



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
MARCH 31, 2025**

**CITY OF GARRISON, TEXAS
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FOR THE YEAR ENDED MARCH 31, 2025**

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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, 2025, 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, 2025, 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 59, and the Texas Municipal Retirement System schedules on pages 60 through 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Garrison, Texas's basic financial statements. The accompanying Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Utility Services Fund Departments and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 October 20, 2025, 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.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is written in a cursive, flowing style.

David K. Godwin, CPA, PLLC

Tyler, Texas

October 20, 2025

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Management's Discussion and Analysis

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CITY OF GARRISON

330 SOUTH B AVENUE
GARRISON, TX 75946
936-347-2201 • FAX 936-347-2200



Management's Discussion and Analysis For Year Ended March 31, 2025 (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, 2025. 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

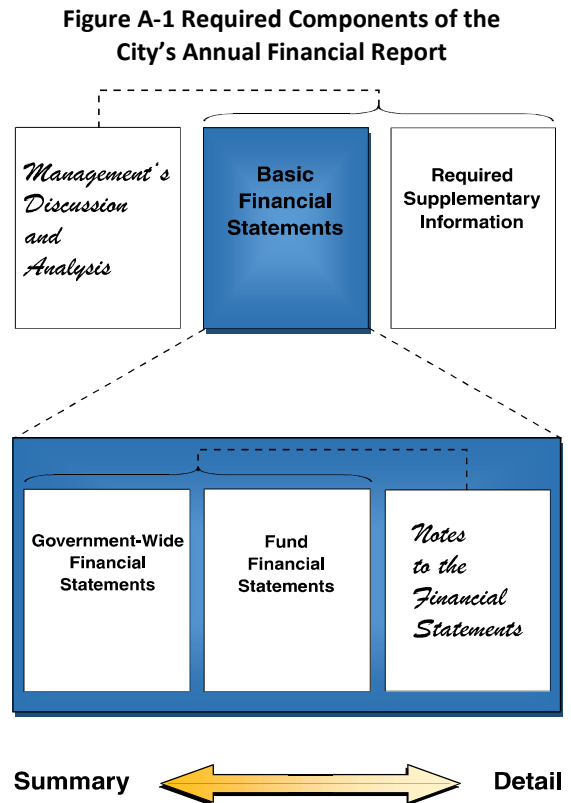
Darrell Lunsford
Alderman

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,348,301 (Net Position). Of this amount, \$1,200,410 (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 \$1,030,886.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$189,263. Of this amount, \$47,453 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 \$47,453, or 3.6% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$27,074.

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.*



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

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

FIGURE A-2 MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position
			• Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, emergency services, 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 \$3,348,301 as of March 31, 2025.

The largest portion of the City's net position, 62%, or \$2,071,926, 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	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 508,942	\$ 509,782	\$ 1,081,192	\$ 882,203	\$ 1,590,134	\$ 1,391,985
Capital Assets	1,073,694	352,154	1,006,028	707,898	2,079,722	1,060,052
Total Assets	<u>1,582,636</u>	<u>861,936</u>	<u>2,087,220</u>	<u>1,590,101</u>	<u>3,669,856</u>	<u>2,452,037</u>
Total Deferred Outflows of Resources	<u>88,432</u>	<u>88,876</u>	<u>67,222</u>	<u>67,717</u>	<u>155,654</u>	<u>156,593</u>
Non-Current Liabilities	22,495	27,202	20,688	44,157	43,183	71,359
Other Liabilities	77,845	33,357	164,282	114,546	242,127	147,903
Total Liabilities	<u>100,340</u>	<u>60,559</u>	<u>184,970</u>	<u>158,703</u>	<u>285,310</u>	<u>219,262</u>
Total Deferred Inflows of Resources	<u>105,093</u>	<u>48,236</u>	<u>86,806</u>	<u>23,717</u>	<u>191,899</u>	<u>71,953</u>
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	1,089,108	440,239	982,818	662,402	2,071,926	1,102,641
Restricted	75,965	69,723	-	-	75,965	69,723
Unrestricted	300,562	332,055	899,848	812,996	1,200,410	1,145,051
Total Net Position	<u>\$ 1,465,635</u>	<u>\$ 842,017</u>	<u>\$ 1,882,666</u>	<u>\$ 1,475,398</u>	<u>\$ 3,348,301</u>	<u>\$ 2,317,415</u>

A portion of net position, \$72,699, is restricted for municipal court security and technology enhancements, in addition to \$1,993 held for continuing education under the Law Enforcement Officer Standards and Education (LEOSE) fund. Another \$1,027 are forfeitures held by the City. The remaining balance of unrestricted net position, \$1,200,410, may be used to meet the government's ongoing obligations to citizens and creditors.

