



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
MARCH 31, 2022**

**CITY OF GARRISON, TEXAS
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FOR THE YEAR ENDED MARCH 31, 2022**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Garrison, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garrison, Texas, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garrison, Texas, as of March 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Garrison, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 54, and the Texas Municipal Retirement System schedules on pages 55 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Garrison, Texas's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022, on our consideration of the City of Garrison, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Garrison, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Garrison, Texas's internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas

September 12, 2022

Management's Discussion and Analysis



CITY OF GARRISON

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GARRISON, TX 75946
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Management's Discussion and Analysis For Year Ended March 31, 2022 (Unaudited)

The Management Discussion and Analysis of the City of Garrison's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended March, 2022. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Keith Yarbrough
Mayor

Arnie Kelley
Mayor Pro-Tem

Hope Hallmark
Alderman

Tim Wright
Alderman

Travis Simon
Alderman

Darrell Lunsford
Alderman

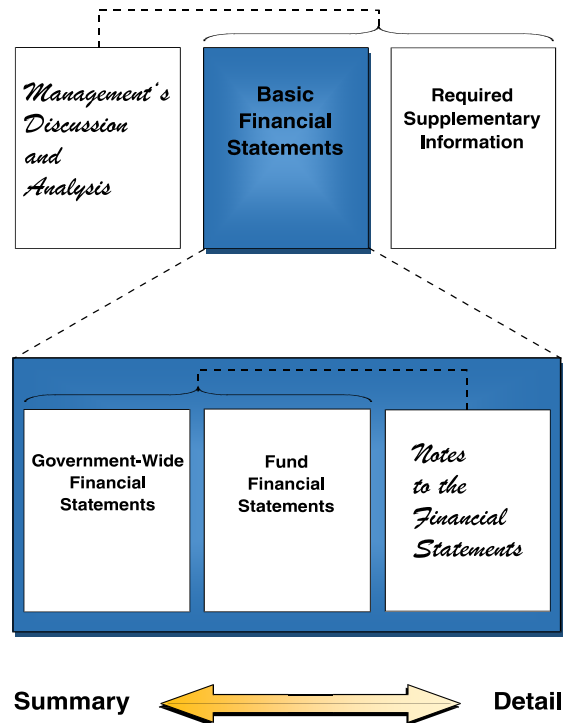
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,642,507 (Net Position). Of this amount, \$755,740 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$697,758.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$648,725. Of this amount, \$558,935 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$558,935, or 114% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$18,535.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City. *The City had no active proprietary funds during the fiscal year.*

Figure A-1 Required Components of the City’s Annual Financial Report



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, emergency services, highways and streets, and community center. Fines, forfeitures and taxes finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,642,507 as of March 31, 2022.

The largest portion of the City's net position, 50%, or \$822,529, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF GARRISON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 1,051,942	\$ 582,692	\$ 296,372	\$ 220,849	\$ 1,348,314	\$ 803,541
Capital Assets	325,104	253,252	579,007	557,166	904,111	810,418
Total Assets	<u>1,377,046</u>	<u>835,944</u>	<u>875,379</u>	<u>778,015</u>	<u>2,252,425</u>	<u>1,613,959</u>
Total Deferred Outflows of Resources	152,645	67,781	111,497	49,510	264,142	117,291
Non-Current Liabilities	19,892	18,118	93,048	111,254	112,940	129,372
Other Liabilities	23,729	9,804	130,833	150,477	154,562	160,281
Total Liabilities	<u>43,621</u>	<u>27,922</u>	<u>223,881</u>	<u>261,731</u>	<u>267,502</u>	<u>289,653</u>
Total Deferred Inflows of Resources	350,529	287,128	256,029	209,720	606,558	496,848
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	325,104	253,252	497,425	457,049	822,529	710,301
Restricted	64,238	32,190	-	-	64,238	32,190
Unrestricted	746,199	303,233	9,541	(100,975)	755,740	202,258
Total Net Position	<u>\$ 1,135,541</u>	<u>\$ 588,675</u>	<u>\$ 506,966</u>	<u>\$ 356,074</u>	<u>\$ 1,642,507</u>	<u>\$ 944,749</u>

A portion of net position, \$61,096, is restricted for municipal court security and technology enhancements, in addition to \$1,874 held for continuing education under the Law Enforcement Officer Standards and Education (LEOSE) fund. Another \$1,023 are forfeitures held by the City. The remaining balance of unrestricted net position, \$755,740, may be used to meet the government's ongoing obligations to citizens and creditors.

As of March 31, 2022, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported overall positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$697,758.

Governmental Activities: Net position for the governmental activities increased by \$546,866. Net position invested in capital assets, net of related debt, increased by \$71,852 due to capital asset acquisitions being less than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to lower-than-expected expenditures and grant receipts.

Total revenues for the governmental activities increased from the previous year by \$263,321, primarily due to higher tax receipts, an insurance recovery and grant receipts during the year. General revenue increased \$274,046 during 2022, primarily due to similar activity.

Business-type Activities: Net position from business-type activities increased by \$150,892. This increase was primarily due to operating activities of the City's utilities.

The following table provides a summary of the City's operations for the year ended March 31, 2022.

CITY OF GARRISON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Operating Revenues:						
Charges for Services	\$ 169,903	\$ 180,628	\$ 815,255	\$ 777,506	\$ 985,158	\$ 958,134
Other	-	-	1,203	32,142	1,203	32,142
General Revenues:						
Taxes	255,918	248,551	-	-	255,918	248,551
Pension Earnings	99,502	61,551	72,400	44,344	171,902	105,895
Grants & Contributions	151,800	33,244	-	-	151,800	33,244
Miscellaneous	154,631	44,459	-	-	154,631	44,459
Total Revenues	831,754	568,433	888,858	853,992	1,720,612	1,422,425
Expenses:						
General Government	419,637	389,803	-	-	419,637	389,803
Utility Services	-	-	599,674	748,505	599,674	748,505
Total Expenses	419,637	389,803	599,674	748,505	1,019,311	1,138,308
Increase (Decrease) in Total Revenues	412,117	178,630	289,184	105,487	701,301	284,117
NONOPERATING REVENUES (EXPENSES)						
Interest Income	319	41	6	-	325	41
Interest Expense	-	-	(3,868)	(4,557)	(3,868)	(4,557)
Total Non-operating Expense	319	41	(3,862)	(4,557)	(3,543)	(4,516)
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	134,430	31,834	-	361,465	134,430	393,299
Operating Transfers to Other Funds	-	(361,465)	(134,430)	(31,834)	(134,430)	(393,299)
Total Other Financing Sources (Uses)	134,430	(329,631)	(134,430)	329,631	-	-
Change in Net Position	546,866	(150,960)	150,892	430,561	697,758	279,601
Net Position – Beginning	588,675	739,635	356,074	(74,487)	944,749	665,148
Net Position – Ending	\$ 1,135,541	\$ 588,675	\$ 506,966	\$ 356,074	\$ 1,642,507	\$ 944,749

