulted in a net negative variance of (\$296,366) when compared with amended budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City constructed or acquired \$751,062 of new capital assets in 2023. \$576,809 of on-going water treatment plant improvements was the most significant capital asset addition for 2023.

For 2023, the City issued a \$476,920 note payable for water meter improvements and a \$47,389 note payable for a new vehicle and trailer. The City also repaid principal on existing debt of \$650,611 in 2023.

More detailed information about the City's capital assets and long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors and available resources from property tax revenues, water/sewer revenues, and other income sources when setting the 2024 fiscal year budgets and the property tax rate. The City adopted the property tax rate at \$0.641601 per \$100 of assessed valuation for fiscal year 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Cisco, Texas, Attn: Finance Manager, 500 Conrad Hilton Blvd, Cisco, Texas 76437.

City of Cisco, Texas
Statement of Net Position
September 30, 2023

	Primary Government			Comp. Unit CDC 4A	Comp. Unit CDC 4B
	Governmental Activities	Business-type Activities	Total		
Assets					
Cash and cash equivalents	\$ 386,044	\$ 564,284	\$ 950,328	\$ 1,097,558	\$ 1,129,983
Pooled investments	70,509	-	70,509	-	-
Certificates of deposit	166,880	-	166,880	-	-
Accounts receivables - net	292,975	123,927	416,902	97,341	89,422
Notes receivables - net	-	-	-	198,495	350,098
Inventory	-	12,762	12,762	-	-
Due from primary government	-	-	-	91,349	91,349
Internal balances	(847,990)	847,990	-	-	-
Restricted cash	-	5,970,732	5,970,732	-	-
Capital assets:					
Non-depreciable capital assets	482,698	3,379,592	3,862,290	-	49,609
Depreciable capital assets (net)	2,334,869	15,938,085	18,272,954	366,820	1,020,554
Total assets	<u>2,885,985</u>	<u>26,837,372</u>	<u>29,723,357</u>	<u>1,851,563</u>	<u>2,731,015</u>
Deferred outflows of resources					
Deferred outflows of resources - Pension	466,909	10,596	477,505	-	-
Total deferred outflows of resources	<u>466,909</u>	<u>10,596</u>	<u>477,505</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts payable	276,846	105,429	382,275	-	9,859
Interest payable	12,988	14,293	27,281	-	-
Accrued wages and other liabilities	16,302	3,968	20,270	-	-
Accrued compensated absences	70,480	14,801	85,281	-	-
Customer meter deposits	-	177,260	177,260	-	-
Due to component units	182,698	-	182,698	-	-
Non-current liabilities:					
Due within one year - Debt issuances	115,998	637,698	753,696	-	-
Due in more than one year					
Debt issuances	702,044	9,949,897	10,651,941	-	-
Net pension liability	426,422	8,845	435,267	-	-
Total liabilities	<u>1,803,778</u>	<u>10,912,191</u>	<u>12,715,969</u>	<u>-</u>	<u>9,859</u>
Deferred inflows of resources					
Deferred inflows - Texas Water Dev. Board	-	3,833,524	3,833,524	-	-
Total deferred inflows of resources	<u>-</u>	<u>3,833,524</u>	<u>3,833,524</u>	<u>-</u>	<u>-</u>
Net Position					
Net investment in capital assets	1,999,525	8,730,082	10,729,607	366,820	1,070,163
Restricted for:					
Escrow and debt service	-	2,137,208	2,137,208	-	-
Unrestricted	(450,409)	1,234,963	784,554	1,484,743	1,650,993
Total net position	<u>\$ 1,549,116</u>	<u>\$ 12,102,253</u>	<u>\$ 13,651,369</u>	<u>\$ 1,851,563</u>	<u>\$ 2,721,156</u>