As of March 31, 2025, 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 \$1,030,886.

Governmental Activities: Net position for the governmental activities increased by \$623,618. Net position invested in capital assets, net of related debt, increased by \$969,285 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 revenue collections and interfund transfers.

Total revenues for the governmental activities decreased from the previous year by \$668,723, primarily due to larger grant receipts in the previous year. General revenue increased \$677,918 during 2025, primarily due to similar activity.

Business-type Activities: Net position from business-type activities increased by \$407,268. 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, 2025.

CITY OF GARRISON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Operating Revenues:						
Charges for Services	\$ 214,373	\$ 223,568	\$ 793,372	\$ 746,621	\$ 1,007,745	\$ 970,189
Other	-	-	667	130	667	130
General Revenues:						
Taxes	289,425	273,323	-	-	289,425	273,323
Pension Earnings	-	9,330	117	69,225	117	78,555
Grants & Contributions	746,845	58,000	132,066	16,675	878,911	74,675
Miscellaneous	23,053	40,752	-	-	23,053	40,752
Total Revenues	1,273,696	604,973	926,222	832,651	2,199,918	1,437,624
Expenses:						
General Government	605,630	594,566	-	-	605,630	594,566
Utility Services	-	-	564,470	531,724	564,470	531,724
Total Expenses	605,630	594,566	564,470	531,724	1,170,100	1,126,290
Increase (Decrease) in Total Revenues	668,066	10,407	361,752	300,927	1,029,818	311,334
NONOPERATING REVENUES (EXPENSES)						
Interest Income	2,549	586	407	32	2,956	618
Interest Expense	-	-	(1,888)	(2,773)	(1,888)	(2,773)
Total Non-operating Expense	2,549	586	(1,481)	(2,741)	1,068	(2,155)
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	-	-	46,997	230,373	46,997	230,373
Operating Transfers to Other Funds	(46,997)	(230,373)	-	-	(46,997)	(230,373)
Total Other Financing Sources (Uses)	(46,997)	(230,373)	46,997	230,373	-	-
Change in Net Position	623,618	(219,380)	407,268	528,559	1,030,886	309,179
Net Position – Beginning	842,017	1,061,397	1,475,398	946,839	2,317,415	2,008,236
Net Position – Ending	\$ 1,465,635	\$ 842,017	\$ 1,882,666	\$ 1,475,398	\$ 3,348,301	\$ 2,317,415

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 \$189,263; of this total amount, \$47,453, 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 a decrease in the fund balance on a budget basis. The City did not pass any general fund budget amendments during the fiscal year ending 2025.

Actual revenues in all categories were lower than the final budgeted amounts by a total of \$295,911. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$458,405.

After considering operating transfers, the City had a favorable variance of \$105,839 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, 2025 amounts to \$2,071,926 (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 \$1,019,670, or 49.03% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2025 included \$270,674 for utility system improvements, \$16,845 for equipment used in the operations of the utility system, \$22,518 for park improvements, and \$752,645 for a vehicle used in operations of the emergency services department.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 13,250	\$ 13,250	\$ 205,090	\$ 205,090	\$ 218,340	\$ 218,340
Construction in Progress	-	-	358,709	30,535	358,709	30,535
Utility Systems	-	-	2,812,098	2,795,253	2,812,098	2,795,253
Building	320,000	320,000	149,328	149,328	469,328	469,328
Machinery & Equipment	34,935	34,935	559,986	559,986	594,921	594,921
Vehicles	894,721	142,076	216,875	216,875	1,111,596	358,951
Park Improvements	22,518	-	23,852	23,852	46,370	23,852
Infrastructure	119,956	119,956	-	-	119,956	119,956
Right-to-use software arrangements	11,308	11,308	4,567	4,567	15,875	15,875
Accumulated Depreciation	(342,994)	(289,371)	(3,324,477)	(3,277,588)	(3,667,471)	(3,566,959)
Total	<u>\$ 1,073,694</u>	<u>\$ 352,154</u>	<u>\$ 1,006,028</u>	<u>\$ 707,898</u>	<u>\$ 2,079,722</u>	<u>\$ 1,060,052</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 \$21,569, which is secured by water meters and equipment.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Note Payable	\$ -	\$ -	\$ 21,569	\$ 42,336	\$ 21,569	\$ 42,336
Copier Lease	3,041	4,067	-	-	3,041	4,067
Right-to-use software arrangements	4,063	7,825	1,641	3,160	5,704	10,985
Total	<u>\$ 7,104</u>	<u>\$ 11,892</u>	<u>\$ 23,210</u>	<u>\$ 45,496</u>	<u>\$ 30,314</u>	<u>\$ 57,388</u>