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$648,725; of this total amount, \$558,935, constitutes a surplus in unassigned fund balance.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

In the general fund, the City’s original budget planned for an increase in the fund balance on a budget basis. Amendments to the budget were passed to cover expenditures for the City’s annual financial statement audit and road repairs.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$340,856. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$14,930.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of March 31, 2022, amounts to \$822,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was \$93,693, or 10.36% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2020 included \$102,056 for road improvements, and \$50,385 for utility system improvements.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 13,250	\$ 13,250	\$ 205,090	\$ 205,090	\$ 218,340	\$ 218,340
Utility Systems	-	-	2,687,342	2,636,957	2,687,342	2,636,957
Building	320,000	320,000	149,328	149,328	469,328	469,328
Machinery & Equipment	29,643	29,643	539,144	539,144	568,787	568,787
Vehicles	110,000	110,000	182,000	182,000	292,000	292,000
Improvements	-	-	23,852	23,852	23,852	23,852
Infrastructure	102,056	-	-	-	102,056	-
Accumulated Depreciation	(249,845)	(219,641)	(3,207,749)	(3,179,205)	(3,457,594)	(3,398,846)
Total	\$ 325,104	\$ 253,252	\$ 579,007	\$ 557,166	\$ 904,111	\$ 810,418

Additional information on the City’s capital assets can be found in Note 2 on page 37 in the notes of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had one note payable for \$81,582, which is secured by water meters and equipment.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Note Payable	\$ -	\$ -	\$ 81,582	\$ 100,117	\$ 81,582	\$ 100,117
Total	\$ -	\$ -	\$ 81,582	\$ 100,117	\$ 81,582	\$ 100,117

During the fiscal year, the City's note payable decreased by \$18,535, or 18.51%. The decrease was primarily due to the following:

- Annual debt principal payment made on the note payable.

Additional information on the City's long term-debt can be found in note 2 on page 39 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Garrison, Attn: City Secretary at 330 South B Ave, Garrison, Texas 75946.

Basic Financial Statements

Government-Wide Financial Statements

CITY OF GARRISON, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 537,034	\$ -	\$ 537,034
Investments	43,586	6,542	50,128
Receivables (net of allowances):			
Sales taxes	13,906	-	13,906
Property taxes	19,677	-	19,677
Franchise taxes	11,879	-	11,879
Sanitation fees	1,811	-	1,811
Fines and forfeitures	33,446	-	33,446
Other	-	25,575	25,575
Restricted cash	64,238	25,878	90,116
Net pension asset	326,365	238,377	564,742
Capital assets:			
Land and other non-depreciated assets	13,250	205,090	218,340
Other capital assets - net of depreciation	311,854	373,917	685,771
Total Assets	1,377,046	875,379	2,252,425
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pensions subsequent to the measurement date	94,936	67,413	162,349
Changes in actuarial assumptions and other inputs	2,362	3,659	6,021
Differences between projected and actual investment earnings on pensions	55,347	40,425	95,772
Total Deferred Outflows of Resources	152,645	111,497	264,142
LIABILITIES			
Accounts payable and accrued liabilities	23,729	111,582	135,311
Long-term liabilities:			
Due within one year	-	19,251	19,251
Due in more than one year	19,892	93,048	112,940
Total Liabilities	43,621	223,881	267,502
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual economic experience on pensions	350,529	256,029	606,558
Total Deferred Inflows of Resources	350,529	256,029	606,558
NET POSITION			
Investment in capital assets, net of related debt	325,104	497,425	822,529
Restricted for municipal court	61,096	-	61,096
Restricted for public safety	3,142	-	3,142
Unrestricted	746,199	9,541	755,740
Total Net Position	\$ 1,135,541	\$ 506,966	\$ 1,642,507

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

**CITY OF GARRISON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:						
Governmental activities:						
Administration	\$ 173,382	\$ 23,135	\$ 108,159	\$ (42,088)	\$ -	\$ (42,088)
Public safety	121,693	-	-	(121,693)	-	(121,693)
Municipal court	26,380	53,146	-	26,766	-	26,766
Sanitation	62,400	69,178	-	6,778	-	6,778
Emergency services	14,068	-	39,962	25,894	-	25,894
Highways and streets	21,512	24,444	-	2,932	-	2,932
Parks and recreation	202	-	3,679	3,477	-	3,477
Total governmental activities	419,637	169,903	151,800	(97,934)	-	(97,934)
Business-type activities:						
Utility services	603,542	815,255	-	-	211,713	211,713
Total business-type activities	603,542	815,255	-	-	211,713	211,713
Total primary government	\$ 1,023,179	\$ 985,158	\$ 151,800	(97,934)	211,713	113,779
General revenues:						
Sales taxes				86,917	-	86,917
Property taxes				115,765	-	115,765
Franchise taxes				53,236	-	53,236
Pension earnings				99,502	72,400	171,902
Investment earnings				319	6	325
Miscellaneous local and intermediate revenue				154,631	1,203	155,834
Transfers				134,430	(134,430)	-
Total general revenues and transfers				644,800	(60,821)	583,979
Change in net position				546,866	150,892	697,758
Net position - beginning				588,675	356,074	944,749
Net position - ending				\$ 1,135,541	\$ 506,966	\$ 1,642,507

