



**FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
MARCH 31, 2024**

**CITY OF GARRISON, TEXAS  
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FOR THE YEAR ENDED MARCH 31, 2024**

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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, 2024, 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, 2024, 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 5 through 14, budgetary comparison information on page 60, and the Texas Municipal Retirement System schedules on pages 61 through 63 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.

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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 Statement of Revenues, Expenses, and Changes in Fund Net Position – Utility Services Fund Departments is presented for purposes of additional analysis and is 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 statement is 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 9, 2024, 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 9, 2024

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# Management's Discussion and Analysis



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# CITY OF GARRISON

330 SOUTH B AVENUE  
GARRISON, TX 75946  
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## Management's Discussion and Analysis For Year Ended March 31, 2024 (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 31, 2024. 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*

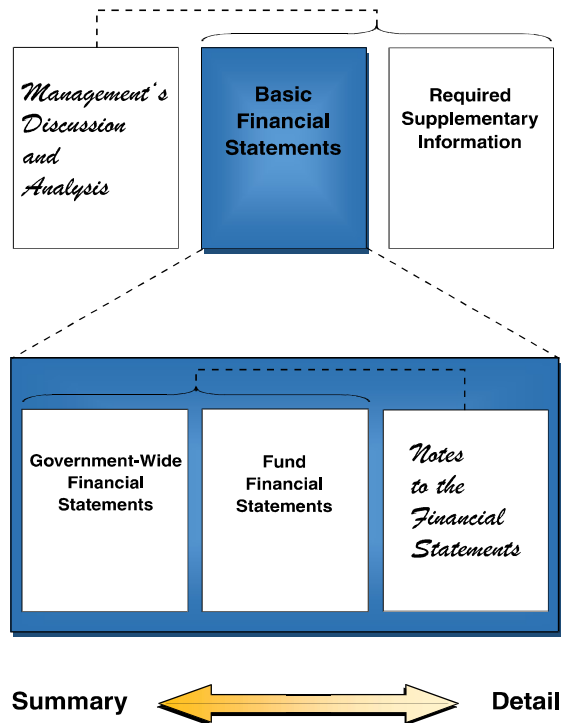
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$2,317,415 (Net Position). Of this amount, \$1,145,051 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$309,179.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$277,155. Of this amount, \$151,368 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 \$151,368, or 23% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$9,995.

## 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>                      | <b>Government-Wide</b>   | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>  |
|---|--|--|---|
| <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<br>• 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, sanitation, highways and streets, and parks and recreation. Fines, forfeitures, service charges, 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 \$2,317,415 as of March 31, 2024.

The largest portion of the City's net position, 48%, or \$1,102,641, 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               |                     |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
|  | 2024                    | 2023                | 2024                     | 2023              | 2024                | 2023                |
| Current and Other Assets                           | \$ 509,782              | \$ 793,938          | \$ 882,203               | \$ 424,133        | \$ 1,391,985        | \$ 1,218,071        |
| Capital Assets                                     | 352,154                 | 303,156             | 707,898                  | 627,640           | 1,060,052           | 930,796             |
| Total Assets                                       | <u>861,936</u>          | <u>1,097,094</u>    | <u>1,590,101</u>         | <u>1,051,773</u>  | <u>2,452,037</u>    | <u>2,148,867</u>    |
| Total Deferred Outflows of Resources               | <u>88,876</u>           | <u>59,900</u>       | <u>67,717</u>            | <u>110,763</u>    | <u>156,593</u>      | <u>170,663</u>      |
| Non-Current Liabilities                            | 27,202                  | 27,473              | 44,157                   | 68,665            | 71,359              | 96,138              |
| Other Liabilities                                  | 33,357                  | 16,281              | 114,546                  | 122,088           | 147,903             | 138,369             |
| Total Liabilities                                  | <u>60,559</u>           | <u>43,754</u>       | <u>158,703</u>           | <u>190,753</u>    | <u>219,262</u>      | <u>234,507</u>      |
| Total Deferred Inflows of Resources                | <u>48,236</u>           | <u>51,843</u>       | <u>23,717</u>            | <u>24,944</u>     | <u>71,953</u>       | <u>76,787</u>       |
| Net Position:                                      |                         |                     |                          |                   |                     |                     |
| Invested in Capital Assets,<br>Net of Related Debt | 440,239                 | 303,396             | 662,402                  | 565,309           | 1,102,641           | 868,705             |
| Restricted   | 69,723                  | 77,542              | -                        | -                 | 69,723              | 77,542              |
| Unrestricted                                       | 332,055                 | 680,459             | 812,996                  | 381,530           | 1,145,051           | 1,061,989           |
| Total Net Position                                 | <u>\$ 842,017</u>       | <u>\$ 1,061,397</u> | <u>\$ 1,475,398</u>      | <u>\$ 946,839</u> | <u>\$ 2,317,415</u> | <u>\$ 2,008,236</u> |

A portion of net position, \$66,392, is restricted for municipal court security and technology enhancements, in addition to \$1,990 held for continuing education under the Law Enforcement Officer Standards and Education (LEOSE) fund. Another \$1,026 are forfeitures held by the City. The remaining balance of unrestricted net position, \$1,061,989, may be used to meet the government's ongoing obligations to citizens and creditors.

As of March 31, 2024, 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 \$309,179.

**Governmental Activities:** Net position for the governmental activities decreased by \$219,380. Net position invested in capital assets, net of related debt, increased by \$233,936 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 interfund transfers.

Total revenues for the governmental activities decreased from the previous year by \$53,908, primarily due to larger grant receipts in the previous year. General revenue decreased \$84,161 during 2024, primarily due to similar activity.

**Business-type Activities:** Net position from business-type activities increased by \$528,559. This increase was primarily due to operating activities of the City's utilities and interfund payroll transfers.

The following table provides a summary of the City's operations for the year ended March 31, 2024.

## CITY OF GARRISON'S CHANGES IN NET POSITION

|   | Governmental Activities |                     | Business-Type Activities |                   | Total               |                     |
|---|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
|   | 2024                    | 2023                | 2024                     | 2023              | 2024                | 2023                |
| <b>Revenues:</b>                        |                         |                     |                          |                   |                     |                     |
| Operating Revenues:                     |                         |                     |                          |                   |                     |                     |
| Charges for Services                    | \$ 223,568              | \$ 193,315          | \$ 746,621               | \$ 770,084        | \$ 970,189          | \$ 963,399          |
| Other                                   | -                       | -                   | 130                      | 11,184            | 130                 | 11,184              |
| General Revenues:                       |                         |                     |                          |                   |                     |                     |
| Taxes                                   | 273,323                 | 276,618             | -                        | -                 | 273,323             | 276,618             |
| Pension Earnings                        | 9,330                   | 48,078              | 69,225                   | 45,704            | 78,555              | 93,782              |
| Grants & Contributions                  | 58,000                  | 110,427             | 16,675                   | -                 | 74,675              | 110,427             |
| Miscellaneous                           | 40,752                  | 30,443              | -                        | -                 | 40,752              | 30,443              |
| Total Revenues                          | <u>604,973</u>          | <u>658,881</u>      | <u>832,651</u>           | <u>826,972</u>    | <u>1,437,624</u>    | <u>1,485,853</u>    |
| <b>Expenses:</b>                        |                         |                     |                          |                   |                     |                     |
| General Government                      | 594,566                 | 526,855             | -                        | -                 | 594,566             | 526,855             |
| Utility Services                        | -                       | -                   | 531,724                  | 590,645           | 531,724             | 590,645             |
| Total Expenses                          | <u>594,566</u>          | <u>526,855</u>      | <u>531,724</u>           | <u>590,645</u>    | <u>1,126,290</u>    | <u>1,117,500</u>    |
| Increase (Decrease) in Total Revenues   | <u>10,407</u>           | <u>132,026</u>      | <u>300,927</u>           | <u>236,327</u>    | <u>311,334</u>      | <u>368,353</u>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                         |                     |                          |                   |                     |                     |
| Interest Income                         | 586                     | 522                 | 32                       | 6                 | 618                 | 528                 |
| Interest Expense                        | -                       | -                   | (2,773)                  | (3,152)           | (2,773)             | (3,152)             |
| Total Non-operating Expense             | <u>586</u>              | <u>522</u>          | <u>(2,741)</u>           | <u>(3,146)</u>    | <u>(2,155)</u>      | <u>(2,624)</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |                     |                          |                   |                     |                     |
| Operating Transfers from Other Funds    | -                       | -                   | 230,373                  | 206,692           | 230,373             | 206,692             |
| Operating Transfers to Other Funds      | (230,373)               | (206,692)           | -                        | -                 | (230,373)           | (206,692)           |
| Total Other Financing Sources (Uses)    | <u>(230,373)</u>        | <u>(206,692)</u>    | <u>230,373</u>           | <u>206,692</u>    | <u>-</u>            | <u>-</u>            |
| Change in Net Position                  | (219,380)               | (74,144)            | 528,559                  | 439,873           | 309,179             | 365,729             |
| Net Position – Beginning                | <u>1,061,397</u>        | <u>1,135,541</u>    | <u>946,839</u>           | <u>506,966</u>    | <u>2,008,236</u>    | <u>1,642,507</u>    |
| Net Position – Ending                   | <u>\$ 842,017</u>       | <u>\$ 1,061,397</u> | <u>\$ 1,475,398</u>      | <u>\$ 946,839</u> | <u>\$ 2,317,415</u> | <u>\$ 2,008,236</u> |

## 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 \$277,155; of this total amount, \$151,368, 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.

## GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City’s original budget planned for an increase in the fund balance on a budget basis. The City did not pass any general fund budget amendments during the fiscal year ending 2024.

Actual revenues in all categories were lower than the final budgeted amounts by a total of \$26,109. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$85,533.

After considering operating transfers, the City had an unfavorable variance of \$483,626 where transfers were made to support ongoing operating activities of the City’s utility services; these expenditures were paid from the general funds unassigned fund balance.

## CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of March 31, 2024 amounts to \$1,102,641 (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 \$129,256, or 12.19% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2024 included \$28,671 for utility system improvements, \$20,842 for equipment used in the operations of the utility system, \$17,900 for street repairs, and \$91,951 for vehicles used in separate operations of the utility system and public safety department.

### CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

|                                    | Governmental Activities |                   | Business-Type Activities |                    | Total               |                    |
|------------------------------------|-------------------------|-------------------|--------------------------|--------------------|---------------------|--------------------|
|                                    | 2024                    | 2023              | 2024                     | 2023               | 2024                | 2023               |
| Land                               | \$ 13,250               | \$ 13,250         | \$ 205,090               | \$ 205,090         | \$ 218,340          | \$ 218,340         |
| Construction in Progress           | -                       | -                 | 30,535                   | -                  | 30,535              | -                  |
| Utility Systems                    | -                       | -                 | 2,795,253                | 2,766,582          | 2,795,253           | 2,766,582          |
| Building                           | 320,000                 | 320,000           | 149,328                  | 149,328            | 469,328             | 469,328            |
| Machinery & Equipment              | 34,935                  | 34,935            | 559,986                  | 539,144            | 594,921             | 574,079            |
| Vehicles                           | 142,076                 | 110,000           | 216,875                  | 182,000            | 358,951             | 292,000            |
| Improvements                       | -                       | -                 | 23,852                   | 23,852             | 23,852              | 23,852             |
| Infrastructure                     | 119,956                 | 102,056           | -                        | -                  | 119,956             | 102,056            |
| Right-to-use software arrangements | 11,308                  | -                 | 4,567                    | -                  | 15,875              | -                  |
| Accumulated Depreciation           | <u>(289,371)</u>        | <u>(277,085)</u>  | <u>(3,277,588)</u>       | <u>(3,238,356)</u> | <u>(3,566,959)</u>  | <u>(3,515,441)</u> |
| Total                              | <u>\$ 352,154</u>       | <u>\$ 303,156</u> | <u>\$ 707,898</u>        | <u>\$ 627,640</u>  | <u>\$ 1,060,052</u> | <u>\$ 930,796</u>  |

Additional information on the City’s capital assets can be found in Note 2 on pages 41 and 42 in the notes of this report.



## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had one note payable for \$42,336, which is secured by water meters and equipment.

### OUTSTANDING DEBT AT YEAR-END

|                                    | Governmental Activities |                 | Business-Type Activities |                  | Total            |                  |
|------------------------------------|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
|                                    | 2024                    | 2023            | 2024                     | 2023             | 2024             | 2023             |
| Note Payable                       | \$ -                    | \$ -            | \$ 42,336                | \$ 62,331        | \$ 42,336        | \$ 62,331        |
| Copier Lease                       | 4,067                   | 5,052           | -                        | -                | 4,067            | 5,052            |
| Right-to-use software arrangements | 7,825                   | -               | 3,160                    | -                | 10,985           | -                |
| Total                              | <u>\$ 11,892</u>        | <u>\$ 5,052</u> | <u>\$ 45,496</u>         | <u>\$ 62,331</u> | <u>\$ 57,388</u> | <u>\$ 67,383</u> |

During the fiscal year, the City’s outstanding debt decreased by \$9,995, or 14.83%. The decrease was primarily due to the following:

- Annual debt principal payment made on the note payable.
- New right-to-use software arrangements.

Additional information on the City’s long term-debt can be found in Note 2 on pages 43 through 46 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

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# Government-Wide Financial Statements

**CITY OF GARRISON, TEXAS**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2024**

|   | PRIMARY GOVERNMENT         |                             |                     |
|---|----------------------------|-----------------------------|---------------------|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL               |
| <b>ASSETS</b>                                     |                            |                             |                     |
| Cash and cash equivalents                         | \$ 160,899                 | \$ 620,666                  | \$ 781,565          |
| Investments                                       | 43,746                     | 6,580                       | 50,326              |
| Receivables (net of allowances):                  |                            |                             |                     |
| Sales taxes                                       | 15,112                     | -                           | 15,112              |
| Property taxes                                    | 26,642                     | -                           | 26,642              |
| Franchise taxes                                   | 11,774                     | -                           | 11,774              |
| Fines and forfeitures                             | 34,807                     | -                           | 34,807              |
| Sanitation fees                                   | 2,694                      | -                           | 2,694               |
| Other   | 1,775                      | 13,779                      | 15,554              |
| Restricted cash                                   | 69,723                     | 79,520                      | 149,243             |
| Net pension asset                                 | 142,610                    | 161,658                     | 304,268             |
| Capital assets:                                   |                            |                             |                     |
| Land and other non-depreciated assets             | 13,250                     | 235,625                     | 248,875             |
| Other capital assets - net of depreciation        | 338,904                    | 472,273                     | 811,177             |
|   | <u>861,936</u>             | <u>1,590,101</u>            | <u>2,452,037</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |                     |
| Deferred outflows from pensions                   | 88,244                     | 66,855                      | 155,099             |
| Deferred outflows from OPEB                       | 632                        | 862                         | 1,494               |
|   | <u>88,876</u>              | <u>67,717</u>               | <u>156,593</u>      |
| <b>LIABILITIES</b>                                |                            |                             |                     |
| Accounts payable and accrued liabilities          | 28,569                     | 92,260                      | 120,829             |
| Long-term liabilities:                            |                            |                             |                     |
| Due within one year                               | 4,788                      | 22,286                      | 27,074              |
| Due in more than one year                         | 27,202                     | 44,157                      | 71,359              |
|   | <u>60,559</u>              | <u>158,703</u>              | <u>219,262</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                            |                             |                     |
| Deferred inflows from pensions                    | 45,878                     | 20,659                      | 66,537              |
| Deferred inflows from OPEB                        | 2,358                      | 3,058                       | 5,416               |
|   | <u>48,236</u>              | <u>23,717</u>               | <u>71,953</u>       |
| <b>NET POSITION</b>                               |                            |                             |                     |
| Investment in capital assets, net of related debt | 440,239                    | 662,402                     | 1,102,641           |
| Restricted for municipal court                    | 66,392                     | -                           | 66,392              |
| Restricted for public safety                      | 3,261                      | -                           | 3,261               |
| Restricted for emergency services                 | 70                         | -                           | 70                  |
| Unrestricted                                      | 332,055                    | 812,996                     | 1,145,051           |
|   | <u>\$ 842,017</u>          | <u>\$ 1,475,398</u>         | <u>\$ 2,317,415</u> |