During the fiscal year, the City's outstanding debt decreased by \$27,074, or 47.18%. The decrease was primarily due to the following:

- Annual debt principal payment made on the note payable.
- Amortization of right-to-use software arrangements and leases.

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, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 104,900	\$ 728,984	\$ 833,884
Investments	46,032	6,987	53,019
Receivables (net of allowances):			
Sales taxes	15,695	-	15,695
Property taxes	30,499	-	30,499
Franchise taxes	12,084	-	12,084
Fines and forfeitures	37,687	-	37,687
Sanitation fees	4,142	-	4,142
Other	3,160	62,806	65,966
Restricted cash	75,965	80,622	156,587
Net pension asset	178,778	201,793	380,571
Capital assets:			
Land and other non-depreciated assets	13,250	563,799	577,049
Other capital assets - net of depreciation	1,060,444	442,229	1,502,673
Total Assets	1,582,636	2,087,220	3,669,856
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	87,915	66,489	154,404
Deferred outflows from OPEB	517	733	1,250
Total Deferred Outflows of Resources	88,432	67,222	155,654
LIABILITIES			
Accounts payable and accrued liabilities	72,715	141,072	213,787
Long-term liabilities:			
Due within one year	5,130	23,210	28,340
Due in more than one year	22,495	20,688	43,183
Total Liabilities	100,340	184,970	285,310
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	102,664	83,671	186,335
Deferred inflows from OPEB	2,429	3,135	5,564
Total Deferred Inflows of Resources	105,093	86,806	191,899
NET POSITION			
Investment in capital assets, net of related debt	1,089,108	982,818	2,071,926
Restricted for municipal court	72,699	-	72,699
Restricted for public safety	3,266	-	3,266
Unrestricted	300,562	899,848	1,200,410
Total Net Position	\$ 1,465,635	\$ 1,882,666	\$ 3,348,301

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, 2025**

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	\$ 242,857	\$ 21,701	\$ -	\$ (221,156)	\$ -	\$ (221,156)
Public safety	176,420	48	1,700	(174,672)	-	(174,672)
Municipal court	69,826	80,887	-	11,061	-	11,061
Sanitation	59,120	80,319	-	21,199	-	21,199
Emergency services	37,816	-	745,145	707,329	-	707,329
Highways and streets	13,360	31,418	-	18,058	-	18,058
Parks and recreation	6,231	-	-	(6,231)	-	(6,231)
Total governmental activities	605,630	214,373	746,845	355,588	-	355,588
Business-type activities:						
Utility services	566,358	793,372	132,066	-	359,080	359,080
Total business-type activities	566,358	793,372	132,066	-	359,080	359,080
Total primary government	\$ 1,171,988	\$ 1,007,745	\$ 878,911	355,588	359,080	714,668
General revenues:						
Sales taxes				106,089	-	106,089
Property taxes				131,337	-	131,337
Franchise taxes				51,999	-	51,999
Pension earnings				-	117	117
Investment earnings				2,549	407	2,956
Miscellaneous local and intermediate revenue				23,053	667	23,720
Transfers				(46,997)	46,997	-
Total general revenues and transfers				268,030	48,188	316,218
Change in net position				623,618	407,268	1,030,886
Net position - beginning				842,017	1,475,398	2,317,415
Net position - ending				\$ 1,465,635	\$ 1,882,666	\$ 3,348,301