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

Fund Financial Statements

**CITY OF GARRISON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2022**

	<u>MAJOR FUNDS</u>	
	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS		
Cash	\$ 537,034	\$ 537,034
Investments	43,586	43,586
Receivables (net of allowances):		
Sales taxes	13,906	13,906
Property taxes	19,677	19,677
Franchise taxes	11,879	11,879
Sanitation fees	1,811	1,811
Fine and forfeitures	33,446	33,446
Restricted cash	<u>64,238</u>	<u>64,238</u>
 Total assets	 <u>\$ 725,577</u>	 <u>\$ 725,577</u>
 LIABILITIES		
Accounts payable	<u>\$ 23,729</u>	<u>\$ 23,729</u>
 Total liabilities	 <u>23,729</u>	 <u>23,729</u>
 DEFERRED INFLOWS (OF RESOURCES)		
Property taxes	19,677	19,677
Fines, forfeitures, and warrants	<u>33,446</u>	<u>33,446</u>
 Total deferred inflows	 <u>53,123</u>	 <u>53,123</u>
 FUND BALANCES		
Restricted fund balance:		
Municipal court	61,096	61,096
Public safety	3,142	3,142
Assigned fund balance:		
Park improvements	25,552	25,552
Unassigned fund balance	<u>558,935</u>	<u>558,935</u>
 Total fund balances	 <u>648,725</u>	 <u>648,725</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 725,577</u>	 <u>\$ 725,577</u>

CITY OF GARRISON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2022

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$	648,725
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		325,104
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension asset		326,365
Deferred outflows, related to pension		154,940
Deferred inflows, related to pension		(353,321)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB liability		(15,340)
Deferred outflows, related to OPEB		5,939
Deferred inflows, related to OPEB		(5,442)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.		(4,552)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		33,446
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		<u>19,677</u>
Net position of governmental activities	\$	<u><u>1,135,541</u></u>

CITY OF GARRISON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	<u>MAJOR FUNDS</u>	
	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES		
Taxes:		
Sales	\$ 86,917	\$ 86,917
Property	121,338	121,338
Franchise	53,236	53,236
Fines and forfeitures	51,231	51,231
Infrastructure fees	24,444	24,444
Licenses and permits	390	390
Charges for services	22,745	22,745
Sanitation services	69,178	69,178
Grants and contributions	151,800	151,800
Interest income	319	319
Miscellaneous	154,631	154,631
	<u>736,229</u>	<u>736,229</u>
Total revenues		
EXPENDITURES		
Administration	156,841	156,841
Public safety	111,678	111,678
Municipal court	26,595	26,595
Sanitation	62,400	62,400
Emergency services	10,040	10,040
Highways and streets	122,269	122,269
Parks and recreation	202	202
	<u>490,025</u>	<u>490,025</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>246,204</u>	<u>246,204</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers from other funds	<u>134,430</u>	<u>134,430</u>
Total other financing sources (uses)	<u>134,430</u>	<u>134,430</u>
Net change in fund balances	380,634	380,634
Fund balances - beginning of year	<u>268,091</u>	<u>268,091</u>
Fund balances - end of year	<u>\$ 648,725</u>	<u>\$ 648,725</u>

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

CITY OF GARRISON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$	380,634
The depreciation of capital assets used in governmental activities is not reported in the funds.		(30,204)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).		(5,573)
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.		1,915
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
GASB 68 Pension adjustments		99,502
GASB 75 Other post employment benefit adjustments		(377)
Compensated absences		(1,087)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.		102,056
Change in net position of governmental activities	\$	546,866

CITY OF GARRISON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2022

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND UTILITY SERVICES
ASSETS	
Current assets:	
Cash	\$ -
Investments	6,542
Accounts receivable (net)	<u>25,575</u>
Total current assets	<u>32,117</u>
Noncurrent assets:	
Restricted cash	25,878
Net pension asset	238,377
Capital assets:	
Land	205,090
Utility systems	2,687,342
Buildings	149,328
Machinery and equipment	539,144
Vehicles	182,000
Improvements	23,852
Less: accumulated depreciation	<u>(3,207,749)</u>
Total noncurrent assets	<u>843,262</u>
Total assets	<u>875,379</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pensions subsequent to the measurement date	67,413
Changes in actuarial assumptions and other inputs	3,659
Differences between projected and actual investment earnings on pensions	<u>40,425</u>
Total deferred outflows of resources	<u>111,497</u>
LIABILITIES	
Current liabilities:	
Accounts payable	13,196
Customer deposits	97,695
Sales tax payable	691
Loan payable	<u>19,251</u>
Total current liabilities	130,833
Non-current liabilities:	
Loan payable	62,331
Compensated absences	19,510
Net OPEB liability	<u>11,207</u>
Total liabilities	<u>223,881</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual economic experience on pensions	<u>256,029</u>
Total deferred inflows of resources	<u>256,029</u>
NET POSITION	
Investment in capital assets, net of related debt	497,425
Unrestricted	<u>9,541</u>
Total net position	<u>\$ 506,966</u>

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

CITY OF GARRISON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	<u>UTILITY SERVICES</u>
OPERATING REVENUES	
Service charges	\$ 814,655
Tap fees	600
Pension Earnings	72,400
Other	<u>1,203</u>
Total operating revenues	<u>888,858</u>
OPERATING EXPENSES	
Personnel services	270,705
Natural gas purchases	115,117
Contract labor	12,975
Depreciation	28,544
Maintenance	26,143
Utilities	53,327
Chemicals and supplies	59,690
Permits and licenses	10,697
Professional fees	6,582
Training and education	3,447
Insurance	10,612
Other	<u>1,835</u>
Total operating expenses	<u>599,674</u>
Operating income	<u>289,184</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6
Interest expense	<u>(3,868)</u>
Total nonoperating expenses	<u>(3,862)</u>
Income before operating transfers	<u>285,322</u>
TRANSFERS	
Transfers in	-
Transfers out	<u>(134,430)</u>
Total transfers	<u>(134,430)</u>
Change in net position	150,892
Net position - beginning of year	<u>356,074</u>
Net position - end of year	<u>\$ 506,966</u>

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

**CITY OF GARRISON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2022**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND UTILITY SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 784,316
Other cash receipts	1,203
Payments to suppliers	<u>(571,130)</u>
Net cash used in operating activities	<u>214,389</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-out to other funds	<u>(134,430)</u>
Net cash provided by non-capital financing activities	<u>(134,430)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(50,385)
Principal repayments on debt	(18,535)
Interest on debt	<u>(3,868)</u>
Net cash used in capital and related financing activities	<u>(72,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>6</u>
Net cash provided by investing activities	<u>6</u>
Net increase in cash and cash equivalents	7,177
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,701</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 25,878</u></u>
Reconciliation of Operating Income to Net Cash provided by (used in) Operating Activities	
Operating income	\$ 289,184
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	28,544
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	(8,117)
Increase (decrease) in pension liability	(57,225)
Increase (decrease) in OPEB liability	503
Increase (decrease) in deferred inflows	46,309
Increase (decrease) in sales tax payable	87
Increase (decrease) in compensated absences	542
Increase (decrease) in customer deposits	(12,330)
Decrease (increase) in deferred outflows	(61,987)
Decrease (increase) in investments	(6)
Decrease (increase) in accounts receivable	<u>(11,115)</u>
Total adjustments	<u>(74,795)</u>
Net cash used in operating activities	<u><u>\$ 214,389</u></u>

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

Notes to the Financial Statements

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Garrison, Texas (City) was incorporated in 1939 and operates under the laws of the State of Texas as a Type A General Law Municipality. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended March 31, 2022.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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 are reported using 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.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

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.