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, 2024**

| FUNCTIONS / PROGRAMS                         | EXPENSES     | PROGRAM REVENUES     |                                  | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |                          |              |
|--|--------------|----------------------|----------------------------------|---|--------------------------|--------------|
|  |              | CHARGES FOR SERVICES | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES                           | BUSINESS-TYPE ACTIVITIES | TOTAL        |
| Primary government:                          |              |                      |                                  |   |                          |              |
| Governmental activities:                     |              |                      |                                  |   |                          |              |
| Administration                               | \$ 263,914   | \$ 27,030            | \$ -                             | \$ (236,884)                                      | \$ -                     | \$ (236,884) |
| Public safety                                | 151,801      | 42                   | 58,000                           | (93,759)  | -                        | (93,759)     |
| Municipal court                              | 63,364       | 85,488               | -                                | 22,124  | -                        | 22,124       |
| Sanitation                                   | 53,134       | 77,764               | -                                | 24,630  | -                        | 24,630       |
| Emergency services                           | 40,945       | -                    | -                                | (40,945)  | -                        | (40,945)     |
| Highways and streets                         | 8,643        | 33,244               | -                                | 24,601  | -                        | 24,601       |
| Parks and recreation                         | 12,765       | -                    | -                                | (12,765)  | -                        | (12,765)     |
| Total governmental activities                | 594,566      | 223,568              | 58,000                           | (312,998)   | -                        | (312,998)    |
| Business-type activities:                    |              |                      |                                  |   |                          |              |
| Utility services                             | 534,497      | 746,621              | 16,675                           | -   | 228,799                  | 228,799      |
| Total business-type activities               | 534,497      | 746,621              | 16,675                           | -   | 228,799                  | 228,799      |
| Total primary government                     | \$ 1,129,063 | \$ 970,189           | \$ 74,675                        | (312,998)   | 228,799                  | (84,199)     |
| General revenues:                            |              |                      |                                  |   |                          |              |
| Sales taxes                                  |              |                      |                                  | 91,954  | -                        | 91,954       |
| Property taxes                               |              |                      |                                  | 124,865   | -                        | 124,865      |
| Franchise taxes                              |              |                      |                                  | 56,504  | -                        | 56,504       |
| Pension earnings                             |              |                      |                                  | 9,330   | 69,225                   | 78,555       |
| Investment earnings                          |              |                      |                                  | 586   | 32                       | 618          |
| Miscellaneous local and intermediate revenue |              |                      |                                  | 40,752  | 130                      | 40,882       |
| Transfers                                    |              |                      |                                  | (230,373)   | 230,373                  | -            |
| Total general revenues and transfers         |              |                      |                                  | 93,618  | 299,760                  | 393,378      |
| Change in net position                       |              |                      |                                  | (219,380)   | 528,559                  | 309,179      |
| Net position - beginning                     |              |                      |                                  | 1,061,397   | 946,839                  | 2,008,236    |
| Net position - ending                        |              |                      |                                  | \$ 842,017  | \$ 1,475,398             | \$ 2,317,415 |

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

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# Fund Financial Statements



**CITY OF GARRISON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2024**

|  | <u>MAJOR FUNDS</u>      |   |
|--|-------------------------|---|
|  | <u>GENERAL<br/>FUND</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
| <b>ASSETS</b>  |                         |   |
| Cash   | \$ 160,899              | \$ 160,899                              |
| Investments  | 43,746                  | 43,746                                  |
| Receivables (net of allowances):                             |                         |   |
| Sales taxes  | 15,112                  | 15,112                                  |
| Property taxes   | 26,642                  | 26,642                                  |
| Franchise taxes  | 11,774                  | 11,774                                  |
| Fine and forfeitures   | 34,807                  | 34,807                                  |
| Sanitation fees  | 2,694                   | 2,694                                   |
| Other  | 1,775                   | 1,775                                   |
| Restricted cash  | <u>69,723</u>           | <u>69,723</u>                           |
| <br>Total assets   | <br><u>\$ 367,172</u>   | <br><u>\$ 367,172</u>                   |
| <b>LIABILITIES</b>   |                         |   |
| Accounts payable   | <u>\$ 28,569</u>        | <u>\$ 28,569</u>                        |
| <br>Total liabilities  | <br><u>28,569</u>       | <br><u>28,569</u>                       |
| <b>DEFERRED INFLOWS (OF RESOURCES)</b>                       |                         |   |
| Property taxes   | 26,642                  | 26,642                                  |
| Fines, forfeitures, and warrants                             | <u>34,806</u>           | <u>34,806</u>                           |
| <br>Total deferred inflows                                   | <br><u>61,448</u>       | <br><u>61,448</u>                       |
| <b>FUND BALANCES</b>   |                         |   |
| Restricted fund balance:                                     |                         |   |
| Municipal court  | 66,392                  | 66,392                                  |
| Public safety  | 3,261                   | 3,261                                   |
| Grant  | 70                      | 70                                      |
| Committed fund balance:                                      |                         |   |
| Infrastructure   | 30,594                  | 30,594                                  |
| Assigned fund balance:                                       |                         |   |
| Park improvements  | 25,470                  | 25,470                                  |
| Unassigned fund balance                                      | <u>151,368</u>          | <u>151,368</u>                          |
| <br>Total fund balances                                      | <br><u>277,155</u>      | <br><u>277,155</u>                      |
| <br>Total liabilities, deferred<br>inflows and fund balances | <br><u>\$ 367,172</u>   | <br><u>\$ 367,172</u>                   |

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

**CITY OF GARRISON, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MARCH 31, 2024**

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

|  |    |          |
|--|----|----------|
| Total fund balances - governmental funds   | \$ | 277,155  |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.   |    | 352,154  |
| 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  |    | 142,610  |
| Deferred outflows, related to pension  |    | 88,244   |
| Deferred inflows, related to pension   |    | (45,878) |
| 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   |    | (12,701) |
| Deferred outflows, related to OPEB   |    | 632      |
| Deferred inflows, related to OPEB  |    | (2,358)  |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.  |    |          |
| Copier lease   |    | (4,067)  |
| Compensated absences   |    | (7,397)  |
| Right-to-use software arrangements   |    | (7,825)  |
| 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.                                       |    | 34,806   |
| 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.   |    | 26,642   |
|  |    | 26,642   |
| Net position of governmental activities  | \$ | 842,017  |

**CITY OF GARRISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2024**

|  | <u>MAJOR FUNDS</u> |                   |
|--|--------------------|-------------------|
|  | GENERAL            | TOTAL             |
|  | FUND               | GOVERNMENTAL      |
|  |                    | FUNDS             |
| <b>REVENUES</b>  |                    |                   |
| Taxes:   |                    |                   |
| Sales  | \$ 91,954          | \$ 91,954         |
| Property   | 124,596            | 124,596           |
| Franchise  | 56,504             | 56,504            |
| Fines and forfeitures  | 72,183             | 72,183            |
| Infrastructure fees  | 33,244             | 33,244            |
| Licenses and permits   | 1,640              | 1,640             |
| Charges for services   | 25,432             | 25,432            |
| Sanitation services  | 77,764             | 77,764            |
| Grants and contributions                                     | 58,000             | 58,000            |
| Interest income  | 586                | 586               |
| Miscellaneous  | 23,752             | 23,752            |
|  | <u>565,655</u>     | <u>565,655</u>    |
| Total revenues   |                    |                   |
| <b>EXPENDITURES</b>  |                    |                   |
| Administration   | 248,648            | 248,648           |
| Public safety  | 146,097            | 146,097           |
| Municipal court  | 63,282             | 63,282            |
| Sanitation   | 53,134             | 53,134            |
| Emergency services   | 36,916             | 36,916            |
| Highways and streets   | 4,055              | 4,055             |
| Parks and recreation   | 12,765             | 12,765            |
| Capital outlay   | 86,284             | 86,284            |
|  | <u>651,181</u>     | <u>651,181</u>    |
| Total expenditures   |                    |                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(85,526)</u>    | <u>(85,526)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                   |
| Operating transfers to other funds                           | (230,373)          | (230,373)         |
| Copier lease   | (985)              | (985)             |
| Right-to-use software arrangements                           | 11,308             | 11,308            |
| Sale of assets   | 17,000             | 17,000            |
|  | <u>(203,050)</u>   | <u>(203,050)</u>  |
| Total other financing sources (uses)                         |                    |                   |
| Net change in fund balances                                  | (288,576)          | (288,576)         |
| Fund balances - beginning of year                            | 565,731            | 565,731           |
| Fund balances - end of year                                  | <u>\$ 277,155</u>  | <u>\$ 277,155</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, 2024**