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, 2025**

	MAJOR FUNDS	
	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS		
Cash	\$ 104,900	\$ 104,900
Investments	46,032	46,032
Receivables (net of allowances):		
Sales taxes	15,695	15,695
Property taxes	30,499	30,499
Franchise taxes	12,084	12,084
Fine and forfeitures	37,687	37,687
Sanitation fees	4,142	4,142
Other	3,160	3,160
Restricted cash	75,965	75,965
	<u>75,965</u>	<u>75,965</u>
Total assets	<u>\$ 330,164</u>	<u>\$ 330,164</u>
LIABILITIES		
Accounts payable	\$ 72,715	\$ 72,715
	<u>72,715</u>	<u>72,715</u>
Total liabilities	<u>72,715</u>	<u>72,715</u>
DEFERRED INFLOWS (OF RESOURCES)		
Property taxes	30,499	30,499
Fines, forfeitures, and warrants	37,687	37,687
	<u>37,687</u>	<u>37,687</u>
Total deferred inflows	<u>68,186</u>	<u>68,186</u>
FUND BALANCES		
Restricted fund balance:		
Municipal court	72,699	72,699
Public safety	3,266	3,266
Committed fund balance:		
Infrastructure	61,359	61,359
Assigned fund balance:		
Park improvements	4,486	4,486
Unassigned fund balance	47,453	47,453
	<u>47,453</u>	<u>47,453</u>
Total fund balances	<u>189,263</u>	<u>189,263</u>
	<u>189,263</u>	<u>189,263</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 330,164</u>	<u>\$ 330,164</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, 2025

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

Total fund balances - governmental funds	\$ 189,263
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	1,073,694
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	178,778
Deferred outflows, related to pension	87,915
Deferred inflows, related to pension	(102,664)
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	(12,409)
Deferred outflows, related to OPEB	517
Deferred inflows, related to OPEB	(2,429)
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	(3,041)
Compensated absences	(8,112)
Right-to-use software arrangements	(4,063)
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.	37,687
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.	30,499
Net position of governmental activities	\$ 1,465,635

CITY OF GARRISON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	MAJOR FUNDS	
	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Taxes:		
Sales	\$ 106,089	\$ 106,089
Property	127,480	127,480
Franchise	51,999	51,999
Fines and forfeitures	78,006	78,006
Infrastructure fees	31,418	31,418
Licenses and permits	275	275
Charges for services	21,474	21,474
Sanitation services	80,319	80,319
Grants and contributions	746,845	746,845
Interest income	2,549	2,549
Miscellaneous	23,053	23,053
	<u>1,269,507</u>	<u>1,269,507</u>
Total revenues		
	<u>1,269,507</u>	<u>1,269,507</u>
EXPENDITURES		
Administration	218,572	218,572
Public safety	147,608	147,608
Municipal court	68,791	68,791
Sanitation	59,120	59,120
Emergency services	25,272	25,272
Highways and streets	5,795	5,795
Parks and recreation	5,293	5,293
Capital outlay	775,163	775,163
	<u>1,305,614</u>	<u>1,305,614</u>
Total expenditures		
	<u>1,305,614</u>	<u>1,305,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,107)</u>	<u>(36,107)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers to other funds	(46,997)	(46,997)
Copier lease	(1,026)	(1,026)
Right-to-use software arrangements	(3,762)	(3,762)
	<u>(51,785)</u>	<u>(51,785)</u>
Total other financing sources (uses)		
	<u>(51,785)</u>	<u>(51,785)</u>
Net change in fund balances	(87,892)	(87,892)
Fund balances - beginning of year	277,155	277,155
Fund balances - end of year	<u>\$ 189,263</u>	<u>\$ 189,263</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, 2025

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

Net change in fund balances - total governmental funds	\$ (87,892)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(53,623)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	3,857
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.	2,881
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	(715)
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	(20,947)
GASB 75 Other post employment benefit adjustments	106
Copier lease	1,026
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.	775,163
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.	3,762
Change in net position of governmental activities	\$ 623,618