The proprietary fund types 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.

The City reports the following major governmental funds:

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 fund:

Utility Services Fund – This fund is utilized for the operations of the water, natural gas, and sewer provided by the City for the community.

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

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at March 31, 2022. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Long-Term Liabilities

In the government-wide 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.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

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, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Waterworks system	30
Wastewater system	30
Building and improvements	20
Infrastructure	20
Equipment	5
Vehicles	5

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to March 31, 2020 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to March 31, 2020, are capitalized and reported at historical cost.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Compensated Absences

Compensated vacations are granted to all full-time regular employees of the City. After the completion of a probationary three (3) months of employment, vacation is granted for employees. Regular employees earn five (5) days of vacation per year, after two years, ten (10) days per year, and after eight years of employment, the employee will receive fifteen (15) days of vacation. Ten (10) days of vacation leave may be carried from one calendar year to the next and upon termination of employment, any earned and unused vacation is paid.

Sick leave is accrued at the rate of six (6) days per year. Sick leave accrues from year to year up to a maximum of thirty (30) days. Upon termination of employment, accumulated sick leave up to ten (10) days is paid by the City.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Administration	\$ 156,841	\$ 123,731	\$ (33,110)
Emergency services	\$ 10,040	\$ 5,255	\$ (4,785)
Parks and recreation	\$ 202	\$ -	\$ (202)

Use of Estimates

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

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at March 31, 2022. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Cash & Cash Equivalents</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
General fund	\$ 601,272	\$ 250,000	\$ 351,272	\$ -	\$ 250,000
Proprietary fund	25,878	-	25,878	-	25,878
Total	<u>\$ 627,150</u>	<u>\$ 250,000</u>	<u>\$ 377,150</u>	<u>\$ -</u>	<u>\$ 275,878</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

The City is required by The Public Funds Investment Act (“Act”) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did not adhere to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of March 31, 2022, the carrying amount of the City’s certificates of deposit was \$50,128.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$32,484,150 for 2021 (with taxes due January 1, 2021) levied at a rate of \$0.353500 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City’s major government fund, including applicable allowances for uncollectible accounts, are as follows:

Receivables	Primary Government General Fund	Business-Type Utility Services Fund	Total
Accounts	\$ 1,811	\$ 25,575	\$ 27,386
Fines	40,296	-	40,296
Taxes	45,462	-	45,462
Gross receivables	87,569	25,575	113,144
Less: Allowance for uncollectables	(6,850)	-	(6,850)
Total	\$ 80,719	\$ 25,575	\$ 106,294

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of March 31, 2022, is as follows:

Funds	Transfers in	Transfers out
General	\$ 134,430	\$ -
Utility Services	-	(134,430)
Total	\$ 134,430	\$ (134,430)

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Balance 3/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/2022</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 13,250	\$ -	\$ -	\$ 13,250
<u>Depreciable assets:</u>				
Buildings & improvements	320,000	-	-	320,000
Machinery and equipment	29,643	-	-	29,643
Infrastructure	-	102,056	-	102,056
Vehicles	110,000	-	-	110,000
Accumulate depreciation	<u>(219,641)</u>	<u>(30,204)</u>	<u>-</u>	<u>(249,845)</u>
Governmental activities, net	<u>253,252</u>	<u>71,852</u>	<u>-</u>	<u>325,104</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	205,090	-	-	205,090
<u>Depreciable assets:</u>				
Utility systems	2,636,957	50,385	-	2,687,342
Buildings	149,328	-	-	149,328
Machinery and equipment	539,144	-	-	539,144
Vehicles	182,000	-	-	182,000
Improvements	23,852	-	-	23,852
Accumulate depreciation	<u>(3,179,205)</u>	<u>(28,544)</u>	<u>-</u>	<u>(3,207,749)</u>
Business-type activities, net	<u>557,166</u>	<u>21,841</u>	<u>-</u>	<u>579,007</u>
Capital assets, net	<u>\$ 810,418</u>	<u>\$ 93,693</u>	<u>\$ -</u>	<u>\$ 904,111</u>

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

Administration	\$ 16,000
Public safety	8,900
Emergency services	4,028
Highways and streets	<u>1,276</u>
Total depreciation expense	<u>\$ 30,204</u>

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending March 31, 2022.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of March 31, 2022.

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities

Notes payable currently outstanding and reported as liabilities of the City’s proprietary activities are as follows:

<u>Secured By</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Note Amount</u>	<u>Yearend Balance</u>
Water meters and equipment	1/25/2026	3.863%	\$ 135,507	\$ 81,582
		Total	\$ 135,507	\$ 81,582

Annual debt service requirements for the City’s notes payable are as follows:

<u>Year Ending March 31</u>	<u>Proprietary Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 19,251	\$ 3,152
2024	19,995	2,408
2025	20,767	1,635
2026	21,569	833
Total	\$ 81,582	\$ 8,028

The changes in the general long-term debt as of March 31, 2022 are as follows:

	<u>Balance 3/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 3/31/2022</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Compensated absences	\$ 3,465	\$ 1,087	\$ -	\$ 4,552	\$ -
Net OPEB liability	14,653	687	-	15,340	-
<i>Business-type activities:</i>					
Note payable	100,117	-	(18,535)	81,582	19,251
Compensated absences	18,968	542	-	19,510	-
Net OPEB liability	10,704	503	-	11,207	-
Total	\$ 147,907	\$ 2,819	\$ (18,535)	\$ 132,191	\$ 19,251

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 901 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided – TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of 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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest. Plan provisions for the City were as follows:

Plan Year	2021	2020
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>5</u>
Total	<u>14</u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the member’s total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.69% and 15.08% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended March 31, 2022 were \$27,803, and were equal to the required contributions.