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

|   |    |                         |
|---|----|-------------------------|
| Net change in fund balances - total governmental funds  | \$ | (288,576)               |
| The depreciation of capital assets used in governmental activities is not reported in the funds.  |    | (37,286)                |
| Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).   |    | 269                     |
| 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. |    | 13,305                  |
| 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:   |    |                         |
| Compensated absences  |    | 4,134                   |
| Decreases in long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds:  |    |                         |
| GASB 68 Pension adjustments   |    | 9,103                   |
| GASB 75 Other post employment benefit adjustments   |    | 227                     |
| Copier lease  |    | 985                     |
| 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.   |    | 86,284                  |
| Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.                             |    | <u>(7,825)</u>          |
| Change in net position of governmental activities   | \$ | <u><u>(219,380)</u></u> |

**CITY OF GARRISON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2024**

|   | BUSINESS-TYPE ACTIVITIES |
|---|--------------------------|
|   | ENTERPRISE FUND          |
|   | <u>UTILITY SERVICES</u>  |
| <b>ASSETS</b>                                     |                          |
| Current assets:                                   |                          |
| Cash  | \$ 620,666               |
| Investments                                       | 6,580                    |
| Accounts receivable (net)                         | <u>13,779</u>            |
| Total current assets                              | <u>641,025</u>           |
| Noncurrent assets:                                |                          |
| Restricted cash                                   | 79,520                   |
| Net pension asset                                 | 161,658                  |
| Capital assets:                                   |                          |
| Land  | 205,090                  |
| Utility systems                                   | 2,795,253                |
| Buildings   | 149,328                  |
| Machinery and equipment                           | 559,986                  |
| Vehicles  | 216,875                  |
| Improvements                                      | 23,852                   |
| Right-to-use software arrangements                | 4,567                    |
| Construction in progress                          | 30,535                   |
| Less: accumulated depreciation                    | <u>(3,277,588)</u>       |
| Total noncurrent assets                           | <u>949,076</u>           |
| Total assets                                      | <u>1,590,101</u>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                          |
| Deferred outflows from pensions                   | 66,855                   |
| Deferred outflows from OPEB                       | <u>862</u>               |
| Total deferred outflows of resources              | <u>67,717</u>            |
| <b>LIABILITIES</b>                                |                          |
| Current liabilities:                              |                          |
| Accounts payable                                  | 12,502                   |
| Customer deposits                                 | 79,520                   |
| Sales tax payable                                 | 238                      |
| Loan payable                                      | 20,767                   |
| Right-to-use software arrangements                | <u>1,519</u>             |
| Total current liabilities                         | 114,546                  |
| Non-current liabilities:                          |                          |
| Loan payable                                      | 21,569                   |
| Right-to-use software arrangements                | 1,641                    |
| Compensated absences                              | 12,856                   |
| Net OPEB liability                                | <u>8,091</u>             |
| Total liabilities                                 | <u>158,703</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                          |
| Deferred inflows from pensions                    | 20,659                   |
| Deferred inflows from OPEB                        | <u>3,058</u>             |
| Total deferred inflows of resources               | <u>23,717</u>            |
| <b>NET POSITION</b>                               |                          |
| Investment in capital assets, net of related debt | 662,402                  |
| Unrestricted                                      | <u>812,996</u>           |
| Total net position                                | <u>\$ 1,475,398</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, 2024**

|   | BUSINESS-TYPE ACTIVITIES |
|---|--------------------------|
|   | ENTERPRISE FUND          |
|   | <u>UTILITY SERVICES</u>  |
| <b>OPERATING REVENUES</b>               |                          |
| Service charges                         | \$ 743,021               |
| Tap fees                                | 3,600                    |
| Pension Earnings                        | 69,225                   |
| Grants                                  | 16,675                   |
| Other                                   | <u>130</u>               |
| Total operating revenues                | <u>832,651</u>           |
| <b>OPERATING EXPENSES</b>               |                          |
| Personnel services                      | 231,087                  |
| Natural gas purchases                   | 70,080                   |
| Contract labor                          | 15,229                   |
| Depreciation                            | 39,232                   |
| Maintenance                             | 27,253                   |
| Utilities                               | 6,028                    |
| Chemicals and supplies                  | 108,612                  |
| Permits and licenses                    | 7,233                    |
| Professional fees                       | 9,145                    |
| Training and education                  | 480                      |
| Insurance                               | 16,323                   |
| Other                                   | <u>1,022</u>             |
| Total operating expenses                | <u>531,724</u>           |
| Operating income                        | <u>300,927</u>           |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                          |
| Interest income                         | 32                       |
| Interest expense                        | <u>(2,773)</u>           |
| Total nonoperating expenses             | <u>(2,741)</u>           |
| Income before operating transfers       | <u>298,186</u>           |
| <b>TRANSFERS</b>                        |                          |
| Transfers in                            | 230,373                  |
| Transfers out                           | <u>-</u>                 |
| Total transfers                         | <u>230,373</u>           |
| Change in net position                  | 528,559                  |
| Net position - beginning of year        | <u>946,839</u>           |
| Net position - end of year              | <u>\$ 1,475,398</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, 2024**

|  | BUSINESS-TYPE ACTIVITIES |
|--|--------------------------|
|  | ENTERPRISE FUND          |
|  | <u>UTILITY SERVICES</u>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |
| Receipts from customers and users  | \$ 746,621               |
| Other cash receipts  | 130                      |
| Payments to suppliers for goods and services   | (253,889)                |
| Payments to employees for services   | <u>(231,087)</u>         |
| Net cash provided by operating activities  | <u>261,775</u>           |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>  |                          |
| Transfers-in from other funds  | <u>230,373</u>           |
| Net cash provided by non-capital financing activities  | <u>230,373</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                  |                          |
| Acquisition and construction of capital assets   | (119,490)                |
| Principal repayments on debt   | (16,835)                 |
| Interest on debt   | <u>(2,773)</u>           |
| Net cash used in capital and related financing activities  | <u>(139,098)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |
| Interest income  | <u>32</u>                |
| Net cash provided by investing activities  | <u>32</u>                |
| Net increase in cash and cash equivalents  | 353,082                  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <u>347,104</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <u>\$ 700,186</u>        |
| <b>Reconciliation of Operating Income to Net Cash provided by (used in) Operating Activities</b> |                          |
| Operating income   | \$ 300,927               |
| Adjustments to reconcile operating income to net cash provided by operating activities:          |                          |
| Depreciation expense   | 39,232                   |
| Changes in assets and liabilities:   |                          |
| Increase (decrease) in accounts payable  | (9,279)                  |
| Increase (decrease) in pension liability   | (111,981)                |
| Increase (decrease) in OPEB liability  | 937                      |
| Increase (decrease) in deferred inflows  | (1,227)                  |
| Increase (decrease) in sales tax payable   | 56                       |
| Increase (decrease) in compensated absences  | (6,319)                  |
| Increase (decrease) in customer deposits   | (610)                    |
| Decrease (increase) in deferred outflows   | 43,046                   |
| Decrease (increase) in investments   | (32)                     |
| Decrease (increase) in accounts receivable   | <u>7,025</u>             |
| Total adjustments  | <u>(39,152)</u>          |
| Net cash provided by operating activities  | <u>\$ 261,775</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, 2024**

**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, 2024.

**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, 2024**

**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, 2024**

**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, 2024**

**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, 2024. 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, 2024**

**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, 2024**

**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, 2024**

**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, 2024**

**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       | \$ 248,648          | \$ 219,657    | \$ (28,991)     |
| Emergency services   | \$ 36,916           | \$ 14,625     | \$ (22,291)     |
| Highways and streets | \$ 4,055            | \$ 137,945    | \$ 133,890      |
| Parks and recreation | \$ 12,765           | \$ -          | \$ (12,765)     |
| Capital outlay       | \$ 86,284           | \$ 35,150     | \$ (51,134)     |

**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, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS**

**Deposits**

The City's balances were completely covered by federal deposit insurance or collateralized at March 31, 2024. 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 &amp; Cash Equivalents</u> | <u>Bank</u>       | <u>Category</u>   |                   |             | <u>Carrying</u><br><u>Amount</u> |
|------------------------------------|-------------------|-------------------|-------------------|-------------|----------------------------------|
|                                    | <u>Balance</u>    | <u>1</u>          | <u>2</u>          | <u>3</u>    |                                  |
| General fund                       | \$ 230,622        | \$ 250,000        | \$ -              | \$ -        | \$ 250,000                       |
| Debt service fund                  | -                 | -                 | -                 | -           | -                                |
| Proprietary fund                   | 700,186           | 19,378            | 700,186           | -           | 719,564                          |
| Special revenue fund               | -                 | -                 | -                 | -           | -                                |
| Total                              | <u>\$ 930,808</u> | <u>\$ 269,378</u> | <u>\$ 700,186</u> | <u>\$ -</u> | <u>\$ 969,564</u>                |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**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 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, 2024, the carrying amount of the City’s certificates of deposit were \$50,326.

