

CITY OF CISCO, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

This page left intentionally blank.



CITY OF CISCO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report:</u>	
Unmodified Opinion on Basic Financial Statements	1
Management's Discussion and Analysis	3
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Governmental Fund Financial Statements:	
Balance Sheet-Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Fund Financial Statements:	
Statement of Net Position-Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	18
Statement of Cash Flows-Proprietary Funds	19
Notes to the Financial Statements	20
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule-General Fund	38
Schedule of Changes in Net Pension Liability and Related Ratios	39
Schedule of Contributions	40
Notes to Schedule of Contributions	41
<u>Overall Compliance and Internal Controls Section:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	43
Summary Schedule of Prior Audit Findings	44
Schedule of Findings and Questioned Costs	45
Corrective Action Plan	46
<u>Federal Awards Section:</u>	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance	48
Schedule of Expenditures of Federal Awards	50
Notes to the Schedule of Expenditures of Federal Awards	51

This page left intentionally blank.



Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION

City Commission
City of Cisco
P. O. Box 110
Cisco, Texas 76437

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Cisco (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cisco as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure 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 my 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 Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 24, 2018, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Cameron L. Gulley
Certified Public Accountant

September 24, 2018

City of Cisco

WHERE A PROUD PAST GREET'S A PROMISING FUTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Cisco, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 - 12). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of city streets and alleys, community services, and general administration. Property taxes, franchise and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities increased from \$2,160,603 to \$2,224,757. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$615,631 to \$576,782 at September 30, 2017. Current and other assets (consisting primarily of cash, receivables and the net pension asset) decreased by \$103,047. Capital assets increased (net of depreciation) by \$8,529 due to current year asset additions. Long-term liabilities decreased by \$104,806 due to retirement of outstanding capital lease obligations. Other liabilities decreased by \$66,043 due to accounts payable.

Net position of the business-type activities increased by \$836,351. Most of the increase was due to a insurance and grant proceeds received related to a flood from the previous year. Current and other assets decreased by \$3,773,151 due to reductions in cash used for capital expenses and liquidation of outstanding debt. Capital assets increased by \$924,584 (net of depreciation) due to ongoing construction projects. Long-term liabilities decreased \$3,779,189 due to long-term debt retired during the year. Other liabilities increased by \$89,541 due to changes in accounts payable.

Changes in deferred resource inflows and outflows for both the governmental and business-type activities were related to timing differences for the accrual of the net pension asset of the City.

Table I
City of Cisco, Texas
Net Position

	Governmental Activities 2017	Governmental Activities 2016	Variance Increase/ (Decrease)
Current and other assets	\$ 652,385	\$ 755,432	\$ (103,047)
Capital assets	2,078,364	2,069,835	8,529
Deferred outflows of resources	137,087	181,834	(44,747)
Total assets and deferred outflows	2,867,836	3,007,101	(139,265)
Long-term liabilities	454,199	559,005	(104,806)
Other liabilities	152,824	218,867	(66,043)
Deferred inflows of resources	36,056	68,626	(32,570)
Total liabilities and deferred inflows	643,079	846,498	(203,419)
Net position:			
Invested in capital assets net of related debt	1,647,975	1,544,972	103,003
Unrestricted	576,782	615,631	(38,849)
Total net position	\$ 2,224,757	\$ 2,160,603	\$ 64,154
	Business-type Activities 2017	Business-type Activities 2016	Variance Increase/ (Decrease)
Current and other assets	\$ 13,134,407	\$ 16,907,558	\$ (3,773,151)
Capital assets	11,124,014	10,199,430	924,584
Deferred outflows of resources	42,823	57,929	(15,106)
Total assets and deferred outflows	24,301,244	27,164,917	(2,863,673)
Long-term liabilities	19,428,388	23,207,577	(3,779,189)
Other liabilities	283,815	194,274	89,541
Deferred inflows of resources	11,487	21,863	(10,376)
Total liabilities and deferred inflows	19,723,690	23,423,714	(3,700,024)
Net position:			
Invested in capital assets net of related debt	(8,155,742)	(12,850,176)	4,694,434
Restricted for debt service	131,445	142,979	(11,534)
Unrestricted	12,601,851	16,448,400	(3,846,549)
Total net position	\$ 4,577,554	\$ 3,741,203	\$ 836,351

Table II
City of Cisco, Texas
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 990,195	\$ 754,504	\$ 235,691
Operating grants and contributions	234,141	348,942	(114,801)
General Revenues:			
Maintenance and operations taxes	1,219,526	1,140,832	78,694
Sales and hotel/motel taxes	493,834	416,902	76,932
Franchise fees	135,656	146,629	(10,973)
Lake lot rentals and leases	66,462	56,192	10,270
Investment earnings	4,745	3,110	1,635
Miscellaneous	25,126	42,159	(17,033)
Total Revenues	3,169,685	2,909,270	260,415
Expenses:			
Administrative	633,958	545,854	(88,104)
Police and municipal court	874,490	758,793	(115,697)
Animal control	57,426	53,981	(3,445)
Fire	373,219	339,020	(34,199)
Streets	571,129	585,640	14,511
Parks and recreation	68,211	58,992	(9,219)
Sanitation	509,165	531,908	22,743
Airport	3,697	3,511	(186)
Interest	14,236	13,617	(619)
Transfer to other fund	0	38,611	38,611
Total Expenses	3,105,531	2,929,927	(175,604)
Increase in Net Position	64,154	(20,657)	84,811
Net Position - beginning of year	2,160,603	2,181,260	(20,657)
Net Position - end of year	\$ 2,224,757	\$ 2,160,603	\$ 64,154