Net Pension Liability – The City’s Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Discount rate:

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

Changes in the net pension liability:

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2020	\$ 1,759,353	\$ 2,188,521	\$ (429,168)
Changes for the year:			
Service cost	\$ 53,534	\$ -	\$ 53,534
Interest	118,410	-	118,410
Change of benefit terms	-	-	-
Difference between expected and actual experience	42,238	-	42,238
Changes of assumptions	-	-	-
Contributions - employer	-	44,950	(44,950)
Contributions - employee	-	20,865	(20,865)
Net investment income	-	285,251	(285,251)
Benefit payments, including refunds of employee contributions	(63,789)	(63,789)	-
Administrative expense	-	(1,320)	1,320
Other changes	-	10	(10)
Net changes	<u>150,393</u>	<u>285,967</u>	<u>(135,574)</u>
Balance at 12/31/2021	<u>\$ 1,909,746</u>	<u>\$ 2,474,488</u>	<u>\$ (564,742)</u>

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City’s net pension liability (asset)	\$ (334,198)	\$ (564,742)	\$ (758,123)

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.TMRS.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended March 31, 2022, the City recognized pension income of \$172,177.

At March 31, 2022, 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
Differences between expected and actual economic experience	\$ -	\$ 601,954
Changes in actuarial assumptions	1,933	-
Difference between projected and actual investment earnings	95,772	-
Contributions subsequent to the measurement date	161,756	-
Total	\$ 259,461	\$ 601,954

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – continued

The amount of \$161,756 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending March 31, 2022. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2022	\$ (148,223)
2023	(163,156)
2024	(23,357)
2025	(27,502)
2026	-
Thereafter	<u>-</u>
Total	<u>\$ (362,238)</u>

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance to provide group-term life insurance coverage to both current and retired 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.

Benefits Provided – 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Employees covered by benefit terms:

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>5</u>
Total	<u>9</u>

Contributions – 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 contributions:

Plan Year	2021	2020
Total SDB Contribution (Rate)	17%	16%
Retiree Portion of SDB Contribution (Rate)	.09%	.06%

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.	

Changes in the OPEB liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	<u>\$ 25,357</u>
Changes for the year:	
Service cost	\$ 775
Interest	513
Change of benefit terms	-
Difference between expected and actual experience	(673)
Changes of assumptions	754
Benefit payments	<u>(179)</u>
Net changes	<u>1,190</u>
Balance at 12/31/2021	<u><u>\$ 26,547</u></u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Sensitivity of the OPEB liability to changes in the discount rate:

	1% Decrease in Discount Rate 0.84%	Current Rate Assumption 1.84%	1% Increase in Discount Rate 2.84%
City's net pension liability (asset)	\$ 32,073	\$ 26,547	\$ 22,182

OPEB expense:

	OPEB Expense
Service cost	\$ 775
Interest	513
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,881)
Changes of assumptions	1,245
Total OPEB expense	\$ 652

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At March 31, 2022, 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
Differences between expected and actual economic experience	\$ -	\$ 4,604
Changes in assumptions and other inputs	4,088	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	593	-
Total	\$ 4,681	\$ 4,604

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

<u>Year ended December 31:</u>	
2021	\$ (636)
2022	(192)
2023	303
2024	3
2025	6
Thereafter	<u>-</u>
Total	<u><u>\$ (516)</u></u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 84, *“Fiduciary Activities.”* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by one year. All applicable provisions have been included in the City’s financial statements as of March 31, 2022.

GASB Statement No. 89, *“Accounting for Interest Cost Incurred before the End of a Construction Period.”* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, postponed by one year. All applicable provisions have been included in the City’s financial statements as of March 31, 2022.

GASB Statement No. 98 – *“The Annual Comprehensive Financial Report.”* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. All applicable provisions have been included in the City’s financial statements as of March 31, 2022.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

The GASB has issued the following Statements which will become effective in future years as shown below based on the guidance of GASB Statement No. 95, [*Postponement of the Effective Dates of Certain Authoritative Guidance*]:

GASB Statement No. 87, "*Leases.*" The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, postponed by 18 months. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.*" The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, "*Conduit Debt Obligations.*" The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 92 – "*Omnibus 2020.*" The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The Statement will become effective June 30, 2022, postponed by one year. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 93 – "*Replacement of Interbank Offered Rates.*" The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR"). The Statement will become effective June 30, 2022, postponed by one year. Management has not yet determined the impact of this Statement on its financial statements.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 94 – *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 96 – *“Subscription-Based Information Technology Arrangements.”* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 99 – *“Omnibus 2022.”* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 100 – *“Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.”* The objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 101 – *“Compensated Absences.”* The objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2022. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended March 31, 2022.

Subsequent Events

Management has evaluated subsequent events through September 12, 2022, which is the date the financial statements were made available to management.