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			Comp. Unit CDC 4A	Comp. Unit CDC 4B
	Expenses	Charges for Services	Operating		Capital		Primary Government				
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total				
Primary government:											
Governmental activities:											
Police and emergency management	\$ 1,346,370	\$ -	\$ -	\$ 180,176	\$ (1,166,194)	\$ -	\$ (1,166,194)	\$ -	\$ -	\$ -	
General government	839,267	90,638	-	-	(748,629)	-	(748,629)	-	-	-	
Streets and maintenance	845,165	-	-	-	(845,165)	-	(845,165)	-	-	-	
Sanitation	831,036	714,792	-	-	(116,244)	-	(116,244)	-	-	-	
Fire protection	810,277	35,775	-	-	(774,502)	-	(774,502)	-	-	-	
Parks and recreation	83,364	-	-	-	(83,364)	-	(83,364)	-	-	-	
Animal control	65,561	1,813	-	-	(63,748)	-	(63,748)	-	-	-	
Municipal court	150,563	629,538	-	-	478,975	-	478,975	-	-	-	
Airport	22,821	-	-	-	(22,821)	-	(22,821)	-	-	-	
Interest on long-term debt	10,228	-	-	-	(10,228)	-	(10,228)	-	-	-	
Total governmental activities	5,004,652	1,472,556	-	180,176	(3,351,920)	-	(3,351,920)	-	(173,779)	(296,761)	
Business-type activities:											
Water and Sewer - operating	2,170,479	1,659,224	-	471,244	-	(40,011)	(40,011)	-	-	-	
Total business-type activities	2,170,479	1,659,224	-	471,244	-	(40,011)	(40,011)	-	-	-	
Total primary government	7,175,131	3,131,780	-	651,420	(3,351,920)	(40,011)	(3,391,931)	-	-	-	
Component units:											
CDC 4A development corporation	173,779	-	-	-	-	-	-	-	(173,779)	-	
CDC 4B development corporation	296,761	-	-	-	-	-	-	-	-	(296,761)	
General revenues:											
Property taxes					1,403,471	-	1,403,471	-	-	-	
Sales taxes					1,123,930	-	1,123,930	561,965	561,965	561,965	
Franchise and other taxes					210,591	-	210,591	-	-	-	
Investment interest					9,104	1,144	10,248	33,143	33,143	9,556	
Miscellaneous					189,622	1,996	191,618	57,750	57,750	8,208	
Gain on sale or disposal of assets					61,782	-	61,782	-	-	(102,184)	
Transfers in (out)					-	-	-	-	-	-	
Total general revenues & transfers					2,998,500	3,140	3,001,640	652,858	652,858	477,545	
Change in net position					(353,420)	(36,871)	(390,291)	479,079	479,079	180,784	
Net position - beginning (restated)					1,902,536	12,139,124	14,041,660	1,372,484	1,372,484	2,540,372	
Net position - ending					\$ 1,549,116	\$ 12,102,253	\$ 13,651,369	\$ 1,851,563	\$ 1,851,563	\$ 2,721,156	

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Balance Sheet - Governmental Type Funds
September 30, 2023

	General Fund	Airport Fund (non-major)	Total Governmental Funds
Assets			
Cash	\$ 347,160	\$ 38,884	\$ 386,044
Pooled investments	70,509	-	70,509
Certificates of deposit	166,880	-	166,880
Accounts receivable - net	292,975	-	292,975
Due from other funds	2,000	-	2,000
Total assets	<u>\$ 879,524</u>	<u>\$ 38,884</u>	<u>\$ 918,408</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 269,684	\$ 7,162	\$ 276,846
Accrued wages	16,302	-	16,302
Due to component units	182,698	-	182,698
Due to other funds	847,990	2,000	849,990
Total current liabilities	<u>1,316,674</u>	<u>9,162.00</u>	<u>1,325,836</u>
Deferred Inflows of Resources			
Unavailable revenue - Property taxes	<u>81,261</u>	<u>-</u>	<u>81,261</u>
Fund Balances			
Unassigned	<u>(518,411)</u>	<u>29,722</u>	<u>(488,689)</u>
Total fund balances	<u>(518,411)</u>	<u>29,722</u>	<u>(488,689)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 879,524</u>	<u>\$ 38,884</u>	<u>\$ 918,408</u>

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
at September 30, 2023

Fund balances of governmental funds	\$	(488,689)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,817,567
---	--	-----------

The net pension liability reported for governmental activities is not a current financial use and, therefore, is not reported in the funds.		(426,422)
---	--	-----------

Deferred outflows of resources related to pension balances do not provide current financial resources and, therefore, are not reported in the governmental funds.		466,909
---	--	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(888,522)
--	--	-----------

Accrued interest payable for governmental-type long-term debt is recognized in the governmental activities in the statement of net position.		(12,988)
--	--	----------

Property taxes not received at year-end are shown as deferred income on the fund financial statements, but the amount should not be shown as deferred on the statement of net position.		81,261
---	--	--------

Net position of governmental activities	\$	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">1,549,116</td> </tr> </table>	1,549,116
1,549,116			

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Airport Fund (non-major)	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 1,403,341	\$ -	\$ 1,403,341
Sales	1,123,930	-	1,123,930
Franchise	172,388	-	172,388
Hotel/Motel	38,203	-	38,203
Sanitation	714,792	-	714,792
Permits	14,193	-	14,193
Court and police	629,538	-	629,538
Royalties and leases	72,890	3,555	76,445
Intergovernmental grants	180,175	-	180,175
Investment earnings	9,103	1	9,104
Donations and other income	193,724	25,011	218,735
Total revenues	4,552,277	28,567	4,580,844
Expenditures			
Current:			
General government	673,642	-	673,642
Police and emergency management	1,208,459	-	1,208,459
Streets and maintenance	666,563	-	666,563
Sanitation	831,036	-	831,036
Fire protection	675,150	-	675,150
Parks and recreation	78,270	-	78,270
Animal control	63,110	-	63,110
Municipal court	150,563	-	150,563
Airport	-	20,817	20,817
Capital outlays	62,178	-	62,178
Debt service:			
Principal retirement	55,220	-	55,220
Interest and fees	9,852	-	9,852
Total expenditures	4,474,043	20,817	4,494,860
Excess of revenues over (under) expenditures	78,234	7,750	85,984
Other financing sources (uses)			
Debt issuances	47,389	-	47,389
Insurance proceeds	8,475	-	8,475
Proceeds from sold assets	61,782	-	61,782
Transfers in (out)	-	-	-
Total other financing sources(uses)	117,646	-	117,646
Net changes in fund balances	195,880	7,750	203,630
Fund balances - beginning (restated)	(714,291)	21,972	(692,319)
Fund balances - ending	<u>\$ (518,411)</u>	<u>\$ 29,722</u>	<u>\$ (488,689)</u>