Table II - Continued
City of Cisco, Texas
Changes in Net Position

	Business-type Activities 2017	Business-type Activities 2016	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,464,064	\$ 1,404,073	\$ 59,991
Grant revenues	1,027,852	107,925	919,927
Investment income	10,132	2,853	979,918
Transfer from other fund	0	38,611	(38,611)
Total Revenues	2,502,048	1,553,462	948,586
Expenses:			
Water	289,163	435,546	146,383
Wastewater	256,243	261,820	5,577
Water plant	411,538	409,770	(1,768)
Utility billing	119,059	93,504	(25,555)
Depreciation	288,522	262,272	(26,250)
Interest	870,869	328,669	(542,200)
Extraordinary item - flood	(579,829)	1,042,100	1,611,797
Total Expenses	1,665,697	2,833,681	1,167,984
Increase in Net Position	836,351	(1,280,219)	2,116,570
Net Position - beginning of year	3,741,203	5,021,422	(1,280,219)
Net Position - end of year	\$ 4,577,554	\$ 3,741,203	\$ 836,351

The City's total revenues of its governmental activities increased by \$260,415 from the previous year. Property and sales tax revenues were higher by approximately \$150,000. Charges for services due mainly to fees received from municipal court activities were over \$235,000 more than last year. Operating grants and contributions were lower by approximately \$115,000.

Total expenses of the City's governmental activities increased by \$175,604 from the previous year. Police and municipal court expenses were higher due to flow-thru costs to the State of Texas related to the increased municipal court revenue activities plus higher payroll costs for the year. Fire department expenses were higher by approximately \$34,000 due to increased payroll costs for the year. Administration expenses were also higher for the year due to payroll expenses.

Revenues for the business-type activities were significantly more than last year due to grants and contributions received related to the disaster flood recovery from both FEMA and the Texas Water Development Board. Extraordinary items related to the flood were a net revenue due to insurance proceeds received to cover costs incurred both year and last year. Water expenses were lower for the year due to higher than normal expenses last year primarily due to the flood. Depreciation and interest expenses were both significantly higher this year by \$26,000 and \$542,000, respectively. Interest expense increases were due to financing entered into to rebuild the City's water treatment plant facility which was destroyed by the flood in the previous year. Depreciation expense increased due to the capital projects begun last year related to the flood and other activities.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$211,018, a decrease of \$39,249 in the City's governmental funds from last year's fund balance of \$250,267.

The City Commission did not make any significant budget amendments during the year.

The City's General Fund balance of \$210,243 reported on pages 15 and 38 differs from the projected budgetary fund balance of \$248,910 due to total expenditures being more than budgeted for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the City had \$39,765,473 invested in a broad range of capital assets including infrastructure, water treatment and wastewater disposal facilities and equipment and maintenance of City streets and alleys. This amount represents a net increase of \$1,456,647 from last fiscal year. This year's major additions included:

Water meter improvement project	\$ 500,000
Water system improvement project (in progress)	638,106
Sewer machine vehicle	75,000
Street equipment	359,100
Fire department equipment	43,530
Police patrol cars (2)	86,775
Street improvements	113,236
Total	\$ 1,456,647

Debt

The City had seven outstanding long-term liabilities in the forms of general obligation and revenue bonds issued in 1986, 2001, 2008, 2014 and 2016 that were originally issued to finance infrastructure improvements in the water and sewer fund. The City also had two outstanding long-term liabilities in the form of public property finance contract notes issued in 2016 and 2017 that were originally issued to finance water meter and equipment.

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

The following table summarizes the outstanding debt of the City:

Debt outstanding by type	2017	2016
Bonds and notes payable	\$ 19,279,756	\$ 23,049,606
Capital leases	430,389	524,863
Total debt outstanding	\$ 19,710,145	\$ 23,574,469

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As discussed in the notes to the financial statements, the City water plant was completely destroyed by a catastrophic flood in June, 2016 which has significantly affected the cost structure of the City until a new water plant can be constructed. Cash costs incurred through the end of September, 2017 totaled \$1,245,490 with insurance recovery received of \$1,168,265.

The City was awarded FEMA disaster assistance as a result of the flood and should realize significant funding from the federal government as a result. Additional insurance proceeds not yet received for items covered by loss should also help mitigate expenses and replacement costs. Future recovery proceeds from federal assistance and insurance are estimated to approximate \$3 million.

Until those funds are received, the City obtained financing for the construction of a new water treatment plant in July, 2016. Total cash financing received was \$16 million of which a portion has been used for ongoing flood expenses related to system repairs and rental of a temporary water treatment plant. Therefore, operating cash flows should not be significantly impacted as a result of the financing received from loans, disaster assistance grants and insurance proceeds.

The City should maintain its financial health during the 2017-18 fiscal year. Excluding the ongoing extraordinary flood activities, budgeted revenues and expenditures for next fiscal year approximate what they were for the 2016-17 fiscal year. The City has projected a break-even year for 2017-18. Therefore, the fund balance of the City is projected to remain at or near \$210,000 and net position should remain at or near \$4,600,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Cisco, Texas, P. O. Box 110, Cisco, Texas 76437.

This page left intentionally blank.

BASIC FINANCIAL STATEMENTS

This page left intentionally blank.