Required Supplementary Information

**CITY OF GARRISON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2022**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Sales	\$ 82,040	\$ 82,040	\$ 86,917	\$ 4,877
Property	105,000	105,000	121,338	16,338
Franchise	20,000	20,000	53,236	33,236
Fines and forfeitures	60,700	60,700	51,231	(9,469)
Infrastructure fees	34,400	34,400	24,444	(9,956)
Licenses and permits	-	-	390	390
Charges for services	24,150	24,150	22,745	(1,405)
Sanitation services	64,300	64,300	69,178	4,878
Grants and contributions	-	-	151,800	151,800
Interest income	62	62	319	257
Miscellaneous	4,721	4,721	154,631	149,910
	<u>395,373</u>	<u>395,373</u>	<u>736,229</u>	<u>340,856</u>
Total revenues				
EXPENDITURES				
Administration	108,731	123,731	156,841	(33,110)
Public safety	136,484	136,484	111,678	24,806
Municipal court	37,275	37,275	26,595	10,680
Sanitation	62,400	62,400	62,400	-
Emergency services	5,255	5,255	10,040	(4,785)
Highways and streets	40,989	139,810	122,269	17,541
Parks and recreation	-	-	202	(202)
	<u>391,134</u>	<u>504,955</u>	<u>490,025</u>	<u>14,930</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>4,239</u>	<u>(109,582)</u>	<u>246,204</u>	<u>355,786</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	134,430	134,430
	<u>-</u>	<u>-</u>	<u>134,430</u>	<u>134,430</u>
Total other financing sources				
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ 4,239</u>	<u>\$ (109,582)</u>	<u>380,634</u>	<u>\$ 490,216</u>
Fund balance - beginning of year			<u>268,091</u>	
Fund balance - end of year			<u>\$ 648,725</u>	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 53,534	\$ 80,619	\$ 72,733	\$ 67,759	\$ 54,560	\$ 48,360	\$ 33,414
Interest (on the total pension liability)	118,410	144,693	139,649	137,222	127,958	114,165	115,990
Changes of benefit terms	-	-	-	-	74,631	-	-
Difference between expected and actual experience	42,238	(473,184)	4,270	(92,835)	32,504	33,691	(87,250)
Change of assumptions	-	-	(15,348)	-	-	-	23,821
Benefit payments, including refunds of employee contributions	(63,789)	(192,120)	(68,947)	(88,397)	(80,360)	(58,843)	(59,383)
Net change in total pension liability	150,393	(439,992)	132,357	23,749	209,293	137,373	26,592
Total pension liability - beginning	1,759,353	2,199,345	2,066,988	2,043,239	1,833,946	1,696,573	1,669,981
Total pension liability - ending (a)	\$ 1,909,746	\$ 1,759,353	\$ 2,199,345	\$ 2,066,988	\$ 2,043,239	\$ 1,833,946	\$ 1,696,573
Plan fiduciary net position							
Contributions - employer	\$ 44,950	\$ 73,615	\$ 75,430	\$ 68,170	\$ 49,057	\$ 49,111	\$ 35,538
Contributions - employee	20,865	31,230	28,176	26,752	21,723	19,605	13,952
Net investment income	285,251	160,655	278,385	(55,428)	226,606	102,930	2,265
Benefit payments, including refunds of employee contributions	(63,789)	(192,120)	(68,947)	(88,397)	(80,360)	(58,843)	(59,383)
Administrative expense	(1,320)	(1,039)	(1,577)	(1,074)	(1,177)	(1,166)	(1,381)
Other	10	(41)	(47)	(55)	(60)	(63)	(70)
Net change in plan fiduciary net position	285,967	72,300	311,420	(50,032)	215,789	111,574	(9,079)
Plan fiduciary net position - beginning	2,188,521	2,116,221	1,804,801	1,854,833	1,639,044	1,527,470	1,536,549
Plan fiduciary net position - ending (b)	\$ 2,474,488	\$ 2,188,521	\$ 2,116,221	\$ 1,804,801	\$ 1,854,833	\$ 1,639,044	\$ 1,527,470
Net pension liability - ending [(a) - (b)]	\$ (564,742)	\$ (429,168)	\$ 83,124	\$ 262,187	\$ 188,406	\$ 194,902	\$ 169,103
Plan fiduciary net position as a percentage of total pension liability	129.57%	124.39%	96.22%	87.32%	90.78%	89.37%	90.03%
Covered employee payroll	\$ 298,075	\$ 446,149	\$ 402,509	\$ 382,172	\$ 362,044	\$ 326,754	\$ 232,530
Net pension liability as a percentage of covered employee payroll	(189.46%)	(96.19%)	20.65%	68.60%	52.04%	59.65%	72.72%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ (564,742)	\$ (429,168)	\$ 83,124	\$ 262,187	\$ 188,406	\$ 194,902	\$ 169,103
Contributions in relation to the actuarially determined contribution	65,815	104,845	103,606	94,922	70,780	68,716	49,490
Contribution deficiency (excess)	<u>(630,557)</u>	<u>(534,013)</u>	<u>(20,482)</u>	<u>167,265</u>	<u>117,626</u>	<u>126,186</u>	<u>119,613</u>
Covered employee payroll	298,075	446,149	402,509	382,172	362,044	326,754	232,530
Contributions as a percentage of covered employee payroll	22.08%	23.50%	25.74%	24.84%	19.55%	21.03%	21.28%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and assumptions used to determine

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Remaining amortization period

N/A

Asset valuation method

10 year smoothed market, 12% soft corridor

Inflation

2.5%

Salary increases

3.50% to 11.5% including inflation

Investment rate of return

6.75%

Retirement age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 775	\$ 1,428	\$ 684	\$ 688
Interest (on the total OPEB liability)	513	674	719	813
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(673)	(3,858)	(532)	(5,070)
Change of assumptions	754	3,366	3,981	(1,494)
Benefit payments	(179)	(89)	(121)	(115)
Net change in total OPEB liability	1,190	1,521	4,731	(5,178)
Total OPEB liability - beginning	25,357	23,836	19,105	24,283
Total OPEB liability - ending	\$ 26,547	\$ 25,357	\$ 23,836	\$ 19,105
Covered employee payroll	\$ 298,075	\$ 446,149	\$ 402,509	\$ 382,172
Total OPEB liability as a percentage of covered employee payroll	8.91%	5.68%	5.92%	5.00%

Supplementary Information

CITY OF GARRISON, TEXAS
COMBINING STATE OF NET POSITION
UTILITY SERVICES FUND DEPARTMENTS
MARCH 31, 2022

ASSETS	UTILITY SERVICES FUND ACTIVITIES			
	DEPARTMENTS			TOTAL
	WATER SYSTEM	NATURAL GAS	SEWER	
Current assets:				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	6,542	-	-	6,542
Accounts receivable (net)	6,007	16,675	2,893	25,575
Total current assets	12,549	16,675	2,893	32,117
Noncurrent assets:				
Restricted cash	15,988	9,890	-	25,878
Net pension asset	124,581	113,796	-	238,377
Capital assets:				
Land	90,860	-	114,230	205,090
Utility systems	2,486,957	-	200,385	2,687,342
Buildings	149,328	-	-	149,328
Machinery and equipment	529,144	-	10,000	539,144
Vehicles	122,000	60,000	-	182,000
Improvements	23,852	-	-	23,852
Less: accumulated depreciation	(3,014,349)	(60,000)	(133,400)	(3,207,749)
Total noncurrent assets	528,361	123,686	191,215	843,262
Total assets	540,910	140,361	194,108	875,379
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pensions subsequent to the measurement date	35,233	32,180	-	67,413
Changes in actuarial assumptions and other inputs	1,912	1,747	-	3,659
Differences between projected and actual investment earnings on pensions	21,127	19,298	-	40,425
Total deferred outflows of resources	58,272	53,225	-	111,497
LIABILITIES				
Current liabilities:				
Accounts payable	1,575	11,621	-	13,196
Customer deposits	52,260	45,435	-	97,695
Sales tax payable	-	691	-	691
Loan payable	19,251	-	-	19,251
Total current liabilities	73,086	57,747	-	130,833
Non-current liabilities:				
Loan payable	62,331	-	-	62,331
Compensated absences	10,025	9,485	-	19,510
Net OPEB liability	5,858	5,349	-	11,207
Total liabilities	151,300	72,581	-	223,881
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual economic experience on pensions	133,807	122,222	-	256,029
Total deferred inflows of resources	133,807	122,222	-	256,029
NET POSITION				
Investment in capital assets, net of related debt	306,210	-	191,215	497,425
Unrestricted	7,865	(1,217)	2,893	9,541
Total net position	\$ 314,075	\$ (1,217)	\$ 194,108	\$ 506,966