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2023

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

Net change in fund balances - total governmental funds	\$ 203,630
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(338,847)
Current year changes in accrued interest does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(376)
New long-term debt issuances are an other financing source for the governmental funds, but this source is removed for the government-wide financial statements.	(47,389)
Principal payments on long-term debt are an expenditure for the governmental funds, but this expenditure is removed for the government-wide financial statements.	55,220
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(132,034)
Other modifications are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting for pension expense. The net effect of these adjustments is to increase net position.	<u>(93,624)</u>
Change in net position of governmental activities:	<u><u>(\$ 353,420)</u></u>

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Statement of Net Position - Proprietary Fund
September 30, 2023

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 564,284
Accounts receivable - net	123,927
Inventory	12,762
Due from other funds	847,990
Total current assets	1,548,963
Noncurrent assets:	
Restricted assets:	
Restricted Cash	5,970,732
Capital assets (non-depreciable):	
Land	58,202
Construction in progress	3,321,390
Capital assets (net of depreciation):	
Plants, machinery, and equipment	15,938,085
Total capital assets	19,317,677
Total noncurrent assets	25,288,409
Total assets	26,837,372
Deferred outflows of resources	
Deferred outflows of resources - Pension	10,596
Total deferred outflows of resources	10,596
Liabilities	
Current liabilities:	
Accounts payable	105,429
Accrued payroll and other liabilities	3,968
Accrued compensated absences	14,801
Accrued interest	14,293
Customer deposits	177,260
Current portion of long-term debt	637,698
Total current liabilities	953,449
Noncurrent liabilities:	
Net pension liability	8,845
Bonds, notes, and certificates of obligation	9,949,897
Total noncurrent liabilities	9,958,742
Total liabilities	10,912,191
Deferred inflows of resources	
Deferred inflows of resources - T.W.D.B.	3,833,524
Total deferred inflows of resources	3,833,524
Net position	
Net investment in capital assets	8,730,082
Restricted for escrow and debt service	2,137,208
Unrestricted	1,234,963
Total net position	\$ 12,102,253

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2023

	Water and Sewer Fund
Operating revenues:	
Water income	\$ 1,133,536
Sewer income	448,051
Penalties and other charges for services	77,637
Miscellaneous revenue	1,996
Total operating revenues	1,661,220
Operating expenses:	
Personnel costs	638,554
Depreciation	543,005
Repairs and maintenance	151,920
Lab and chemicals	461,235
Other operating supplies	43,712
Utilities	34,382
Telecommunications	41,245
Postage and printing	12,899
Other operating expenses	70,339
Insurance	38,555
Total operating expenses	2,035,846
Operating income	(374,626)
Non-operating revenues (expenses):	
Interest income	1,144
Intergovernmental grants	471,244
Interest expense and fiscal charges	(134,633)
Total non-operating revenues (expenses)	337,755
Income (loss) before contributions and transfers	(36,871)
Transfers in (out)	-
Capital contributions	-
Change in net position	(36,871)
Total net position - beginning	12,139,124
Total net position - ending	\$ 12,102,253

The accompanying notes are an integral part of these financial statements.

City of Cisco, Texas
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2023

	Water and Sewer Fund
Operating Activities:	
Receipts from customers and users	\$ 1,660,156
Payments to suppliers	(1,046,594)
Payments to employees	(395,068)
Net cash provided (used) by operating activities	218,494
Capital and Related Financing Activities:	
Cash paid for acquisition and construction of capital assets	(688,884)
Interest paid on capital debt	(131,201)
Principal payments on long-term debt	(595,391)
Proceeds from debt issuances	476,920
Net cash provided (used) by capital and related financing activities	(938,556)
Non-capital and Related Financing Activities	
Payments made by other funds on behalf of this fund	174,585
Transfers (to) from other funds	-
Net cash provided (used) by non-capital and related financing activities	174,585
Investing Activities:	
Interest received	1,144
Net cash provided (used) by investing activities	1,144
Net increase (decrease) in cash and cash equivalents	(544,333)
Cash and cash equivalents, October 1 (restated)	7,079,349
Cash and cash equivalents, September 30	\$ 6,535,016
Reconciliation of Operating Income to Net Cash Provided	
(Used) by Operating Activities:	
Operating income (loss)	\$ (374,626)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	543,005
Decrease (increase) in accounts receivable	(12,973)
Increase (decrease) in accounts payable	36,722
Increase (decrease) in other liabilities	14,464
Increase (decrease) in customer deposits	11,902
Net cash provided by operating activities	\$ 218,494
<i>Reconciliation with Statement of Net Position Balances:</i>	
Unrestricted cash	\$ 564,284
Restricted cash	5,970,732
Total cash	\$ 6,535,016
Non-cash capital activities:	
Type-A financing lease issuances	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 and a six-member council. The principal services accounted for as primary governmental functions include public safety, streets, sanitation, parks and recreation, tourism, and general administrative services. In addition, the City maintains the water and sewer system for which operations are accounted for in a proprietary-type fund.