CITY OF CISCO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Totals (Memo Only)		Total
			Primary Government	Component Unit	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 255,144	\$ 12,440,054	\$ 12,695,198	\$ 682,901	\$ 13,378,099
Property taxes receivable (net of estimated uncollectible)	49,900	-	49,900	-	49,900
Accounts receivable	64,442	128,060	192,502	-	192,502
Due from other governments	60,949	-	60,949	43,178	104,127
Inventory	-	12,762	12,762	-	12,762
Total current assets	430,435	12,580,876	13,011,311	726,079	13,737,390
Noncurrent assets:					
Capital assets					
Land and land improvements	482,698	58,022	540,720	223,442	764,162
Infrastructure	19,651,012	15,859,108	35,510,120	-	35,510,120
Buildings and improvements	510,317	-	510,317	1,686,796	2,197,113
Furniture and equipment	2,471,437	732,879	3,204,316	-	3,204,316
Less: accumulated depreciation	(21,037,100)	(5,525,995)	(26,563,095)	(251,171)	(26,814,266)
Total capital assets	2,078,364	11,124,014	13,202,378	1,659,067	14,861,445
Net pension asset	221,950	70,707	292,657	-	292,657
Notes receivable	-	-	-	223,977	223,977
Restricted cash	-	482,824	482,824	-	482,824
Total noncurrent assets	2,300,314	11,677,545	13,977,859	1,883,044	15,860,903
TOTAL ASSETS	2,730,749	24,258,421	26,989,170	2,609,123	29,598,293
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to TMRS	137,087	42,823	179,910	-	179,910
TOTAL DEFERRED OUTFLOWS OF RESOURCES	137,087	42,823	179,910	-	179,910
LIABILITIES					
Current liabilities:					
Accounts payable	133,018	179,507	312,525	-	312,525
Accrued liabilities	19,806	5,815	25,621	-	25,621
Accrued interest payable	-	98,493	98,493	-	98,493
Current portion of long-term debt	91,112	335,894	427,006	-	427,006
Total current liabilities	243,936	619,709	863,645	-	863,645
Noncurrent liabilities:					
Customer deposits	-	141,743	141,743	-	141,743
Accrued compensated absences	23,810	6,889	30,699	-	30,699
Capital leases payable	430,389	-	430,389	-	430,389
Long-term debt	-	19,279,756	19,279,756	-	19,279,756
Less: current portion of long-term debt	(91,112)	(335,894)	(427,006)	-	(427,006)
Total noncurrent liabilities	363,087	19,092,494	19,455,581	-	19,455,581
TOTAL LIABILITIES	607,023	19,712,203	20,319,226	-	20,319,226
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to TMRS	36,056	11,487	47,543	-	47,543
TOTAL DEFERRED INFLOWS OF RESOURCES	36,056	11,487	47,543	-	47,543
NET POSITION					
Net investment in capital assets	1,647,975	(8,155,742)	(6,507,767)	1,659,067	(4,848,700)
Restricted for debt service	-	131,445	131,445	-	131,445
Unrestricted	576,782	12,601,851	13,178,633	950,056	14,128,689
TOTAL NET POSITION	\$ 2,224,757	\$ 4,577,554	\$ 6,802,311	\$ 2,609,123	\$ 9,411,434

The accompanying notes are an integral part of this statement

CITY OF CISCO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals			Totals
						(Memo Only) Primary Gov't.	Component Unit		
Governmental activities:									
Administrative	\$ 633,958	\$ 140,263	\$ 18,363	\$ (475,332)	\$ -	\$ (475,332)	\$ -	\$ (475,332)	\$ (475,332)
Police and municipal court	874,490	310,901	45,004	(518,585)	-	(518,385)	-	(518,585)	(518,585)
Animal control	57,426	-	-	(57,426)	-	(57,426)	-	(57,426)	(57,426)
Fire	373,219	-	60,000	(313,219)	-	(313,219)	-	(313,219)	(313,219)
Streets	571,129	-	110,774	(460,355)	-	(460,355)	-	(460,355)	(460,355)
Parks and recreation	68,211	-	-	(68,211)	-	(68,211)	-	(68,211)	(68,211)
Sanitation	509,165	539,031	-	29,866	-	29,866	-	29,866	29,866
Airport	3,697	-	-	(3,697)	-	(3,697)	-	(3,697)	(3,697)
Economic development	-	-	-	-	-	-	(420,298)	(420,298)	(420,298)
Interest expense	14,236	-	-	(14,236)	-	(14,236)	-	(14,236)	(14,236)
Total governmental activities	3,105,531	990,195	234,141	(1,881,195)	-	(1,881,195)	(420,298)	(2,301,493)	(2,301,493)
Business-type activities:									
Water	289,163	1,028,518	1,027,852	-	1,767,207	1,767,207	-	1,767,207	1,767,207
Wastewater	256,243	435,546	-	-	179,303	179,303	-	179,303	179,303
Water plant	411,538	-	-	-	(411,538)	(411,538)	-	(411,538)	(411,538)
Utility billing	119,059	-	-	-	(119,059)	(119,059)	-	(119,059)	(119,059)
Depreciation expense	288,522	-	-	-	(288,522)	(288,522)	-	(288,522)	(288,522)
Interest expense	870,869	-	-	-	(870,869)	(870,869)	-	(870,869)	(870,869)
Total business-type activities	2,235,394	1,464,064	1,027,852	-	256,522	256,522	-	256,522	256,522
Total	\$ 5,340,925	\$ 2,454,259	\$ 1,261,993	(1,881,195)	256,522	(1,624,673)	(420,298)	(2,044,971)	(2,044,971)
General revenues:									
Property tax				1,219,526	-	1,219,526	-	1,219,526	1,219,526
Sales and hotel/motel tax				493,834	-	493,834	481,782	975,616	975,616
Franchise fees				135,656	-	135,656	-	135,656	135,656
Rentals and leases				66,462	-	66,462	44,040	110,502	110,502
Investment and royalty income				4,745	10,132	14,877	2,039	16,916	16,916
Gain on sale of assets				25,126	-	25,126	-	25,126	25,126
Extraordinary item - flood				-	569,697	569,697	-	569,697	569,697
Total general revenues				1,945,349	579,829	2,525,178	527,861	3,053,039	3,053,039
Changes in net position				64,154	836,351	900,505	107,563	1,008,068	1,008,068
Beginning net position				2,160,603	3,741,203	5,901,806	2,501,560	8,403,366	8,403,366
Prior period adjustment				-	-	-	-	-	-
Ending net position				\$ 2,224,757	\$ 4,577,554	\$ 6,802,311	\$ 2,609,123	\$ 9,411,434	\$ 9,411,434