CITY OF GARRISON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
UTILITY SERVICES FUND DEPARTMENTS
FOR THE YEAR ENDED MARCH 31, 2022

	UTILITY SERVICES FUND ACTIVITIES			
	DEPARTMENTS			TOTAL
	WATER SYSTEM	NATURAL GAS	SEWER	
OPERATING REVENUES				
Service charges	\$ 355,301	\$ 324,198	\$ 135,156	\$ 814,655
Tap fees	600	-	-	600
Pension Earnings	37,838	34,562	-	72,400
Other	1,203	-	-	1,203
Total operating revenues	<u>394,942</u>	<u>358,760</u>	<u>135,156</u>	<u>888,858</u>
OPERATING EXPENSES				
Personnel services	167,661	101,483	1,561	270,705
Natural gas purchases	-	115,117	-	115,117
Contract labor	9,703	1,636	1,636	12,975
Depreciation	25,144	-	3,400	28,544
Maintenance	9,268	8,496	8,379	26,143
Utilities	49,068	3,021	1,238	53,327
Chemicals and supplies	31,973	7,124	20,593	59,690
Permits and licenses	5,942	1,101	3,654	10,697
Professional fees	1,598	1,570	3,414	6,582
Training and education	877	2,137	433	3,447
Insurance	4,122	4,440	2,050	10,612
Other	16	1,595	224	1,835
Total operating expenses	<u>305,372</u>	<u>247,720</u>	<u>46,582</u>	<u>599,674</u>
Operating income (loss)	<u>89,570</u>	<u>111,040</u>	<u>88,574</u>	<u>289,184</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	6	-	6
Interest expense	(3,868)	-	-	(3,868)
Total nonoperating expenses	<u>(3,868)</u>	<u>6</u>	<u>-</u>	<u>(3,862)</u>
Income (loss) before operating transfers	<u>85,702</u>	<u>111,046</u>	<u>88,574</u>	<u>285,322</u>
TRANSFERS				
Transfers in	-	-	-	-
Transfers out	(38,329)	(56,071)	(40,030)	(134,430)
Total transfers	<u>(38,329)</u>	<u>(56,071)</u>	<u>(40,030)</u>	<u>(134,430)</u>
Change in net position	47,373	54,975	48,544	150,892
Net position - beginning of year	<u>266,702</u>	<u>(56,192)</u>	<u>145,564</u>	<u>356,074</u>
Net position - end of year	<u>\$ 314,075</u>	<u>\$ (1,217)</u>	<u>\$ 194,108</u>	<u>\$ 506,966</u>

CITY OF GARRISON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY SERVICES FUND DEPARTMENTS
FOR THE YEAR ENDED MARCH 31, 2022

	UTILITY SERVICES FUND ACTIVITIES			
	DEPARTMENTS			TOTAL
	WATER SYSTEM	NATURAL GAS	SEWER	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 346,292	\$ 308,885	\$ 129,139	\$ 784,316
Other cash receipts	1,203	-	-	1,203
Payments to suppliers	<u>(280,228)</u>	<u>(247,720)</u>	<u>(43,182)</u>	<u>(571,130)</u>
Net cash provided by (used in) operating activities	<u>67,267</u>	<u>61,165</u>	<u>85,957</u>	<u>214,389</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers-out to other funds	<u>(38,329)</u>	<u>(56,071)</u>	<u>(40,030)</u>	<u>(134,430)</u>
Net cash provided by non-capital financing activities	<u>(38,329)</u>	<u>(56,071)</u>	<u>(40,030)</u>	<u>(134,430)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(50,385)	(50,385)
Principal repayments on debt	(18,535)	-	-	(18,535)
Interest on debt	<u>(3,868)</u>	<u>-</u>	<u>-</u>	<u>(3,868)</u>
Net cash used in capital and related financing activities	<u>(22,403)</u>	<u>-</u>	<u>(50,385)</u>	<u>(72,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
Net cash provided by investing activities	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
Net increase in cash and cash equivalents	6,535	5,100	(4,458)	7,177
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,453</u>	<u>4,790</u>	<u>4,458</u>	<u>18,701</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,988</u>	<u>\$ 9,890</u>	<u>\$ -</u>	<u>\$ 25,878</u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (used in) Operating Activities				
Operating income (loss)	\$ 89,570	\$ 111,040	\$ 88,574	\$ 289,184
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	25,144	-	3,400	28,544
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(2,750)	(335)	(5,032)	(8,117)
Increase (decrease) in pension liability	(29,907)	(27,318)	-	(57,225)
Increase (decrease) in OPEB liability	263	240	-	503
Increase (decrease) in deferred inflows	24,202	22,107	-	46,309
Increase (decrease) in sales tax payable	-	87	-	87
Increase (decrease) in compensated absences	144	398	-	542
Increase (decrease) in customer deposits	(6,915)	(5,415)	-	(12,330)
Decrease (increase) in deferred outflows	(32,396)	(29,591)	-	(61,987)
Decrease (increase) in investments	(6)	-	-	(6)
Decrease (increase) in accounts receivable	<u>(82)</u>	<u>(10,048)</u>	<u>(985)</u>	<u>(11,115)</u>
Total adjustments	<u>(22,303)</u>	<u>(49,875)</u>	<u>(2,617)</u>	<u>(74,795)</u>
Net cash provided by (used in) operating activities	<u>\$ 67,267</u>	<u>\$ 61,165</u>	<u>\$ 85,957</u>	<u>\$ 214,389</u>

Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

To the Honorable Mayor and Members of City Council
City of Garrison, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garrison, Texas (City), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001, and 2022-002.

City of Garrison, Texas's Response to Prior Findings

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

City of Garrison, Texas's Response to Findings

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

Purpose of this Report

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



David K. Godwin, CPA, PLLC

Tyler, Texas

September 12, 2022

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-001 Significant Deficiency

Recommendation 2021-001

In order to maintain integrity of the City's financial infrastructure, a succession plan should be developed to ensure common daily processes and procedures for routine public services can be performed by the City in the event key personnel become unavailable to perform regular duties.