Discretely Presented Component Units: The Cisco Development Corporation (the “CDC4B”) 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 CDC4B 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 board members of both corporations are appointed by the City of Cisco City Council and the operating budgets of both corporations are subject to approval by the City Council. The CDC4B and CDC4A do not meet the criteria for blending and are, therefore, reported discretely in the statement of net position and the statement of activities. Discretely presented component units are reported in separate columns of the financial statements to emphasize they are legally separate from the City. There are no separately issued financial statements for the CDC4A or CDC4B.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items 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
FOR THE YEAR ENDED SEPTEMBER 30, 2023***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenue sources such as sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for water and sewer services provided to the citizens of Cisco, Texas. The fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems for which commercial and residential users are charged fees.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities and business-type activities are eliminated so that only net amounts are included as "internal balances" on the statement of net position.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

The City considers deposits with an initial maturity of ninety days or less to be cash equivalents. The City classifies all certificates of deposit as investments. The City is authorized to invest in obligations collateralized by the FDIC; the U.S. Government; the State of Texas; or obligations of Texas counties, cities, or other political subdivisions the State of Texas with a quality rating of not less than "A". The City's investment policy authorizes investments in certificates of deposit with depository banks of the City, other state or national banks that are insured by FDIC, investment pools with a rating of AAA or AAAM, or treasury securities issued by the federal government.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the City's governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property taxes receivables are shown net of an allowance for uncollectables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectables. The property tax receivable allowance is equal to 40 percent of outstanding property taxes at each fiscal year-end.

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.

3. 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.

4. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The enterprise fund reports such proceeds of revenue bond issuances that are restricted for use in construction, debt service, and capital maintenance.

5. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

Capital assets are defined as assets with a normal service life greater than one year and an initial individual cost of more than \$5,000.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Depreciable Life in Years</u>
Buildings and improvements	40
Water & Sewer System infrastructure	20-100
Equipment	5-10
Streets and other infrastructure	20-40

6. 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 and proprietary-type fund financial statements.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - Consists of assets with constraints placed on the use either by 1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

Unrestricted -All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances may be restricted or unrestricted (the total of committed, assigned, and unassigned fund balance). The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance for governmental funds can consist of the following:

Non-spendable fund balance - includes those amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance - includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - 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.

Unassigned fund balance - 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.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In the General Fund, the City has a policy to maintain a minimum of twenty-five percent of current year budgeted expenditures in unassigned fund balance. The City was not in compliance with this policy at September 30, 2023.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. There are the deferred pension outflows on the statement of net position.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the deferred pension inflows consist of the differences in projected and actual earnings and expected and actual experience.

The Water and Sewer Fund also has a deferred inflow of resources for Texas Water Development Board loan forgiveness funds held in restricted escrow cash accounts at Amegy Bank. The funds are released from escrow as expenditures for qualifying water system improvements are made. Those funds are then realized as grant income.

11. Pension Plan

For the purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported to the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Allocations of pension items to the City's governmental and business-type activities are determined on the basis of employee payroll funding.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY

A. 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 4A Development Corporation component unit, and the Cisco 4B Development Corporation component unit. The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the City Council.

During the year, the budget was amended as necessary. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level.

B. Excess of Expenditures over Appropriations

Departmental expenditures in the General Fund exceeded appropriations as follows: Sanitation – (\$52,133) and Court – (\$186). However, total General Fund expenditures were below budgeted amounts by \$198,443.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

State law requires governmental entities to contract with financial institutions in which funds 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, 2023, the City had the following investments:

Investment Type:

Certificates of Deposit - Prosperity Bank at fair value	\$	166,880
Investment Pool - TexPool at amortized cost		<u>70,509</u>
Total:	\$	<u><u>237,389</u></u>

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, 2023, 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.

Unrestricted Cash and Certificates of Deposits with Local Financial Institutions

Primary government carrying balances for these deposits total \$1,840,610, and the bank balances total \$2,060,314 at September 30, 2023. Of the \$2,060,314 bank balance, \$416,920 was insured by the F.D.I.C. and the local financial institutions pledged securities to fully cover the remaining bank balance of \$1,643,394.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Restricted Cash with Other Financial Institutions

Restricted cash totaling \$5,970,732 consists primarily of debt escrow accounts and other accounts restricted for debt service. Escrow accounts are deposited with Amegy Bank, and as part of the related debt agreements, Amegy Bank is required to pledge securities for all balances above F.D.I.C. insured amounts.