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Airport Fund	Totals (Memo Only) Primary Government	Component Unit	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 253,831	\$ 1,313	\$ 255,144	\$ 682,901	\$ 938,045
Property taxes receivable (net of est. uncollect)	49,900	-	49,900	-	49,900
Accounts receivable (net of est. uncollectibles)	47,749	-	47,749	-	47,749
Due from other governments	60,949	-	60,949	43,178	104,127
Notes receivable	-	-	-	223,977	223,977
TOTAL ASSETS	\$ 412,429	\$ 1,313	\$ 413,742	\$ 950,056	\$ 1,363,798
LIABILITIES, DEFERRED INFLOW OF RESOURCES & FUND EQUITIES					
LIABILITIES					
Accounts payable	\$ 132,480	\$ 538	\$ 133,018	\$ -	\$ 133,018
Accrued liabilities	19,806	-	19,806	-	19,806
TOTAL LIABILITIES	152,286	538	152,824	-	152,824
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	49,900	-	49,900	-	49,900
TOTAL DEFERRED INFLOW OF RESOURCES	49,900	-	49,900	-	49,900
FUND EQUITIES					
Fund balances:					
Restricted for long-term notes	-	-	-	223,977	223,977
Unassigned	210,243	775	211,018	726,079	937,097
TOTAL FUND EQUITIES	210,243	775	211,018	950,056	1,161,074
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES & FUND EQUITIES	\$ 412,429	\$ 1,313	\$ 413,742	\$ 950,056	\$ 1,363,798

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Funds (Primary Government)	Component Unit
Total Fund Balances - Governmental Funds	\$ 211,018	\$ 950,056
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$24,439,427 and the accumulated depreciation was \$21,172,178. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	1,544,972	1,590,201
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.	338,015	109,665
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(235,012)	(40,799)
4 Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of \$221,950 a deferred resource inflow in the amount of \$(36,056) and a deferred resource outflow in the amount of \$137,087. This resulted in an increase/(decrease) in net position.	322,981	
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	42,783	-
Net Position of Governmental Activities	\$ 2,224,757	\$ 2,609,123

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Airport Fund	Totals (Memo Only)	Component Unit	Total Governmental Funds
			Primary Government		
REVENUES					
Ad valorem taxes (including penalties and interest)	\$ 1,215,625	\$ -	\$ 1,215,625	\$ -	\$ 1,215,625
Sales and hotel/motel tax	493,834	-	493,834	481,782	975,616
Franchise taxes	135,656	-	135,656	-	135,656
Sanitation fees	539,031	-	539,031	-	539,031
Municipal court fines and fees	273,228	-	273,228	-	273,228
Licenses and permits	16,632	-	16,632	-	16,632
Rent/leases	64,312	2,150	66,462	-	66,462
Oil and gas royalties	2,950	-	2,950	-	2,950
Interest	1,795	-	1,795	2,039	3,834
Grants and contributions	234,141	-	234,141	-	234,141
Miscellaneous	161,257	47	161,304	44,040	205,344
TOTAL REVENUES	3,138,461	2,197	3,140,658	527,861	3,668,519
EXPENDITURES					
Administrative	623,193	-	623,193	-	623,193
Police and municipal court	921,746	-	921,746	-	921,746
Animal control	46,671	-	46,671	-	46,671
Fire	353,884	-	353,884	-	353,884
Streets	685,691	-	685,691	-	685,691
Parks and recreation	61,904	-	61,904	-	61,904
Sanitation	509,165	-	509,165	-	509,165
Airport	-	2,779	2,779	-	2,779
Economic development	-	-	-	489,164	489,164
TOTAL EXPENDITURES	3,202,254	2,779	3,205,033	489,164	3,694,197
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(63,793)	(582)	(64,375)	38,697	(25,678)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	-
Gain on sale of assets	25,126	-	25,126	-	25,126
Proceeds from capital lease	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,126	-	25,126	-	25,126
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(38,667)	(582)	(39,249)	38,697	(552)
FUND BALANCE - BEGINNING	248,910	1,357	250,267	911,359	1,161,626
Prior period adjustment	-	-	-	-	-
FUND BALANCE - ENDING	\$ 210,243	\$ 775	\$ 211,018	\$ 950,056	\$ 1,161,074

The accompanying notes are an integral part of this statement

CITY OF CISCO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental Funds (Primary Government)	Component Unit
Total Net Change in Fund Balances - Governmental Funds	\$ (39,249)	\$ 38,697
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.	338,015	109,665
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(235,012)	(40,799)
3 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/16 caused the change in the ending net position to increase in the amount of \$18,752. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(16,680). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$(16,503). The result of these changes is to increase/(decrease) the change in net position.	(13,833)	
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	14,233	-
Change in Net Position of Governmental Activities	\$ 64,154	\$ 107,563

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,440,054
Accounts receivable (net of allowance for uncoll)	128,060
Inventory	12,762
Total current assets	12,580,876
Noncurrent assets:	
Capital assets:	
Land	58,022
Infrastructure	15,859,108
Property, plant and equipment	732,879
Less: accumulated depreciation	(5,525,995)
Total capital assets	11,124,014
Net pension asset	70,707
Restricted cash	482,824
Total noncurrent assets	11,677,545
TOTAL ASSETS	24,258,421
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS	42,823
TOTAL DEFERRED OUTFLOWS OF RESOURCES	42,823
 LIABILITIES	
Current liabilities:	
Accounts payable	179,507
Accrued liabilities	5,815
Accrued interest payable	98,493
Current portion of long-term debt	335,894
Total current liabilities	619,709
Noncurrent liabilities:	
Customer deposits	141,743
Compensated absences	6,889
Long-term debt	19,279,756
Less: current portion of long-term debt	(335,894)
Total noncurrent liabilities	19,092,494
TOTAL LIABILITIES	19,712,203
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS	11,487
TOTAL DEFERRED INFLOWS OF RESOURCES	11,487
 NET POSITION	
Net invested in capital assets	(8,155,742)
Restricted for debt service	131,445
Unrestricted	12,601,851
TOTAL NET POSITION	\$ 4,577,554