General effective succession planning activities often include cross training key personnel and/or identifying key responsibilities and essential processes to establish a formal listing of these activities (i.e., monthly – bank reconciliations, quarterly – 941's filed, annually – 1099's filed).

Corrective Action Plan

To ensure public services functions are performed daily, the City will work to cross train appropriate personnel. In addition, the City will work with key personnel to outline their daily routines and develop a formal catalogue of essential processes.

Remediation Status

IN PROGRESS

2021-002 Significant Deficiency

Recommendation 2021-002

Training should be provided to the municipal court staff to establish consistent record maintenance within the City.

Corrective Action Plan

The municipal court is evaluating current processes and procedures, including enhancements of records management.

Remediation Status

IN PROGRESS

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-003 Material Weakness

Recommendation 2021-003

Out-of-balance discrepancies should be corrected within the City's financial infrastructure. The City should also develop an internal control framework that will not allow for unbalanced entries to occur in the future.

Corrective Action Plan

The City Secretary is actively working to convert the City's financial records to QuickBooks which does not allow unbalanced entries and provides various user-friendly financial reports.

Remediation Status

COMPLETE

2021-004 Material Weakness

Recommendation 2021-004

A formal financial review should be implemented by the City to include reconciled financial statements. At a minimum, the financial statement review should include a Balance Sheet, Profit and Loss, and Budget vs Actual for all funds.

Corrective Action Plan

The City Secretary is actively working to convert the City's financial records to QuickBooks. Once completed, a formal review of the City's financial statements will be implemented.

Remediation Status

IN PROGRESS

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-005 Material Weakness

Recommendation 2021-005

The City should evaluate continuing professional education needs of City staff to enhance financial infrastructure and effectiveness of City operations. See also Observation/Recommendation 2021-006.

Corrective Action Plan

The City Council is actively working on a continuing education plan for all City personnel.

Remediation Status

IN PROGRESS

2021-006 Material Weakness

Recommendation 2021-006

Mitigating controls over the lack of segregation of duties should be established to require an individual, independent of the check preparation and bank reconciliation processes, to substantiate supporting documentation provided for cash handling and disbursement activities.

Typical mitigating controls and oversight activities include documenting detailed review of invoices, bank drafts and bank reconciliations to ensure effective controls are maintained over the cash handling and disbursement activities, in addition to safeguarding the individual responsible for these functions.

Corrective Action Plan

Invoices are currently reviewed by the City Council; however, an additional layer of internal control will be added to include documentation of this review through initials of the reviewer on invoices.

Additionally, the City will design, implement, and document a monthly review of bank reconciliations and electronic bank drafts to enhance oversight of future disbursement activities.

Remediation Status

IN PROGRESS

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-007 Compliance

Recommendation 2021-007

Effective and efficient operations rely on timely financial reporting for internal and external decision making. Internal controls should be established to ensure compliance with Chapter 103.003 of the Texas Local Government Code.

Corrective Action Plan

To ensure longevity and integrity of the City's financial infrastructure the City is developing internal controls to assist with timely preparation of annual financial statements.

Remediation Status

COMPLETE

2021-008 Compliance

Recommendation 2021-008

The City should adopt an Investment Policy and train key personnel to ensure its compliance with the Public Funds Investment Act.

Corrective Action Plan

The City is developing internal controls to assist with correcting and maintaining statutory compliance as well as actively working on a continuing education plan for all City personnel.

Remediation Status

IN PROGRESS

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-009 Compliance

Recommendation 2021-009

The City should complete required Cyber Security training and train key personnel to ensure its compliance with the Texas House Bill 3834.

Corrective Action Plan

The City is developing internal controls to assist with correcting and maintaining statutory compliance as well as actively working on a continuing education plan for all City personnel.

Remediation Status

COMPLETE

2021-010 Compliance

Recommendation 2021-010

The City should properly file an unclaimed property report and train key personnel to ensure its compliance with the Unclaimed Property Program.

Corrective Action Plan

The City is developing internal controls to assist with correcting and maintaining statutory compliance as well as actively working on a continuing education plan for all City personnel.

Remediation Status

IN PROGRESS

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2021-011 Compliance

Recommendation 2021-011

The City should file the approved budget with the county clerk and train key personnel to ensure its compliance with the Chapter 102.011 of the Texas Local Government Code.

Corrective Action Plan

The City is developing internal controls to assist with correcting and maintaining statutory compliance as well as actively working on a continuing education plan for all City personnel.

Remediation Status

COMPLETE

**CITY OF GARRISON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2022-001 Compliance

Condition:

The City does not meet statutory requirements for its website.

Criteria:

Texas Government Code and Local Government Code have specific requirements for municipality's that maintain a website.

Cause of Condition:

The City's key personnel have not had sufficient training to comply with statutory requirements for its website.

Potential Effect of Condition:

Noncompliance with statutory requirements could lead to fines and penalties under Texas Government Code and Local Government Code.

Recommendation 2022-001

Establish a process to monitor the content and communication of the City's website to ensure compliance with statutory requirements of Texas Government Code and Local Government Code.

Management Response **Agree** **Disagree**

Corrective Action Plan

Individual Responsible	Keith Yarbrough, Mayor	Estimated Implementation Date	November 30, 2022
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The City is actively facilitating training of its key personnel and selecting a vendor to help maintain its website.

**CITY OF GARRISON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2022**

2022-002 Compliance

Condition:

The City has not met the statutory deadline for asset forfeiture reporting.

Criteria:

In accordance with Art. 59.06 (g) (1) of the Code of Criminal Procedure, the asset forfeiture reporting form must be certified and sent to the Attorney General no later than the 60th day after the annual reporting period.

Cause of Condition:

The City's key personnel have not had sufficient training to comply with Chapter 59 of the Code of Criminal Procedure.

Potential Effect of Condition:

Late reporting can result in liabilities to the State Comptroller.

Recommendation 2022-002

The City should establish a process to monitor its compliance with Chapter 59 of the Code of Criminal Procedure.

Management Response

Agree **Disagree**

Corrective Action Plan

Individual Responsible	Keith Yarbrough, Mayor	Estimated Implementation Date	September 30, 2022
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The City has contacted the Office of the Attorney General and properly filed the Chapter 59 asset forfeiture report.