Public Funds Investment Pools

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 4- CAPITAL ASSETS

Governmental fund type capital asset activity for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 482,698	\$ -	\$ -	\$ 482,698
Depreciable assets:				
Infrastructure	20,891,598	-	-	20,891,598
Buildings and improvements	636,677	-	-	636,677
Vehicles and equipment	3,696,291	62,178	-	3,758,469
Total capital assets being depreciated	25,224,566	62,178	-	25,286,744
Less: Accumulated depreciation	(22,550,850)	(401,025)	-	(22,951,875)
Net assets being depreciated	2,673,716	(338,847)	-	2,334,869
Total governmental capital assets,	\$ 3,156,414	\$ (338,847)	\$ -	\$ 2,817,567

Proprietary fund type capital asset activity for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Construction in progress	2,734,711	586,679	-	3,321,390
Depreciable assets:				
Water and sewer system	22,844,228	102,205	-	22,946,433
Vehicles and equipment	800,013	-	-	800,013
Total capital assets being depreciated	23,644,241	102,205	-	23,746,446
Less: Accumulated depreciation	(7,265,176)	(543,005)	-	(7,808,181)
Net assets being depreciated	16,379,065	(440,800)	-	15,938,265
Proprietary fund capital assets, net	\$ 19,171,798	\$ 145,879	\$ -	\$ 19,317,677

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 4- CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 6,505
Fire protection	135,127
Police	71,242
Animal Control	2,451
Streets and Maintenance	178,602
Parks and Recreation	5,094
Airport	2,004
Total depreciation expense - governmental activities	<u>\$ 401,025</u>
<u>Business-type activities:</u>	
Water and sewer	\$ 543,005
Total depreciation expense - business-type activities	<u>\$ 543,005</u>

Capital asset activity for the CDC 4A for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>CDC 4A component unit:</u>				
Depreciable assets:				
Leasehold improvements	\$ 330,547	\$ 54,155	\$ -	\$ 384,702
Less: Accumulated depreciation	(8,264)	(9,618)	-	(17,882)
CDC 4A capital assets, net	<u>\$ 322,283</u>	<u>\$ 44,537</u>	<u>\$ -</u>	<u>\$ 366,820</u>

Capital asset activity for the CDC 4B for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>CDC 4B component unit:</u>				
Nondepreciable assets:				
Land	\$ 49,109	\$ 500	\$ -	\$ 49,609
Depreciable assets:				
Buildings and improvements	1,324,784	4,180	(211,666)	1,117,298
Less: Accumulated depreciation	(116,567)	(27,934)	47,757	(96,744)
Net assets being depreciated	<u>1,208,217</u>	<u>(23,754)</u>	<u>(163,909)</u>	<u>1,020,554</u>
CDC 4B capital assets, net	<u>\$ 1,257,326</u>	<u>\$ (23,254)</u>	<u>\$ (163,909)</u>	<u>\$ 1,070,163</u>

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

The interfund due to/due from balances at September 30, 2023 are as follows:

Due to/from other funds:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Water and sewer	General	
<u>Net internal balances:</u>			<u>\$ 847,990</u>
			<u>\$ (847,990)</u>

There were no transfers to and from other funds during the fiscal year ended September 30, 2023.

NOTE 6 – ACCOUNTS AND NOTES RECEIVABLES

Receivables at September 30, 2023 consisted of the following:

	<u>Primary Government</u>		<u>Component Unit</u>	<u>Component Unit</u>
	Water and Sewer			
	<u>General Fund</u>	<u>Fund</u>	<u>CDC 4A</u>	<u>CDC 4B</u>
Property tax	\$ 135,435	\$ -	\$ -	\$ -
Sales tax	158,856	-	79,428	79,428
Notes	-	-	198,495	350,098
Due from primary government	-	-	91,349	91,349
Other	-	-	17,914	9,994
Sanitation and water bills	124,463	291,008	-	-
Gross receivables	418,754	291,008	387,186	530,869
Less: Allowance for uncollectables	(125,779)	(167,081)	-	-
Net receivables	<u>\$ 292,975</u>	<u>\$ 123,927</u>	<u>\$ 387,186</u>	<u>\$ 530,869</u>

The CDC4A has two notes receivable for \$585 and \$197,910 at September 30, 2023. The notes bear interest rates of 0% and 5.5% with monthly payments of \$585 and \$2,344, respectively.

The CDC4B has four notes receivable totaling \$350,098 at September 30, 2023. The notes have interest rates ranging from 0% to 4%, with monthly payments ranging from \$500 and \$1,414.

NOTE 7 - LONG-TERM OBLIGATIONS

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 15th until fully retired in 2038.

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 15th and August 15th beginning in 2014 and continuing each succeeding year until fully retired in 2024.

***CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023***

NOTE 7 - LONG-TERM OBLIGATIONS - CONTINUED

The City entered into a Type A financing lease agreement dated November 10, 2015, for the acquisition of a new motor grader 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 Type A financing 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

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 4th and August 4th beginning in 2016 and continuing each succeeding year until fully retired in 2031.