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 902,690
Sewer sales	435,546
Late fees	39,897
Miscellaneous revenue	85,931
Total operating revenues	1,464,064
OPERATING EXPENSES	
Water department expenses	289,163
Wastewater department expenses	256,243
Water plant department expenses	411,538
Utility billing department expenses	119,059
Depreciation expense	288,522
Total operating expenses	1,364,525
Operating income (loss)	99,539
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(870,869)
Interest income	10,132
Extraordinary item - flood	569,697
Grant and contribution revenue	1,027,852
Total nonoperating revenues (expenses)	736,812
Change in net position	836,351
Total net position - beginning of year	3,741,203
Prior period adjustment	-
Total net position - end of year	\$ 4,577,554

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,460,652
Cash payments to suppliers for goods and services	(483,525)
Cash payments to employees for services (and related benefit payments)	(437,904)
NET CASH PROVIDED BY OPERATING ACTIVITIES	539,223
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from (paid for) restricted assets	28,864
Cash received from issuance of long-term debt	75,000
Cash received from state and federal grants and contributions	1,027,852
Cash received from extraordinary item - flood expense insurance recovery	1,029,697
Cash payments for extraordinary item - flood expenses	(460,000)
Cash payments for retirement of long-term debt	(3,844,850)
Cash payments for interest	(939,473)
Cash payments for property, plant and equipment	(1,213,106)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,296,016)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	10,132
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,132
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,746,661)
Cash and cash equivalents - beginning of year	16,186,715
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,440,054
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 99,539
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	288,522
Change in net pension assets, liabilities and deferred resources	5,258
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,902)
Increase (decrease) in accounts payable	164,402
Increase (decrease) in accrued liabilities	(15,086)
Increase (decrease) in meter deposits	(510)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 539,223

The accompanying notes are an integral part of this statement.

This page left intentionally blank.

CITY OF CISCO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of significant accounting policies

The City of Cisco, Texas (the "City") is a charter city in which citizen elect the mayor at large and six council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

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

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City and its component unit(s) nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for use of the public swimming pool, fines, sanitation charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City

operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water and Sewer Enterprise Funds** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

The City reports the following non-major governmental funds:

3. **The Airport Special Revenue Fund** – The City's activities for which it supports and maintains the local public airport is accounted for through a special revenue fund.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (the "TMRS") and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported to TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, and water/sewer pipe fittings. Supplies are recorded as expenditures when they are consumed.
3. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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.

4. The City's policy does permits employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City and the component units is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	40
Water/Sewer Infrastructure	20 - 100
Building Improvements	40
Streets	20
Vehicles	5
Equipment	10
Technology Equipment	5

6. Governmental fund balances are classified into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City policies concerning fund balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, only the City Council has the authority to assign fund balance by formal council action.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At September 30, 2017, none of the City's fund balances were committed or assigned.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In August, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500

Police and municipal court	\$ 120,416.	Failure to amend for vehicle purchased late in year.
Fire	\$ 81,827.	Failure to amend for grant purchases for fire department vehicles.
Streets	\$ 80,464.	Failure to amend for street improvements during the year.
Sanitation	\$ 47,930.	Failure to amend for increased sanitation contractor fees for the year.

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for 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.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2017, the City had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
Certificate of Deposit	\$156,761	\$156,761			
Investment Pools	64,345	64,345			
Total	\$221,106	\$221,106			

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

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, 2017, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

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%.

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.

Foreign Currency Risk for Investments - The 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.

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

Interfund balances at September 30, 2017 consisted of the following individual fund balances:

None.

Interfund transfers for the year ended September 30, 2017 consisted of the following individual amounts:

None.

E. Disaggregation of receivables and payables

Receivables at September 30, 2017 were as follows:

	Property Taxes	Other Government	Accounts	Total Receivables
Governmental Activities:				
General Fund	\$49,900	\$60,949	\$64,442	\$175,291
Component Unit		43,178		43,178
Total Governmental Activities	\$49,900	\$104,127	\$64,442	\$218,469
Business-type Activities:				
Water and Sewer Fund			\$128,060	\$128,060
Total Business-type Activities	\$0	\$0	\$128,060	\$128,060

Payables at September 30, 2017 were as follows:

	Accounts	Salaries and Benefits	Accrued Interest	Total Payables
Governmental Activities:				
General Fund	\$132,480	\$19,806		\$152,286
Airport Fund	538			538
Total Governmental Activities	\$133,018	\$19,806	\$0	\$152,824

Business-type Activities:

Water and Sewer Fund	\$179,507	\$5,815	\$98,493	\$283,815
Total Business-type Activities	\$179,507	\$5,815	\$98,493	\$283,815

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2017, was as follows:

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17
Governmental activities:				
Land	\$ 482,698			\$ 482,698
Infrastructure - streets and bridges	19,537,776	113,236		19,651,012
Buildings and improvements	510,317			510,317
Furniture and equipment	2,341,132	130,305		2,471,437
Totals	22,871,923	243,541		23,115,464
Less accum depreciation for:				
Infrastructure - streets and bridges	19,147,224	31,172		19,178,396
Buildings and improvements	231,778	17,018		248,796
Furniture and equipment	1,423,086	186,822		1,609,908
Total accum depreciation	20,802,088	235,012		21,037,100
Governmental activities capital assets, net	\$2,069,835	\$ 8,529	\$ 0	\$2,078,364

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17
Business-type activities:				
Land	\$58,022			\$1,428,844
Infrastructure	13,561,905	\$1,350,000		14,911,905
Furniture and equipment	657,879	75,000		732,879
Construction-in-progress	1,159,097	638,106	850,000	947,203
Totals	15,436,903	2,063,106	850,000	16,650,009
Less accum depreciation for:				
Infrastructure	4,643,905	260,102		4,904,007
Furniture and equipment	593,568	28,420		621,988
Total accum depreciation	5,237,473	288,522		5,525,995
Business-type activities capital assets, net	\$10,199,430	\$1,774,584	\$850,000	\$11,124,014

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$3,346
Police and municipal court	43,807
Animal control	10,927
Fire	60,884
Streets	109,493
Parks and recreation	5,637
Airport	918
Total depreciation expense - governmental activities	\$235,012

Business-type activities:

Water and sewer	\$288,522
Total depreciation expense - business-type activities	\$288,522

G. Bonds payable

In March, 2001, the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Waterworks and Sewer System Revenue Bonds Series 2001 in the amount of \$1,433,000 for the purpose of improving and extending the City's water and sewer system. The bonds are to pay interest at the rate of 4.5% semiannually on each January 10th and July 10th each year until fully retired in 2040.