**Economic Dependence**

The City’s operations are funded by taxes and revenues collected from the residents of the City of Garrison, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City and surrounding area.

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Property Tax**

The assessed valuation (net of exemptions) was \$38,643,479 for 2023 (with taxes due January 1, 2023) levied at a rate of \$0.320000 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:

| <b>Receivables</b>                 | Primary<br>Government<br>General<br>Fund | Business-Type<br>Utility Services<br>Fund | Total      |
|------------------------------------|--|---|------------|
| Accounts                           | \$ 4,469                                 | \$ 23,034                                 | \$ 27,503  |
| Fines                              | 46,409                                   | -   | 46,409     |
| Taxes                              | 53,528                                   | -   | 53,528     |
| Gross receivables                  | 104,406                                  | 23,034                                    | 127,440    |
| Less: Allowance for uncollectables | (11,602)                                 | (9,255)                                   | (20,857)   |
| Total                              | \$ 92,804                                | \$ 13,779                                 | \$ 106,583 |

**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, 2024, is as follows:

| <b>Funds</b>     | <b>Transfers in</b> | <b>Transfers out</b> |
|------------------|---------------------|----------------------|
| General          | \$ -                | \$ 230,373           |
| Utility Services | 230,373             | -                    |
| Total            | \$ 230,373          | \$ 230,373           |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**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:

| <b>Primary Government</b>          | <b>Balance<br/>3/31/2023</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance<br/>3/31/2024</b> |
|------------------------------------|------------------------------|-------------------|------------------|------------------------------|
| <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            | 34,935                       | -                 | -                | 34,935                       |
| Infrastructure                     | 102,056                      | 17,900            | -                | 119,956                      |
| Vehicles                           | 110,000                      | 57,076            | 25,000           | 142,076                      |
| Right-to-use software arrangements | -                            | 11,308            | -                | 11,308                       |
| Accumulate depreciation            | (277,085)                    | (37,286)          | (25,000)         | (289,371)                    |
| Governmental activities, net       | <u>303,156</u>               | <u>48,998</u>     | <u>-</u>         | <u>352,154</u>               |
| <i>Business-type activities</i>    |                              |                   |                  |                              |
| <u>Non-depreciable assets:</u>     |                              |                   |                  |                              |
| Land                               | 205,090                      | -                 | -                | 205,090                      |
| Construction in progress           | -                            | 30,535            | -                | 30,535                       |
| <u>Depreciable assets:</u>         |                              |                   |                  |                              |
| Utility systems                    | 2,766,582                    | 28,671            | -                | 2,795,253                    |
| Buildings                          | 149,328                      | -                 | -                | 149,328                      |
| Machinery and equipment            | 539,144                      | 20,842            | -                | 559,986                      |
| Vehicles                           | 182,000                      | 34,875            | -                | 216,875                      |
| Improvements                       | 23,852                       | -                 | -                | 23,852                       |
| Right-to-use software arrangements | -                            | 4,567             | -                | 4,567                        |
| Accumulate depreciation            | (3,238,356)                  | (39,232)          | -                | (3,277,588)                  |
| Business-type activities, net      | <u>627,640</u>               | <u>80,258</u>     | <u>-</u>         | <u>707,898</u>               |
| Capital assets, net                | <u>\$ 930,796</u>            | <u>\$ 129,256</u> | <u>\$ -</u>      | <u>\$ 1,060,052</u>          |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Capital Assets - continued**

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

|                            |    |               |
|----------------------------|----|---------------|
| Administration             | \$ | 18,173        |
| Public safety              |    | 8,275         |
| Municipal court            |    | 1,035         |
| Emergency services         |    | 4,029         |
| Highways and streets       |    | <u>5,774</u>  |
| Total depreciation expense | \$ | <u>37,286</u> |

**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, 2024.

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, 2024.

**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, 2024**

**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         | \$ 42,336              |
|                            |                      | Total                 | \$ 135,507         | \$ 42,336              |

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

| <u>Year Ending<br/>March 31</u> | <u>Proprietary Activities</u> |                 |
|---------------------------------|-------------------------------|-----------------|
|                                 | <u>Notes Payable</u>          |                 |
|                                 | <u>Principal</u>              | <u>Interest</u> |
| 2024                            | \$ 20,767                     | \$ 1,635        |
| 2025                            | 21,569                        | 833             |
| Total                           | \$ 42,336                     | \$ 2,468        |

The changes in the general long-term debt as of March 31, 2024 are as follows:

|                                    | <u>Balance<br/>3/31/2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>3/31/2024</u> | <u>Due Within<br/>One Year</u> |
|------------------------------------|------------------------------|------------------|-------------------|------------------------------|--------------------------------|
| <i>Governmental activities:</i>    |                              |                  |                   |                              |                                |
| Compensated absences               | \$ 11,531                    | \$ -             | \$ (4,134)        | \$ 7,397                     | \$ -                           |
| Net OPEB liability                 | 11,875                       | 826              | -                 | 12,701                       | -                              |
| Copier lease                       | 5,052                        | -                | (985)             | 4,067                        | 1,026                          |
| Right-to-use software arrangements | -                            | 7,825            | -                 | 7,825                        | 3,762                          |
| <i>Business-type activities:</i>   |                              |                  |                   |                              |                                |
| Note payable                       | 62,331                       | -                | (19,995)          | 42,336                       | 20,767                         |
| Compensated absences               | 19,175                       | -                | (6,319)           | 12,856                       | -                              |
| Net OPEB liability                 | 7,154                        | 937              | -                 | 8,091                        | -                              |
| Right-to-use software arrangements | -                            | 3,160            | -                 | 3,160                        | 1,519                          |
| Total                              | \$ 117,118                   | \$ 9,588         | \$ (31,433)       | \$ 95,273                    | \$ 25,555                      |

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Leases**

Lease agreements are summarized as follows:

| <u>Description</u> | <u>Lease Date</u> | <u>Payment Terms</u> | <u>Payment Amount</u> | <u>Interest Rate</u> | <u>Total Lease Liability</u> | <u>Yearend Balance</u> |
|--------------------|-------------------|----------------------|-----------------------|----------------------|------------------------------|------------------------|
| Sharp color copier | 1/20/2023         | 60 Months            | \$ 97.46              | 4.000%               | \$ 5,292                     | \$ 4,067               |
| Total              |                   |                      |                       |                      | <u>\$ 5,292</u>              | <u>\$ 4,067</u>        |

The color copier equipment was leased for the City Hall Administration, beginning on January 20, 2023 for a term of sixty (60) months or five years at a fixed interest rate of 4.00%. This lease is renewable and the City will not acquire the equipment at the end of the five years.

The lease terms include an all-inclusive cost per copy maintenance agreement for toner, parts, labor, and supplies (excluding paper), with all black/white copies billed at a rate of \$0.0125 each and color copies at a rate of \$0.075 each.

Annual requirements to amortize long-term obligations and related interest are as follows:

| <u>Year Ending<br/>March 31</u> | <u>Governmental Activities</u> |                 |
|---------------------------------|--------------------------------|-----------------|
|                                 | <u>Lease Payment Schedule</u>  |                 |
|                                 | <u>Principal</u>               | <u>Interest</u> |
| 2024                            | \$ 1,026                       | \$ 144          |
| 2025                            | 1,067                          | 102             |
| 2026                            | 1,111                          | 59              |
| 2027                            | 863                            | 14              |
| Total                           | <u>\$ 4,067</u>                | <u>\$ 319</u>   |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Subscription-Based Information Technology Arrangements**

The City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The City has three (3) software arrangements that require recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of five software systems, which is included in the capital assets table as Intangible Right-to-Use Software Arrangements.