**CITY OF GARRISON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2025**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND UTILITY SERVICES
ASSETS	
Current assets:	
Cash	\$ 728,984
Investments	6,987
Grant Receivable	38,500
Accounts receivable (net)	24,306
Total current assets	<u>798,777</u>
Noncurrent assets:	
Restricted cash	80,622
Net pension asset	201,793
Capital assets:	
Land	205,090
Utility systems	2,812,098
Buildings	149,328
Machinery and equipment	559,986
Vehicles	216,875
Improvements	23,852
Right-to-use software arrangements	4,567
Construction in progress	358,709
Less: accumulated depreciation	<u>(3,324,477)</u>
Total noncurrent assets	<u>1,288,443</u>
Total assets	<u>2,087,220</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	66,489
Deferred outflows from OPEB	733
Total deferred outflows of resources	<u>67,222</u>
LIABILITIES	
Current liabilities:	
Accounts payable	60,144
Customer deposits	80,622
Sales tax payable	306
Loan payable	21,569
Right-to-use software arrangements	1,641
Total current liabilities	164,282
Non-current liabilities:	
Compensated absences	12,920
Net OPEB liability	7,768
Total liabilities	<u>184,970</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	83,671
Deferred inflows from OPEB	3,135
Total deferred inflows of resources	<u>86,806</u>
NET POSITION	
Investment in capital assets, net of related debt	982,818
Unrestricted	899,848
Total net position	<u>\$ 1,882,666</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, 2025

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	<u>UTILITY SERVICES</u>
OPERATING REVENUES	
Service charges	\$ 790,372
Tap fees	3,000
Pension Earnings	117
Grants	132,066
Other	667
	<u>926,222</u>
Total operating revenues	<u>926,222</u>
OPERATING EXPENSES	
Personnel services	258,559
Natural gas purchases	92,037
Contract labor	16,705
Depreciation	46,889
Maintenance	25,173
Utilities	6,406
Chemicals and supplies	81,120
Permits and licenses	2,430
Professional fees	8,486
Training and education	2,863
Insurance	14,259
Other	9,543
	<u>564,470</u>
Total operating expenses	<u>564,470</u>
Operating income	<u>361,752</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	407
Interest expense	(1,888)
	<u>(1,481)</u>
Total nonoperating expenses	<u>(1,481)</u>
Income before operating transfers	<u>360,271</u>
TRANSFERS	
Transfers in	46,997
	<u>46,997</u>
Total transfers	<u>46,997</u>
Change in net position	407,268
Net position - beginning of year	<u>1,475,398</u>
Net position - end of year	<u><u>\$ 1,882,666</u></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, 2025**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND UTILITY SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 793,372
Other cash receipts	132,733
Payments to suppliers for goods and services	(276,731)
Payments to employees for services	(218,165)
Net cash provided by operating activities	431,209
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	46,997
Net cash provided by non-capital financing activities	46,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(345,019)
Principal repayments on debt	(22,286)
Interest on debt	(1,888)
Net cash used in capital and related financing activities	(369,193)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	407
Net cash provided by investing activities	407
Net increase in cash and cash equivalents	109,420
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	700,186
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 809,606
Reconciliation of Operating Income to Net Cash provided by (used in) Operating Activities	
Operating income	\$ 361,752
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	46,889
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	47,642
Increase (decrease) in pension liability	(40,135)
Increase (decrease) in OPEB liability	(323)
Increase (decrease) in deferred inflows	63,089
Increase (decrease) in sales tax payable	68
Increase (decrease) in compensated absences	64
Increase (decrease) in customer deposits	1,102
Decrease (increase) in deferred outflows	495
Decrease (increase) in investments	(407)
Decrease (increase) in grants receivable	(38,500)
Decrease (increase) in accounts receivable	(10,527)
Total adjustments	69,457
Net cash provided by operating activities	\$ 431,209

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, 2025

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, 2025.

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, 2025

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, 2025

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, 2025

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, 2025. 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, 2025

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, 2025

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, 2025

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, 2025**

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>
Sanitation	\$ 59,120	\$ 56,000	\$ (3,120)
Emergency services	\$ 25,272	\$ 14,800	\$ (10,472)
Parks and recreation	\$ 5,293	\$ 100	\$ (5,193)

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, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at March 31, 2025. 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:

Cash & Cash Equivalents	Bank Balance	Category			Carrying Amount
		1	2	3	
General fund	\$ 180,865	\$ 250,000	\$ -	\$ -	\$ 250,000
Proprietary fund	809,606	69,135	809,606	-	878,741
Total	<u>\$ 990,471</u>	<u>\$ 319,135</u>	<u>\$ 809,606</u>	<u>\$ -</u>	<u>\$ 1,128,741</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025, the carrying amount of the City’s certificates of deposit were \$53,019.