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 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-A in the amount of \$3,000,000 for the purpose of improving its water treatment facility. The bonds bear interest rates varying from 1.80% - 4.20% due in semiannual installments on each February 15th and August 15th beginning in 2009 and continuing each succeeding year 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.

In February, 2016, the City Council passed an ordinance authorizing the issuance of the City of Cisco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2016 in the amount of \$16,000,000 for the purpose of acquiring and constructing a new water treatment plant, including temporary water treatment facilities pending such construction and for legal, fiscal and engineering fees associated with such projects. The bonds were issued in July, 2016 and bear interest rates of 4.25% due in semi-annual installments on each February 15th and August 15th beginning in 2017 and continuing each succeeding year until fully retired in 2031.

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 February, 2017, the City Council passed an ordinance authorizing the issuance of Public Property Finance Contract #7719 in the amount of \$75,000 for the purpose of acquiring a sewer machine. The contract was issued in May, 2017 and bears an interest rate of 3.80% due in annual installments on each March 24th beginning in 2018 and continuing each succeeding year until fully retired in 2020.

A summary of changes in general long-term debt for the year ended September 30, 2017 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/30/16	Issued	Retired	Amounts Outstanding 9/30/17
Utility System Revenue Bonds, Series 1986	6.13%	390,000	\$185,000		\$16,000	\$169,000
Sewer System Gen Obligation Refunding Bonds, Series 1987	5.88%	150,000	3,472		3,472	0
Waterworks and Sewer System Revenue Bonds, Series 2001	4.5%	1,433,000	898,000		27,000	871,000
Combination Tax and Revenue Certificates of Obligation, Series 2008	0.0%	2,200,000	1,650,000		75,000	1,575,000
Combination Tax and Revenue Certificates of Obligation, Series 2008-A	1.80% to 4.20%	3,000,000	2,520,000		75,000	2,445,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014	0.00% to 2.24%	475,000	385,000		45,000	340,000
Combination Tax and Revenue Certificates of Obligation, Series 2016	4.25%	16,000,000	16,000,000		3,500,000	12,500,000
Public Property Finance Contract	3.99%	1,443,750	1,408,134		73,378	1,334,756
Public Property Finance Contract	3.80%	75,000	0	75,000	30,000	45,000
			<u>\$23,049,606</u>	<u>\$75,000</u>	<u>\$3,844,850</u>	<u>\$19,279,756</u>

H. Notes payable

None.

I. Capital leases

The City entered into a capital lease agreement dated January, 2014, for the acquisition of a new trac-hoe in the amount of \$108,620. The City agreed to make monthly installment payments beginning February 1, 2014 of \$1,952 including imputed interest at 3.1%. 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.

The City entered into a capital lease agreement dated September 15, 2014, for the acquisition of a new durapatcher street repair truck in the amount of \$63,200. The City agreed to make five annual installment payments beginning September 15, 2015 of \$13,931 including imputed interest at 3.32%. 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.

The City entered into a capital lease agreement dated September 25, 2014, for the acquisition of a new wheel loader in the amount of \$127,899. The City agreed to make monthly installment payments beginning October 1, 2014 of \$2,310 including imputed interest at 3.2%. 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.

The City entered into a capital lease agreement dated November 10, 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 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.

The City entered into a capital lease agreement dated November 16, 2015, for the acquisition of a new vibratory soil compactor in the amount of \$226,300. The City agreed to make monthly installment payments beginning December 16, 2015 of \$1,314 including imputed interest at 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.

A summary of changes in general long-term capital leases payable for the year ended September 30, 2017 is as follows:

Payee	Interest Rate Payable	Amounts Outstanding 09/30/16	Issued	Retired	Amounts Outstanding 09/30/17
AimBank	3.10%	\$52,741		\$22,083	\$30,658
Welch State Bank	3.32%	51,373		24,843	26,530
Caterpillar Financial	3.20%	81,271		25,486	55,785
Caterpillar Financial	2.50%	121,685		12,498	109,187
Caterpillar Financial	2.50%	217,793		9,564	208,229
		<u>\$524,863</u>	<u>\$0</u>	<u>\$94,474</u>	<u>\$430,389</u>

J. Debt service requirements - bonds, notes and capital leases

The annual debt service requirements to maturity for long-term bonds payable as of September 30, 2017 are as follows:

Water and Sewer Fund Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2018	\$335,894	\$733,376	\$1,069,270
2019	342,348	724,718	1,067,066
2020	1,403,116	692,974	2,096,090
2021	1,437,940	637,403	2,075,343
2022	1,495,404	579,898	2,075,302
2023-27	8,220,054	1,949,396	10,169,450
2028-32	4,395,000	493,729	4,888,729
2033-37	1,405,000	146,007	1,551,007
2038	245,000	3,570	248,570
	<u>\$19,279,756</u>	<u>\$5,961,071</u>	<u>\$25,240,827</u>

The annual future minimum lease requirements long-term capital leases as of September 30, 2017 are as follows:

General Fund			
Year Ending September 30,	Total Lease Payments	Less: Incremental Value of Interest	Present Value of Minimum Lease Payments
2018	\$102,375	\$11,263	\$91,112
2019	81,873	7,954	73,919
2020	32,304	6,337	25,967
2021	240,384	993	239,391
	<u>\$456,936</u>	<u>\$26,547</u>	<u>\$430,389</u>

K. Accumulated unpaid vacation and sick leave benefits

Employees can accumulate a maximum of 80 hours vacation time. Such accruals are reflected in the respective columns of the statement of net position for both the governmental and business-type funds as a non-current liability. A maximum of 6 days sick leave per year may be accumulated by each employee; however, employees are not paid for the accumulated sick leave upon retirement or other separation of employment.