The City recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use assets for software as follows:

The QuickBooks accounting software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$1,298. At the inception, the City has used a 8.00% interest rate for this arrangement based on the prime rate as publish by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The Kologik / COPsync municipal court and public safety software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$3,090. At the inception, the City has used a 8.00% interest rate for this arrangement based on the prime rate as publish by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The RVS utility billing/tracking software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$1,226. At the inception, the City has used a 8.00% interest rate for this arrangement based on the prime rate as publish by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.



**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Subscription-Based Information Technology Arrangements – continued**

These assets will be amortized over the lease terms of three years with \$17,813 recorded as intangible right-to-use software arrangements in the General Fund and Water Sewer Fund capital assets.

SBITA agreements are summarized as follows:

| <u>Governmental Activities</u>            | <u>SBITA Date</u> | <u>Payment Terms</u> | <u>Payment Amount</u> | <u>Interest Rate</u> | <u>Total SBITA Liability</u> | <u>Yearend Balance</u> |
|---|-------------------|----------------------|-----------------------|----------------------|------------------------------|------------------------|
| <u>Right-to-use software arrangements</u> |                   |                      |                       |                      |                              |                        |
| Kologik / COPsync                         | 4/1/2023          | 36 months            | 3,090                 | 8.00%                | 7,963                        | 5,510                  |
| QuickBooks                                | 4/1/2023          | 36 months            | 1,298                 | 8.00%                | 3,345                        | 2,315                  |
| <br><u>Business-Type Activities</u>       |                   |                      |                       |                      |                              |                        |
| <u>Right-to-use software arrangements</u> |                   |                      |                       |                      |                              |                        |
| RVS                                       | 4/1/2023          | 36 months            | 1,226                 | 8.00%                | 4,567                        | 3,160                  |
|   |                   |                      |                       | Total                | <u>\$ 17,813</u>             | <u>\$ 12,338</u>       |

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

| <u>Year Ending<br/>June 30</u> | <u>SBITA Payment Schedule</u>  |                 |                                 |                 | <u>Total</u>     |
|--------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|------------------|
|                                | <u>Governmental Activities</u> |                 | <u>Business-Type Activities</u> |                 |                  |
|                                | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>                | <u>Interest</u> |                  |
| 2024                           | \$ 3,762                       | \$ 626          | \$ 1,519                        | \$ 253          | \$ 6,943         |
| 2025                           | 4,063                          | 325             | 1,641                           | 131             | 6,942            |
| Total                          | <u>\$ 8,027</u>                | <u>\$ 1,007</u> | <u>\$ 4,311</u>                 | <u>\$ 540</u>   | <u>\$ 13,885</u> |

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Texas Municipal Retirement System Plan**

Plan Description – The City participates as one of 935 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://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 Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City were as follows:

| Plan Year  | 2023       | 2022       |
|--|------------|------------|
| 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, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Texas Municipal Retirement System Plan – continued**

***Employees covered by benefit terms:***

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 7  |
| Inactive employees entitled to but not yet receiving benefits    | 2  |
| Active employees   | 6  |
| Total  | 15 |

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 6.36% and 6.69% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended March 31, 2024 were \$19,692, and were equal to the required contributions.

Net Pension Liability – The City’s Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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, 2024**

**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 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2012. They were adopted in 2023 and first used in the December 31, 2023 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2023 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                    | 35.00%                   | 6.70%  |
| Core Fixed Income                | 6.00%                    | 4.70%  |
| Non-Core Fixed Income            | 20.00%                   | 8.00%  |
| Other Public and Private Markets | 12.00%                   | 8.00%  |
| Real Estate                      | 12.00%                   | 7.60%  |
| Hedge Funds                      | 5.00%                    | 6.40%  |
| Private Equity                   | 10.00%                   | 11.60%   |
| Total                            | <u>100.00%</u>           |  |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**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<br/>Liability<br/>(a)</u> | <u>Increase (Decrease)<br/>Plan Fiduciary<br/>Net Position<br/>(b)</u> | <u>Net Pension<br/>Liability<br/>(a) - (b)</u> |
|--|--|--|--|
| Balance at 12/31/2022  | \$ 1,957,986                               | \$ 2,172,700   | \$ (214,714)                                   |
| Changes for the year:  |  |  |  |
| Service cost   | \$ 60,065                                  | \$ -   | \$ 60,065                                      |
| Interest   | 130,388                                    | -  | 130,388  |
| Changes in current period benefits*                              | -  | -  | -  |
| Difference between expected and<br>actual experience             | 15,624                                     | -  | 15,624   |
| Changes of assumptions   | (1,082)                                    | -  | (1,082)  |
| Contributions - employer   | -  | 21,425   | (21,425)                                       |
| Contributions - employee   | -  | 23,581   | (23,581)                                       |
| Net investment income  | -  | 251,153  | (251,153)                                      |
| Benefit payments, including refunds<br>of employee contributions | (112,703)                                  | (112,703)  | -  |
| Administrative expense   | -  | (1,600)  | 1,600  |
| Other changes  | -  | (9)  | 9  |
| Net changes  | <u>92,292</u>                              | <u>181,847</u>   | <u>(89,555)</u>                                |
| Balance at 12/31/2023  | <u>\$ 2,050,278</u>                        | <u>\$ 2,354,547</u>  | <u>\$ (304,269)</u>                            |

\* For TMRS, the “changes in current period benefits” includes substantively automatic benefit status changes, if applicable.

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**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<br>Discount Rate<br>5.75% | Current Rate<br>Assumption<br>6.75% | 1% Increase in<br>Discount Rate<br>7.75% |
|--------------------------------------|--|-------------------------------------|--|
| City’s net pension liability (asset) | \$ (62,626)                              | \$ (304,269)                        | \$ (508,138)                             |

***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 [tmrs.com](http://tmrs.com).

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

For the year ended March 31, 2024, the City recognized pension earnings of \$78,075.

At March 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ -                                 | \$ 62,849                           |
| Changes in actuarial assumptions                            | -                                    | 3,688                               |
| Difference between projected and actual investment earnings | 143,390                              | -                                   |
| Contributions subsequent to the measurement date            | 11,709                               | -                                   |
| Total   | \$ 155,099                           | \$ 66,537                           |

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**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 \$11,709 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, 2024. 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> |    |                      |
|--------------------------------|----|----------------------|
| 2024                           | \$ | 39,898               |
| 2025                           |    | 27,054               |
| 2026                           |    | 51,890               |
| 2027                           |    | (20,896)             |
| 2028                           |    | -                    |
| Thereafter                     |    | <u>-</u>             |
| Total                          | \$ | <u><u>97,946</u></u> |

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**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, 2023 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   | 6  |
| Total  | 10 |

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                                  | 2023 | 2022 |
|--|------|------|
| Total SDB Contribution (Rate)              | .34% | .17% |
| Retiree Portion of SDB Contribution (Rate) | .14% | .09% |



**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**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   | 3.60% to 11.85% including inflation   |
| Discount rate*   | 3.77%   |
| 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).  |
| Mortality rates – disabled retirees  | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward 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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023. |   |

**Changes in the OPEB liability:**

|   | Total OPEB<br>Liability |
|---|-------------------------|
| Balance at 12/31/2022                             | \$ 19,029               |
| Changes for the year:                             |                         |
| Service cost                                      | \$ 505                  |
| Interest  | 771                     |
| Change of benefit terms                           | -                       |
| Difference between expected and actual experience | 102                     |
| Changes of assumptions                            | 857                     |
| Benefit payments                                  | (472)                   |
| Net changes                                       | 1,763                   |
| Balance at 12/31/2023                             | \$ 20,792               |

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**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<br>Discount Rate<br>2.77% | Current Rate<br>Assumption<br>3.77% | 1% Increase in<br>Discount Rate<br>4.77% |
|--------------------------------------|--|-------------------------------------|--|
| City’s net pension liability (asset) | \$ 24,487                                | \$ 20,792                           | \$ 16,286                                |

***OPEB expense:***

|   | OPEB<br>Expense |
|---|-----------------|
| Service cost  | \$ 505          |
| Interest  | 771             |
| Change of benefit terms                                   | -               |
| Employer administrative costs                             | -               |
| Recognition of deferred<br>outflows/inflows of resources: |                 |
| Differences between expected<br>and actual experience     | (1,492)         |
| Changes of assumptions                                    | (269)           |
| Total OPEB expense  | \$ (485)        |

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

At March 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ -                                 | \$ 948                              |
| Changes in assumptions and other inputs                     | -                                    | 4,468                               |
| Difference between projected and actual investment earnings | -                                    | -                                   |
| Contributions subsequent to the measurement date            | 1,494                                | -                                   |
| Total   | \$ 1,494                             | \$ 5,416                            |

**CITY OF GARRISON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2024**

**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> |                   |
|--------------------------------|-------------------|
| 2024                           | \$ (1,266)        |
| 2025                           | (1,566)           |
| 2026                           | (1,509)           |
| 2027                           | 178               |
| 2028                           | 69                |
| Thereafter                     | <u>-</u>          |
| Total                          | <u>\$ (4,094)</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. 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. All applicable provisions have been included in the City’s financial statements as of March 31, 2024.