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, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$43,715,079 for 2024 (with taxes due January 1, 2024) levied at a rate of \$0.29724 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:

	Primary Government General Fund	Business-Type Utility Services Fund	Total
<u>Receivables</u>			
Accounts	\$ 7,302	\$ 33,835	\$ 41,137
Grants	-	38,500	38,500
Fines	48,317	-	48,317
Taxes	58,278	-	58,278
	<u>113,897</u>	<u>72,335</u>	<u>186,232</u>
Gross receivables	113,897	72,335	186,232
Less: Allowance for uncollectables	<u>(10,630)</u>	<u>(9,529)</u>	<u>(20,159)</u>
Total	<u>\$ 103,267</u>	<u>\$ 62,806</u>	<u>\$ 166,073</u>

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, 2025, is as follows:

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 46,997
Utility Services	46,997	-
Total	<u>\$ 46,997</u>	<u>\$ 46,997</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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:

Primary Government	Balance 3/31/2024	Additions	Deletions	Balance 3/31/2025
<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	119,956	-	-	119,956
Park improvements	-	22,518	-	22,518
Vehicles	142,076	752,645	-	894,721
Right-to-use software arrangements	11,308	-	-	11,308
Accumulate depreciation	(289,371)	(53,623)	-	(342,994)
Governmental activities, net	352,154	721,540	-	1,073,694
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	205,090	-	-	205,090
Construction in progress	30,535	328,174	-	358,709
<u>Depreciable assets:</u>				
Utility systems	2,795,253	16,845	-	2,812,098
Buildings	149,328	-	-	149,328
Machinery and equipment	559,986	-	-	559,986
Vehicles	216,875	-	-	216,875
Improvements	23,852	-	-	23,852
Right-to-use software arrangements	4,567	-	-	4,567
Accumulate depreciation	(3,277,588)	(46,889)	-	(3,324,477)
Business-type activities, net	707,898	298,130	-	1,006,028
Capital assets, net	\$ 1,060,052	\$ 1,019,670	\$ -	\$ 2,079,722

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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		14,935
Municipal court		1,035
Emergency services		12,544
Highways and streets		5,998
Parks and recreation		938
Total depreciation expense	\$	<u>53,623</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, 2025.

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, 2025.

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, 2025

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:

Secured By	Maturity Date	Interest Rates	Note Amount	Yearend Balance
Water meters and equipment	1/25/2026	3.863%	\$ 135,507	\$ 21,569
Total			<u>\$ 135,507</u>	<u>\$ 21,569</u>

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

Year Ending March 31	Proprietary Activities	
	Notes Payable	
	Principal	Interest
2026	\$ 21,569	\$ 833
Total	<u>\$ 21,569</u>	<u>\$ 833</u>

The changes in the general long-term debt as of March 31, 2025 are as follows:

	Balance 3/31/2024	Additions	Reductions	Balance 3/31/2025	Due Within One Year
<i>Governmental activities:</i>					
Compensated absences	\$ 7,397	\$ -	\$ 715	\$ 8,112	\$ -
Net OPEB liability	12,701	-	(292)	12,409	-
Copier lease	4,067	-	(1,026)	3,041	1,067
Right-to-use software arrangements	7,825	-	(3,762)	4,063	4,063
<i>Business-type activities:</i>					
Note payable	42,336	-	(20,767)	21,569	21,569
Compensated absences	12,856	64	-	12,920	-
Net OPEB liability	8,091	-	(323)	7,768	-
Right-to-use software arrangements	3,160	-	(1,519)	1,641	1,641
Total	<u>\$ 95,273</u>	<u>\$ 64</u>	<u>\$ (25,455)</u>	<u>\$ 69,882</u>	<u>\$ 26,699</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Leases

Lease agreements are summarized as follows:

Description	Lease Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Yearend Balance
Sharp color copier	1/20/2023	60 Months	\$ 97.46	4.000%	\$ 5,292	\$ 3,041
Total					<u>\$ 5,292</u>	<u>\$ 3,041</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:

Year Ending March 31	Governmental Activities	
	Lease Payment Schedule	
	Principal	Interest
2026	\$ 1,067	\$ 102
2027	1,111	59
2028	863	14
Total	<u>\$ 3,041</u>	<u>\$ 175</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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 published 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 published 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 published 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, 2025

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:

Governmental Activities	SBITA Date	Payment Terms	Payment Amount	Interest Rate	Total SBITA Liability	Yearend Balance
Right-to-use software arrangements						
Kologik / COPsync	4/1/2023	36 months	3,090	8.00%	7,963	2,861
QuickBooks	4/1/2023	36 months	1,298	8.00%	3,345	1,202
Business-Type Activities						
Right-to-use software arrangements						
RVS	4/1/2023	36 months	1,226	8.00%	4,567	1,641
Total					<u>\$ 17,813</u>	<u>\$ 5,704</u>