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 an interest rate of 0.00%. Principal payments are due in annual installments on each February 15th 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 from 0.76% - 2.13% due in semiannual installments on each February 15th and August 15th beginning in 2019 and continuing each succeeding year until fully retired in 2049.

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 31st beginning in 2019 and continuing each succeeding year until fully retired in October of 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 October 17th beginning in 2021 and continuing each succeeding year until fully retired in October of 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. The bonds bear an interest rate of 2.15% due in semiannual installments on each June 15th and December 15th beginning in 2021 and continuing each succeeding year until fully retired in December of 2035.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS - CONTINUED

In October 2021, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #9752 in the amount of \$528,435 for the purpose of acquiring a fire truck. The contract was issued in December 2021 and bears an interest rate of 2.62% due in annual installments of \$66,672 on each December 8th beginning in 2022 and continuing each succeeding year until fully retired in December of 2031.

In March of 2023, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #10258 in the amount of \$47,389 to acquire a police vehicle and a belly dump trailer. The note payable bears an interest rate of 6.69% due in annual installments of \$11,464 on each April 27th beginning in 2024 and continuing each succeeding year until fully retired in April of 2028.

In June of 2023, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #10430 in the amount of \$476,920 to acquire water meters. The note payable bears an interest rate of 5.49% due in annual installments of \$63,242 on each September 18th beginning in 2024 and continuing each succeeding year until fully retired in April of 2033.

Long-term debt activity for the year ended September 30, 2023 is as follows:

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental-type activities:</u>							
Type A Financing Lease - Roller	2.50%	\$ 64,989	\$ 39,305	\$ -	\$ (15,348)	\$ 23,957	\$ 15,821
Type A Financing Lease - Motor Grader	2.50%	\$ 319,208	232,860	-	(27,771)	205,089	25,977
Note Payable - G.C.C. Contract #9752	2.62%	\$ 528,435	528,435	-	-	528,435	52,827
Note Payable - G.C.C. Contract #10258	6.69%	\$ 47,389	-	47,389	-	47,389	8,291
Note Payable - G.C.C. Contract #8419	4.93%	\$ 57,796	25,183	-	(12,101)	13,082	13,082
Total Governmental activities l-t liabilities:			\$ 825,783	\$ 47,389	\$ (55,220)	\$ 817,952	\$ 115,998
<u>Business-type activities:</u>							
Utility System Revenue Bonds, Series 1986	6.13%	\$ 390,000	\$ 73,000	\$ -	\$ (23,000)	\$ 50,000	\$ 24,000
Combination Tax & Revenue C of O, Series 2008	0.00%	\$ 2,200,000	1,200,000	-	(75,000)	1,125,000	75,000
Combination Tax & Revenue C of O, Series 2014	0-2.41%	\$ 475,000	100,000	-	(50,000)	50,000	50,000
Combination Tax & Revenue C of O, Series 2018A	0.00%	\$ 4,565,000	4,100,000	-	(155,000)	3,945,000	155,000
Combination Tax & Revenue C of O, Series 2018B	.76-2.13%	\$ 1,550,000	1,520,000	-	(10,000)	1,510,000	10,000
General Obligation Refunding Bonds, Series 2020	2.15%	\$ 3,041,000	2,866,000	-	(180,000)	2,686,000	180,000
Bond Premiums (discounts)			(105,774)	-	3,992	(101,782)	-
Public Property Finance Contract #7273	3.99%	\$ 1,443,750	929,581	-	(93,007)	836,574	96,755
Public Property Finance Contract #10430	5.49%	\$ 476,920	-	476,920	-	476,920	37,059
Public Property Finance Contract #8783	5.34%	\$ 36,633	19,268	-	(9,384)	9,884	9,884
Total Business-type activities l-t liabilities:			\$ 10,702,075	\$ 476,920	\$ (591,399)	\$ 10,587,596	\$ 637,698

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS - CONTINUED

Future debt service for governmental-type activities is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2024	\$ 115,998	\$ 23,613	\$ 139,611
2025	98,139	19,895	118,034
2026	217,325	14,907	232,232
2027	67,159	10,977	78,136
2028	69,328	8,807	78,135
2029-2032	250,003	16,592	266,595
TOTALS	\$ 817,952	\$ 94,791	\$ 912,743

Future debt service for proprietary-type activities is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2024	\$ 637,698	\$ 148,670	\$ 786,368
2025	631,747	135,838	767,585
2026	615,949	124,126	740,075
2027	627,432	112,797	740,229
2028	634,211	101,029	735,240
2029-2033	3,031,340	319,730	3,351,070
2034-2038	2,106,000	123,219	2,229,219
2039-2043	1,070,000	62,200	1,132,200
2044-2048	1,105,000	27,000	1,132,000
2049	230,000	799	230,799
TOTALS	\$ 10,689,377	\$ 1,155,406	\$ 11,844,783

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance for all such risks of loss through Texas Municipal League. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in the past fiscal year.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - PENSION PLAN

A. Plan Description

The City participates in a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan 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 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 publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of 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.