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. All applicable provisions have been included in the City’s financial statements as of March 31, 2024.

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. All applicable provisions have been included in the City’s financial statements as of March 31, 2024.

**CITY OF GARRISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

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. All applicable provisions have been included in the City’s financial statements as of March 31, 2024.

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. All applicable provisions have been included in the City’s financial statements as of March 31, 2024.

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

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.

GASB Statement No. 102 – “*Certain Risk Disclosures.*” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. 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, 2024**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

GASB Statement No. 103 – “*Financial Reporting Model Improvements.*” The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

**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 2024. 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, 2024.

**Subsequent Events**

Management has evaluated subsequent events through September 9, 2024, 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, 2024**

|  | BUDGET AMOUNTS    |                   | ACTUAL            | VARIANCE WITH<br>FINAL BUDGET<br>FAVORABLE<br>(UNFAVORABLE) |
|--|-------------------|-------------------|-------------------|---|
|  | ORIGINAL          | FINAL             |                   | (UNFAVORABLE)   |
| <b>REVENUES</b>  |                   |                   |                   |   |
| Taxes:   |                   |                   |                   |   |
| Sales  | \$ 80,000         | \$ 80,000         | \$ 91,954         | \$ 11,954   |
| Property   | 120,000           | 120,000           | 124,596           | 4,596   |
| Franchise  | 58,500            | 58,500            | 56,504            | (1,996)   |
| Fines and forfeitures  | 157,835           | 157,835           | 72,183            | (85,652)  |
| Infrastructure fees  | 33,000            | 33,000            | 33,244            | 244   |
| Licenses and permits   | 350               | 350               | 1,640             | 1,290   |
| Charges for services   | 25,150            | 25,150            | 25,432            | 282   |
| Sanitation services  | 75,584            | 75,584            | 77,764            | 2,180   |
| Grants and contributions   | 35,150            | 35,150            | 58,000            | 22,850  |
| Interest income  | 355               | 355               | 586               | 231   |
| Miscellaneous  | 5,840             | 5,840             | 23,752            | 17,912  |
|  | <u>591,764</u>    | <u>591,764</u>    | <u>565,655</u>    | <u>(26,109)</u>   |
| Total revenues   |                   |                   |                   |   |
| <b>EXPENDITURES</b>  |                   |                   |                   |   |
| Administration   | 219,657           | 219,657           | 248,648           | (28,991)  |
| Public safety  | 150,468           | 150,468           | 146,097           | 4,371   |
| Municipal court  | 123,169           | 123,169           | 63,282            | 59,887  |
| Sanitation   | 55,700            | 55,700            | 53,134            | 2,566   |
| Emergency services   | 14,625            | 14,625            | 36,916            | (22,291)  |
| Highways and streets   | 137,945           | 137,945           | 4,055             | 133,890   |
| Parks and recreation   | -                 | -                 | 12,765            | (12,765)  |
| Capital outlay   | 35,150            | 35,150            | 86,284            | (51,134)  |
|  | <u>736,714</u>    | <u>736,714</u>    | <u>651,181</u>    | <u>85,533</u>   |
| Total expenditures   |                   |                   |                   |   |
| Excess (deficiency) of revenues<br>over (under) expenditures                           | <u>(144,950)</u>  | <u>(144,950)</u>  | <u>(85,526)</u>   | <u>59,424</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                   |                   |                   |   |
| Operating transfers from other funds   | 340,000           | 340,000           | -                 | (340,000)   |
| Operating transfers to other funds   | -                 | -                 | (230,373)         | (230,373)   |
| Copier lease   | -                 | -                 | (985)             | (985)   |
| Right-to-use software arrangements   | -                 | -                 | 11,308            | 11,308  |
| Sale of assets   | -                 | -                 | 17,000            | 17,000  |
|  | <u>340,000</u>    | <u>340,000</u>    | <u>(203,050)</u>  | <u>(543,050)</u>  |
| Total other financing sources  |                   |                   |                   |   |
| Excess (deficiency) of revenues & other<br>sources over expenditures & other<br>(uses) | <u>\$ 195,050</u> | <u>\$ 195,050</u> | <u>(288,576)</u>  | <u>\$ (483,626)</u>   |
| Fund balance - beginning of year   |                   |                   | <u>565,731</u>    |   |
| Fund balance - end of year   |                   |                   | <u>\$ 277,155</u> |   |

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

|  | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost   | \$ 60,065           | \$ 54,412           | \$ 53,534           | \$ 80,619           | \$ 72,733           | \$ 67,759           | \$ 54,560           | \$ 48,360           | \$ 33,414           |
| Interest (on the total pension liability)                              | 130,388             | 125,139             | 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                      | 15,624              | 34,785              | 42,238              | (473,184)           | 4,270               | (92,835)            | 32,504              | 33,691              | (87,250)            |
| Change of assumptions  | (1,082)             | -                   | -                   | -                   | (15,348)            | -                   | -                   | -                   | 23,821              |
| Benefit payments, including refunds of employee contributions          | (112,703)           | (166,096)           | (63,789)            | (192,120)           | (68,947)            | (88,397)            | (80,360)            | (58,843)            | (59,383)            |
| Net change in total pension liability                                  | 92,292              | 48,240              | 150,393             | (439,992)           | 132,357             | 23,749              | 209,293             | 137,373             | 26,592              |
| Total pension liability - beginning                                    | 1,957,986           | 1,909,746           | 1,759,353           | 2,199,345           | 2,066,988           | 2,043,239           | 1,833,946           | 1,696,573           | 1,669,981           |
| <b>Total pension liability - ending (a)</b>                            | <b>\$ 2,050,278</b> | <b>\$ 1,957,986</b> | <b>\$ 1,909,746</b> | <b>\$ 1,759,353</b> | <b>\$ 2,199,345</b> | <b>\$ 2,066,988</b> | <b>\$ 2,043,239</b> | <b>\$ 1,833,946</b> | <b>\$ 1,696,573</b> |
| <b>Plan fiduciary net position</b>                                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employer   | \$ 21,425           | \$ 23,350           | \$ 44,950           | \$ 73,615           | \$ 75,430           | \$ 68,170           | \$ 49,057           | \$ 49,111           | \$ 35,538           |
| Contributions - employee   | 23,581              | 21,255              | 20,865              | 31,230              | 28,176              | 26,752              | 21,723              | 19,605              | 13,952              |
| Net investment income  | 251,153             | (180,598)           | 285,251             | 160,655             | 278,385             | (55,428)            | 226,606             | 102,930             | 2,265               |
| Benefit payments, including refunds of employee contributions          | (112,703)           | (166,096)           | (63,789)            | (192,120)           | (68,947)            | (88,397)            | (80,360)            | (58,843)            | (59,383)            |
| Administrative expense   | (1,600)             | (1,563)             | (1,320)             | (1,039)             | (1,577)             | (1,074)             | (1,177)             | (1,166)             | (1,381)             |
| Other  | (9)                 | 1,864               | 10                  | (41)                | (47)                | (55)                | (60)                | (63)                | (70)                |
| Net change in plan fiduciary net position                              | 181,847             | (301,788)           | 285,967             | 72,300              | 311,420             | (50,032)            | 215,789             | 111,574             | (9,079)             |
| Plan fiduciary net position - beginning                                | 2,172,700           | 2,474,488           | 2,188,521           | 2,116,221           | 1,804,801           | 1,854,833           | 1,639,044           | 1,527,470           | 1,536,549           |
| <b>Plan fiduciary net position - ending (b)</b>                        | <b>\$ 2,354,547</b> | <b>\$ 2,172,700</b> | <b>\$ 2,474,488</b> | <b>\$ 2,188,521</b> | <b>\$ 2,116,221</b> | <b>\$ 1,804,801</b> | <b>\$ 1,854,833</b> | <b>\$ 1,639,044</b> | <b>\$ 1,527,470</b> |
| <b>Net pension liability - ending [(a) - (b)]</b>                      | <b>\$ (304,269)</b> | <b>\$ (214,714)</b> | <b>\$ (564,742)</b> | <b>\$ (429,168)</b> | <b>\$ 83,124</b>    | <b>\$ 262,187</b>   | <b>\$ 188,406</b>   | <b>\$ 194,902</b>   | <b>\$ 169,103</b>   |
| Plan fiduciary net position as a percentage of total pension liability | 114.84%             | 110.97%             | 129.57%             | 124.39%             | 96.22%              | 87.32%              | 90.78%              | 89.37%              | 90.03%              |
| Covered employee payroll   | \$ 336,877          | \$ 303,638          | \$ 298,075          | \$ 446,149          | \$ 402,509          | \$ 382,172          | \$ 362,044          | \$ 326,754          | \$ 232,530          |
| Net pension liability as a percentage of covered employee payroll      | (90.32%)            | (70.71%)            | (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)**