L. Retirement Plan - Texas Municipal Retirement System

Plan Description

The City participates as one of 871 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

	Plan Year 2016
Employee deposit rate	5.0%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating

Contributions

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

Employees of the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.26% and 2.44% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 31, 2017 were \$29,690 and were equal to the required contributions.

Net Pension Liability

Actuarial assumptions. The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Health post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011. And dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.0%. 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.

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	\$ 2,715,894	\$ 3,010,735	\$ (294,841)
Changes for the year:			
Service cost	112,983		112,983
Interest	183,166		183,166
Change in benefit terms			
Difference between expected/actual experience	(6,074)		(6,074)
Changes in assumptions			
Contributions - employer		27,143	(27,143)
Contributions - employee		59,779	(59,779)
Net investment income		203,391	203,391
Benefit payments, including refunds of employee contributions	(117,635)	(117,635)	0
Administrative expenses		(2,298)	2,298
Other charges		(124)	124
Net changes	172,440	170,256	2,184
Balance at 12/31/16	\$ 2,888,334	\$ 3,180,991	\$ (292,657)

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability / (asset)	\$69,684	(\$292,657)	(\$594,035)

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$48,904.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$	\$ 47,410
Changes in actuarial assumptions	17,905	
Differences between projected and actual investment earnings (net of current year amortization)	140,011	133
Contributions subsequent to the measurement date	21,994	
Total	\$ 179,910	\$ 47,543

\$21,994 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ended September 30,	
2018	\$ 25,523
2019	\$ 44,657
2020	\$ 40,227
2021	\$ (34)
2022	\$ 0
Thereafter	\$ 0

M. OPEB - Supplemental death benefits plan

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to current employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). This coverage is an "other postemployment benefit," or OPEB.

	2017	2016
City offers supplemental death to:		
Active employees (Yes/No)	Yes	Yes
Retirees (Yes/No)	No	No

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of Contribution Rates:			
Plan/ Calendar year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.15%	0.15%	100.0%
2014	0.17%	0.17%	100.0%
2015	0.19%	0.19%	100.0%
2016	0.20%	0.20%	100.0%
2017	0.21%	0.21%	100.0%

N. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Waterworks General Obligation and System Revenue Bonds and Loans	\$23,049,606	\$75,000	\$3,844,850	\$19,279,756	\$335,894
Capital Leases	524,863		94,474	430,389	91,112
Compensated absences	49,860	30,699	49,860	30,699	0
Customer Deposits	142,253	5,775	6,285	141,743	0
Total	\$23,766,582	\$111,474	\$3,995,469	\$19,882,587	\$427,006

O. Deferred inflow of resources

Deferred inflow of resources at the fund level at year-end consisted of the following:

	Unavailable Tax Revenue
General Fund	\$49,900

P. Risk financing

The City is exposed to various risks of loss related to torts: thefts of, damage to, or destruction of assets; and errors or omissions. The City has purchased commercial insurance with the Texas Municipal League intergovernmental risk pool to insure against these losses. The annual premium assessed by the risk pool is subject to adjustment each year on the anniversary date of the policy based on updated exposure information and changes in rating. Coverages are as follows as of September 30, 2017: general liability coverage - \$500,000 per occurrence, \$1,000,000 annual aggregate; law enforcement liability coverage - \$500,000 per occurrence, \$1,000,000 annual aggregate; errors and omissions - \$1,000,000 per claim, \$2,000,000 annual aggregate; aviation liability coverage - \$1,000,000 per occurrence, \$2,000,000 annual aggregate; automobile liability - \$25,000 per occurrence, \$500,000 annual aggregate; auto physical damage - actual cash value; property and equipment hazards - \$3,211,100 blanket limit.

Q. Notes receivable

The CDC entered into several long-term notes receivable contracts with various individuals and businesses for economic development activities. The purposes of all loans are for start-up capital infusions for new business ventures and for facilities acquisitions. Interest rates on the loans vary from 0% - 4%. Of the outstanding loans receivable, 100% of the ending balances are considered current.

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

Beginning Balance	Loans Advanced	Loans Retired	Ending Balance
\$264,742	\$18,318	\$59,083	\$223,977

R. Extraordinary item

On June 2, 2016 heavy rainfall caused Lake Cisco (the City's main water source) to fill beyond capacity and wash over the dam. The water treatment plant sitting at the base of the dam was completely destroyed as a result of the water flowing over the dam. Expenses related to repairing infrastructure as well as for rental of a temporary treatment facility have been treated as an extraordinary item on the financial statements due to the unusual and infrequent nature of the event. Ongoing expenses will continue into the 2017-18 fiscal year and beyond until a new treatment facility can be constructed.

S. Subsequent events

Management has evaluated subsequent events through September 24, 2018; the date which the financial statements were available for distribution. There were none noted.

T. Implementation of new GASB statements

The Governmental Accounting Standards Board ("GASB") has issued several new pronouncements that the City has reviewed for application to their accounting and reporting as follows:

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits (OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

This page left intentionally blank.



REQUIRED SUPPLEMENTARY INFORMATION

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

This page left intentionally blank.