Plan provisions for the City were as follows:

Employee Deposit Rate	5.00%
Matching (District to employee)	2 to 1
Years for full vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% repeating, Transfers
Annuity increase (to retirees)	0% of CPI, Repeating

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

Inactive employees or beneficiaries currently receiving benefits:	23
Inactive employees entitled to buy, but not yet receiving benefits:	43
Active employees:	<u>36</u>
Total:	102

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - PENSION PLAN - CONTINUED

C. Contributions

The contribution rates for employees in TMRS are 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are 100%, 150%, or 200%, as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.52% and 7.38% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$130,757, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation
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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - PENSION PLAN - CONTINUED

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public/Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%

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 Liab./ (Asset) (a) - (b)
Balances at 12/31/2021:	\$ 4,694,029	\$ 4,896,749	\$ (202,720)
Changes for the year:			
Service cost	193,608		193,608
Interest	311,602		311,602
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(27,974)		(27,974)
Effect of assumptions changes or inputs	-		-
Refund of contributions	-		-
Benefit payments	(349,012)	(349,012)	-
Administrative expenses		(3,093)	3,093
Member contributions		86,115	(86,115)
Net investment income		(357,145)	357,145
Employer contributions		109,682	(109,682)
Other changes		3,690	(3,690)
Balances at 12/31/2022:	\$ 4,822,253	\$ 4,386,986	\$ 435,267

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - PENSION PLAN – CONTINUED

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	\$ 1,076,699	\$ 435,267	\$ (87,607)

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$225,121.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ 63,276
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	311,867
Contributions subsequent to the measurement date	N/A	101,451
Totals:	\$ -	\$ 476,594

The amount of deferred outflows of resources related to pensions in the amount of \$101,451 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, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement Year Ending:</u>	
2023	\$ 64,322
2024	93,528
2025	79,761
2026	137,532
2027	-
Thereafter	-
	<u>\$ 375,143</u>

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 10 - CONTINGENT LIABILITIES

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

The City’s fund balances and net position balance at the beginning of fiscal year 2023 were adjusted as follows:

<u>Governmental Fund Types Fund Balance</u>	
General Fund balance - beginning	\$ (621,842)
Prior period adjustment for understated component unit payables	(92,449)
General Fund balance - beginning as restated	<u>\$ (714,291)</u>
<u>Governmental-Type Activities Net Position</u>	
Net position - beginning	\$ 2,044,499
Prior period adjustment for understated Type A financing liabilities	(141,963)
Net position - beginning as restated	<u>\$ 1,902,536</u>
<u>Component Unit CDC 4A - Net Position</u>	
Net position - beginning	\$ 1,290,972
Prior period adjustment for understated receivables	81,512
Net position - beginning as restated	<u>\$ 1,372,484</u>
<u>Component Unit CDC 4B - Net Position</u>	
Net position - beginning	\$ 2,528,275
Prior period adjustment for understated accounts receivable	46,512
Prior period adjustment for overstated notes receivable	(34,415)
Net position - beginning as restated	<u>\$ 2,540,372</u>

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through November 12, 2024, the date the financial statements were available to be issued.