|  | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution                                  | \$ 41,033 | \$ 16,793 | \$ 62,120 | \$ 63,679 | \$ 75,430 | \$ 68,170 | \$ 49,057 | \$ 49,111 | \$ 35,538 |
| Contributions in relation to the actuarially determined contribution | 41,033    | 41,371    | 62,120    | 63,679    | 75,430    | 68,170    | 49,057    | 49,111    | 35,538    |
| Contribution deficiency (excess)                                     | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| Covered employee payroll   | 336,877   | 303,638   | 298,075   | 446,149   | 402,509   | 382,172   | 362,044   | 326,754   | 232,530   |
| Contributions as a percentage of covered employee payroll            | 12.18%    | 13.63%    | 20.84%    | 14.27%    | 18.74%    | 17.84%    | 13.55%    | 15.03%    | 15.28%    |

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS**

|  |  |
|--|--|
| <b>Valuation Date:</b>                           |  |
| Notes  | Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.   |
| <b>Methods and assumptions used to determine</b> |  |
| 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                                 | 3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022.   |
| Mortality  | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).<br>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| <b>Other information:</b>                        |  |
| 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)**

|  | 2023             | 2022             | 2021             | 2020             | 2019             | 2018             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB liability</b>                                      |                  |                  |                  |                  |                  |                  |
| Service cost   | \$ 505           | \$ 941           | \$ 775           | \$ 1,428         | \$ 684           | \$ 688           |
| Interest (on the total OPEB liability)                           | 771              | 495              | 513              | 674              | 719              | 813              |
| Changes of benefit terms   | -                | -                | -                | -                | -                | -                |
| Difference between expected and actual experience                | 102              | 136              | (673)            | (3,858)          | (532)            | (5,070)          |
| Change of assumptions  | 857              | (8,817)          | 754              | 3,366            | 3,981            | (1,494)          |
| Benefit payments   | (472)            | (273)            | (179)            | (89)             | (121)            | (115)            |
| <b>Net change in total OPEB liability</b>                        | <b>1,763</b>     | <b>(7,518)</b>   | <b>1,190</b>     | <b>1,521</b>     | <b>4,731</b>     | <b>(5,178)</b>   |
| <b>Total OPEB liability - beginning</b>                          | <b>19,029</b>    | <b>26,547</b>    | <b>25,357</b>    | <b>23,836</b>    | <b>19,105</b>    | <b>24,283</b>    |
| <b>Total OPEB liability - ending</b>                             | <b>\$ 20,792</b> | <b>\$ 19,029</b> | <b>\$ 26,547</b> | <b>\$ 25,357</b> | <b>\$ 23,836</b> | <b>\$ 19,105</b> |
| Covered employee payroll   | \$ 336,877       | \$ 303,638       | \$ 298,075       | \$ 446,149       | \$ 402,509       | \$ 382,172       |
| Total OPEB liability as a percentage of covered employee payroll | 6.17%            | 6.27%            | 8.91%            | 5.68%            | 5.92%            | 5.00%            |

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# Supplementary Information

**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, 2024**

|  | UTILITY SERVICES FUND ACTIVITIES |                   |                   |                     |
|--|----------------------------------|-------------------|-------------------|---------------------|
|  | DEPARTMENTS                      |                   |                   | TOTAL               |
|  | WATER SYSTEM                     | NATURAL GAS       | SEWER             |                     |
| <b>OPERATING REVENUES</b>                |                                  |                   |                   |                     |
| Service charges                          | \$ 368,433                       | \$ 228,495        | \$ 146,093        | \$ 743,021          |
| Tap fees                                 | 3,000                            | -                 | 600               | 3,600               |
| Pension Earnings                         | 36,040                           | 33,185            | -                 | 69,225              |
| Grants                                   | -                                | -                 | 16,675            | 16,675              |
| Other                                    | 130                              | -                 | -                 | 130                 |
| Total operating revenues                 | <u>407,603</u>                   | <u>261,680</u>    | <u>163,368</u>    | <u>832,651</u>      |
| <b>OPERATING EXPENSES</b>                |                                  |                   |                   |                     |
| Personnel services                       | 121,925                          | 107,739           | 1,423             | 231,087             |
| Natural gas purchases                    | -                                | 70,080            | -                 | 70,080              |
| Contract labor                           | 11,509                           | 1,860             | 1,860             | 15,229              |
| Depreciation                             | 39,232                           | -                 | -                 | 39,232              |
| Maintenance                              | 8,578                            | 9,325             | 9,350             | 27,253              |
| Utilities                                | 1,657                            | 2,725             | 1,646             | 6,028               |
| Chemicals and supplies                   | 37,658                           | 14,872            | 56,082            | 108,612             |
| Permits and licenses                     | 2,561                            | 987               | 3,685             | 7,233               |
| Professional fees                        | 2,835                            | 2,830             | 3,480             | 9,145               |
| Training and education                   | 30                               | -                 | 450               | 480                 |
| Insurance                                | 6,389                            | 5,835             | 4,099             | 16,323              |
| Other                                    | 542                              | 290               | 190               | 1,022               |
| Total operating expenses                 | <u>232,916</u>                   | <u>216,543</u>    | <u>82,265</u>     | <u>531,724</u>      |
| Operating income (loss)                  | <u>174,687</u>                   | <u>45,137</u>     | <u>81,103</u>     | <u>300,927</u>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                                  |                   |                   |                     |
| Interest income                          | 32                               | -                 | -                 | 32                  |
| Interest expense                         | (2,773)                          | -                 | -                 | (2,773)             |
| Total nonoperating expenses              | <u>(2,741)</u>                   | <u>-</u>          | <u>-</u>          | <u>(2,741)</u>      |
| Income (loss) before operating transfers | <u>171,946</u>                   | <u>45,137</u>     | <u>81,103</u>     | <u>298,186</u>      |
| <b>TRANSFERS</b>                         |                                  |                   |                   |                     |
| Transfers in                             | 120,732                          | 109,641           | -                 | 230,373             |
| Transfers out                            | -                                | -                 | -                 | -                   |
| Total transfers                          | <u>120,732</u>                   | <u>109,641</u>    | <u>-</u>          | <u>230,373</u>      |
| Change in net position                   | 292,678                          | 154,778           | 81,103            | 528,559             |
| Net position - beginning of year         | <u>601,634</u>                   | <u>38,707</u>     | <u>306,498</u>    | <u>946,839</u>      |
| Net position - end of year               | <u>\$ 894,312</u>                | <u>\$ 193,485</u> | <u>\$ 387,601</u> | <u>\$ 1,475,398</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, the business-type 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, 2024, 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 9, 2024.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

### **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 9, 2024

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**CITY OF GARRISON, TEXAS  
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED MARCH 31, 2024**

**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**

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**

COMPLETE

**CITY OF GARRISON, TEXAS  
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED MARCH 31, 2024**

**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.

**Corrective Action Plan**

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

**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**

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**

COMPLETE