CITY OF CISCO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes (including penalties and interest)	\$ 1,284,210	\$ 1,284,210	\$ 1,215,625	\$ (68,585)
Sales and hotel/motel tax	442,000	442,000	493,834	51,834
Franchise taxes	160,000	160,000	135,656	(24,344)
Sanitation fees	521,062	521,062	539,031	17,969
Municipal court fines and fees	212,000	212,000	273,228	61,228
Licenses and permits	24,140	24,140	16,632	(7,508)
Rent/leases	59,450	59,450	64,312	4,862
Oil and gas royalties	3,000	3,000	2,950	(50)
Interest	350	350	1,795	1,445
Grants and contributions	100,550	100,550	234,141	133,591
Miscellaneous	88,570	88,570	161,257	72,687
TOTAL REVENUES	<u>2,895,332</u>	<u>2,895,332</u>	<u>3,138,461</u>	<u>243,129</u>
EXPENDITURES				
Administrative	641,347	641,347	623,193	18,154
Police and municipal court	801,330	801,330	921,746	(120,416)
Animal control	46,104	46,104	46,671	(567)
Fire	272,057	272,057	353,884	(81,827)
Streets	605,227	605,227	685,691	(80,464)
Parks and recreation	62,494	62,494	61,904	590
Sanitation	461,235	461,235	509,165	(47,930)
Airport	-	-	-	-
Economic development	-	-	-	-
TOTAL EXPENDITURES	<u>2,889,794</u>	<u>2,889,794</u>	<u>3,202,254</u>	<u>(312,460)</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>5,538</u>	<u>5,538</u>	<u>(63,793)</u>	<u>(69,331)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(5,538)	(5,538)	-	5,538
Gain on sale of assets	-	-	25,126	25,126
Proceeds from capital lease	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,538)</u>	<u>(5,538)</u>	<u>25,126</u>	<u>30,664</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>0</u>	<u>0</u>	<u>(38,667)</u>	<u>(38,667)</u>
FUND BALANCE - BEGINNING	<u>248,910</u>	<u>248,910</u>	<u>248,910</u>	<u>-</u>
Prior period adjustment	-	-	-	-
FUND BALANCE - ENDING	<u>\$ 248,910</u>	<u>\$ 248,910</u>	<u>\$ 210,243</u>	<u>\$ (38,667)</u>

CITY OF CISCO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Plan Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 112,983	\$ 104,045	\$ 87,458
Interest (on the total pension liability)	183,166	180,168	176,191
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(6,074)	(73,338)	(90,402)
Change of assumptions	-	44,629	-
Benefit payments, including refunds of employee contributions	(117,635)	(122,826)	(126,626)
Net Change in Total Pension Liability	<u>172,440</u>	<u>132,678</u>	<u>46,621</u>
Total Pension Liability - Beginning	2,715,894	2,583,216	2,536,595
Total Pension Liability - Ending (a)	<u>\$ 2,888,334</u>	<u>\$ 2,715,894</u>	<u>\$ 2,583,216</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 27,143	\$ 34,001	\$ 34,608
Contributions - employee	59,779	56,301	48,347
Net investment income	203,391	4,489	167,030
Benefit payments, including refunds of employee contributions	(117,635)	(122,826)	(126,626)
Administrative expense	(2,298)	(2,734)	(1,744)
Other	(124)	(135)	(143)
Net Change in Plan Fiduciary Net Position	<u>170,256</u>	<u>(30,904)</u>	<u>121,472</u>
Plan Fiduciary Net Position - Beginning	3,010,735	3,041,639	2,920,167
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,180,991</u>	<u>\$ 3,010,735</u>	<u>\$ 3,041,639</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (292,657)</u>	<u>\$ (294,841)</u>	<u>\$ (458,423)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.13%	110.86%	117.75%
Covered Employee Payroll	\$ 1,195,583	\$ 1,126,030	\$ 966,942
Net Pension Liability as a Percentage of Covered Employee Payroll	-24.48%	-26.18%	-47.41%

CITY OF CISCO, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fiscal Year Ended September 30,		
	2017	2016	2015
Actuarially determined contribution	\$ 29,690	\$ 28,599	\$ 32,892
Contributions in relation to actuarially determined contribution	<u>(29,690)</u>	<u>(28,599)</u>	<u>(32,892)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,241,917	\$ 1,162,168	\$ 1,046,867
Contributions as a percentage of covered employee payroll	2.39%	2.46%	3.14%

CITY OF CISCO, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

This page left intentionally blank.

Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

City Commission
City of Cisco, Texas
P.O. Box 110
Cisco, Texas 76437

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cisco, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 24, 2018.

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 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. Given these limitations, during my audit I identified no deficiencies in internal control that I considered to be a material weakness. However, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cisco, Texas' financial statements are free of 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Cameron L. Gulley
Certified Public Accountant

September 24, 2018

This page left intentionally blank.

CITY OF CISCO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None reported.		

This page left intentionally blank.

CITY OF CISCO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified.
Internal control over major programs:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None.
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	No.
Major programs are as follows:	
97.067 - Emergency Management Performance Grant Program	\$ 633,626.
Threshold used to distinguish between type A and type B programs:	\$ 750,000.
Auditee qualified as low-risk auditee?	No.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

None.

CITY OF CISCO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017

None required.

FEDERAL AWARDS SECTION

This page left intentionally blank.

Independent Auditor's Report

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

City Commission
City of Cisco, Texas
P.O. Box 110
Cisco, Texas 76437

Report on Compliance for Each Major Federal Program

I have audited the City of Cisco, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Cisco, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

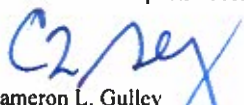
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited the financial statements of the City of Cisco, Texas as of and for the year ended September 30, 2017, and have issued my report thereon dated September 24, 2018, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Cameron L. Gulley
Certified Public Accountant

September 24, 2018

CITY OF CISCO, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Texas Department of Agriculture:			
Community Development Block Grant	14.228	713072	\$ 5,000
Total Passed through Texas Department of Agriculture			<u>5,000</u>
Total U.S. Department of Housing and Urban Development			<u>5,000</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed Through Texas Water Development Board:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L1000564	500,000
Total Passed through Texas Water Development Board			<u>500,000</u>
Total Environmental Protection Agency			<u>500,000</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Programs:			
Emergency Management Performance Grant Program	97.067	N/A	633,626
Total Direct Programs			<u>633,626</u>
Total Federal Emergency Management Agency			<u>633,626</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Community Facilities Loans and Grants	10.766	N/A	45,000
Total Direct Programs			<u>45,000</u>
Total U.S. Department of Agriculture			<u>45,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,183,626</u>

The accompanying notes are an integral part of this statement.

CITY OF CISCO, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

1. For all federal programs, the City uses the fund types specified in accordance with the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in both governmental and proprietary fund types.

2. The accompanying schedule of expenditures of federal awards included the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.