The City had the following subsequent events: 1) In November of 2023, the City Council approved a resolution to order a new fire truck with a cost of \$892,497. Delivery is not expected until approximately forty months after ordering and no payment or financing is required until the vehicle is operational and deliverable. 2) On October 20, 2024, the CDC 4B component unit of the City executed a 15-year, \$275,000 note payable agreement with First Financial Bank to assist in the financing of a City park project. The note has an interest rate of 5.947%. The monthly principal and interest payments of \$2,313.18 commence on November 30, 2024 and continue until the final payment is made on October 30, 2039.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cisco, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 1,298,646	\$ 1,425,973	\$ 1,403,341	\$ (22,632)
Sales	600,000	1,283,952	1,123,930	(160,022)
Franchise	150,000	158,000	172,388	14,388
Hotel/Motel	30,000	39,000	38,203	(797)
Sanitation	799,500	799,500	714,792	(84,708)
Permits	12,000	14,000	14,193	193
Court and police	400,000	799,852	629,538	(170,314)
Royalties and leases	72,450	76,245	72,890	(3,355)
Intergovernmental grants	35,000	251,181	180,175	(71,006)
Investment earnings	2,000	4,690	9,103	4,413
Donations and other income	169,164	241,339	193,724	(47,615)
Total revenues	<u>3,568,760</u>	<u>5,093,732</u>	<u>4,552,277</u>	<u>(541,455)</u>
Expenditures				
Current:				
General government	588,276	738,266	673,642	64,624
Police and emergency management	1,075,343	1,303,713	1,208,459	95,254
Streets and maintenance	585,471	710,084	666,563	43,521
Sanitation	577,991	778,903	831,036	(52,133)
Fire protection	530,227	700,414	675,150	25,264
Parks and recreation	72,041	82,974	78,270	4,704
Animal control	56,755	68,296	63,110	5,186
Municipal court	64,941	150,377	150,563	(186)
Capital outlays	54,000	74,000	62,178	11,822
Debt service:				
Principal retirement	49,736	55,220	55,220	-
Interest expense	8,632	10,239	9,852	387
Total expenditures	<u>3,663,413</u>	<u>4,672,486</u>	<u>4,474,043</u>	<u>198,443</u>
Excess of revenues over (under) expenditures	(94,653)	421,246	78,234	(343,012)
Other financing sources (uses)				
Debt issuances	-	-	47,389	47,389
Insurance proceeds	-	9,000	8,475	(525)
Proceeds from sold assets	50,000	62,000	61,782	(218)
Transfers in (out)	-	-	-	-
Total other financing sources(uses)	<u>50,000</u>	<u>71,000</u>	<u>117,646</u>	<u>46,646</u>
Net changes in fund balances	(44,653)	492,246	195,880	\$ (296,366)
Fund balance - beginning (restated)	(714,291)	(714,291)	(714,291)	
Fund balance - ending	<u>\$ (758,944)</u>	<u>\$ (222,045)</u>	<u>\$ (518,411)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF CISCO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (LAST TEN MEASUREMENT YEARS)
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total Pension Liability								
Service cost	\$ 193,608	\$ 190,871	\$ 173,239	\$ 164,590	\$ 150,031	\$ 117,060	\$ 112,983	\$ 104,045
Interest on total pension liability	311,602	286,637	265,933	249,602	236,994	215,422	183,166	180,168
Effect of plan changes	-	-	-	-	-	299,201	-	-
Difference between expected and actual experience	(27,974)	173,345	43,949	(3,575)	(50,024)	89,791	(6,074)	(73,338)
Effect of assumptions changes or inputs	-	-	-	(2,690)	-	-	-	44,629
Benefit payments/Refund of contributions	(349,012)	(215,730)	(154,683)	(185,940)	(129,066)	(109,262)	(117,635)	(122,826)
Net Change in Total Pension Liability	128,224	435,123	328,438	221,987	207,935	612,212	172,440	132,678
Total pension liability, beginning	4,694,029	4,258,906	3,930,468	3,708,481	3,500,546	2,888,334	2,715,894	2,583,216
Total pension liability, ending	<u>\$ 4,822,253</u>	<u>\$ 4,694,029</u>	<u>\$ 4,258,906</u>	<u>\$ 3,930,488</u>	<u>\$ 3,708,481</u>	<u>\$ 3,500,546</u>	<u>\$ 2,888,334</u>	<u>\$ 2,715,894</u>
Fiduciary Net Position								
Employer contributions	109,682	109,723	98,225	96,060	77,200	30,367	27,143	34,001
Member contributions	86,115	85,945	76,858	73,216	66,209	62,332	59,779	56,301
Investment income (net of expenses)	(357,145)	566,959	305,458	541,531	(107,854)	440,623	203,391	4,489
Benefit payments/Refund of contributions	(349,012)	(215,730)	(154,683)	(185,940)	(129,066)	(109,262)	(117,635)	(122,826)
Administrative expenses	(3,093)	(2,625)	(1,979)	(3,063)	(2,086)	(2,285)	(2,298)	(2,734)
Other	3,690	18	(76)	(92)	(108)	(116)	(124)	(135)
Net Change in Fiduciary Net Position	(509,763)	544,290	323,803	521,712	(95,705)	421,659	170,256	(30,904)
Fiduciary Net Position, beginning	4,896,749	4,352,459	4,028,656	3,506,944	3,602,649	3,180,991	3,010,735	3,041,639
Fiduciary Net Position, ending	<u>4,386,986</u>	<u>4,896,749</u>	<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>
Net pension liability / (asset), ending	<u>\$ 435,267</u>	<u>\$ (202,720)</u>	<u>\$ (93,553)</u>	<u>\$ (98,188)</u>	<u>\$ 201,537</u>	<u>\$ (102,104)</u>	<u>\$ (292,657)</u>	<u>\$ (294,841)</u>
Fiduciary net position as a percentage of total pension liability	90.97%	104.32%	102.20%	102.50%	94.57%	102.92%	110.13%	110.86%
Covered-employee payroll	\$ 1,705,795	\$ 1,704,206	\$ 1,537,168	\$ 1,464,328	\$ 1,324,190	\$ 1,246,649	\$ 1,195,583	\$ 1,126,030
Net pension liability as a percentage of covered payroll	25.52%	-11.90%	-6.09%	-6.71%	15.22%	-8.19%	-24.48%	-26.18%

Note 1 - GASB 68 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2015 is the first year for which this information is available.

COMPLIANCE AND INTERNAL CONTROLS SECTION



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

To the Mayor, City Council, and Management of the
City of Cisco, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Cisco, Texas (the “City”), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Cisco, Texas’s basic financial statements and have issued my report thereon dated November 12, 2024.

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rod L. Abbott, CPA PLLC
Van Alstyne, Texas
November 12, 2024