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

Year Ending March 31	SBITA Payment Schedule				Total
	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	
2026	\$ 4,063	\$ 325	\$ 1,641	\$ 131	\$ 6,160
Total	\$ 4,063	\$ 325	\$ 1,641	\$ 131	\$ 6,160

Commitments

The City has the following contractual commitments as of March 31, 2025:

Wastewater Treatment Plant Replacement	\$ 525,400
Sewer Line Improvement	<u>13,635</u>
Total	<u>\$ 539,035</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 940 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](https://www.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	2024	2023
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, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

At the December 31, 2025 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	5
Total	<u>14</u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching 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 6.69% and 7.71% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended March 31, 2025 were \$20,313, and were equal to the required contributions.

Net Pension Liability – The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 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, 2025

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 2024 and first used in the December 31, 2024 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 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.00%	

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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:

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 2,050,278	\$ 2,354,547	\$ (304,269)
Changes for the year:			
Service cost	\$ 61,682	\$ -	\$ 61,682
Interest	136,627	-	136,627
Changes in current period benefits*	-	-	-
Difference between expected and actual experience	14,179	-	14,179
Changes of assumptions	-	-	-
Contributions - employer	-	22,574	(22,574)
Contributions - employee	-	23,620	(23,620)
Net investment income	-	244,202	(244,202)
Benefit payments, including refunds of employee contributions	(114,040)	(114,040)	-
Administrative expense	-	(1,569)	1,569
Other changes	-	(36)	36
Net changes	98,448	174,751	(76,303)
Balance at 12/31/2024	\$ 2,148,726	\$ 2,529,298	\$ (380,572)

* 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, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ (131,247)	\$ (380,572)	\$ (591,568)

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.

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

For the year ended March 31, 2025, the City recognized pension expenditures of \$44,190.

At March 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 182,367
Changes in actuarial assumptions	-	3,968
Difference between projected and actual investment earnings	142,886	-
Contributions subsequent to the measurement date	11,518	-
Total	\$ 154,404	\$ 186,335

**CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

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 \$11,518 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, 2025. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2025	\$	13,983
2026		38,819
2027		(35,720)
2028		(17,054)
2029		-
Thereafter		-
Total	\$	<u>28</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2024 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	5
Total	<u>9</u>

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

Schedule of contributions:

Plan Year	2024	2023
Total SDB Contribution (Rate)	.33%	.34%
Retiree Portion of SDB Contribution (Rate)	.13%	.14%

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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*	4.08%
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	2019Municipal Retirees of TexasMortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by 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, 2024.	

Changes in the OPEB liability:

	Total OPEB Liability
Balance at 12/31/2023	\$ 20,792
Changes for the year:	
Service cost	\$ 540
Interest	786
Change of benefit terms	-
Difference between expected and actual experience	(556)
Changes of assumptions	(946)
Benefit payments	(439)
Net changes	(615)
Balance at 12/31/2024	\$ 20,177

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

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

	1% Decrease in Discount Rate 3.08%	Current Rate Assumption 4.08%	1% Increase in Discount Rate 5.08%
City's net pension liability (asset)	\$ 23,471	\$ 20,177	\$ 17,439

OPEB expense:

	OPEB Expense
Service cost	\$ 540
Interest	786
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(999)
Changes of assumptions	(550)
Total OPEB expense	<u>\$ (223)</u>

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

At March 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 546
Changes in assumptions and other inputs	-	5,018
Contributions subsequent to the measurement date	1,250	-
Total	<u>\$ 1,250</u>	<u>\$ 5,564</u>

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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):

Year ended December 31:		
2025	\$	(1,849)
2026		(1,792)
2027		(105)
2028		(214)
2029		(87)
Thereafter		-
Total	\$	<u>(4,047)</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. 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. All applicable provisions have been included in the City’s financial statements as of March 31, 2025.

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. All applicable provisions have been included in the City’s financial statements as of March 31, 2025.

CITY OF GARRISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

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

GASB Statement No. 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.

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.

GASB Statement No. 104 – *“Disclosure of Certain Capital Assets.”* The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. 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 expended \$750,000 or more in federal or state awards during 2025. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was required for the year ended March 31, 2025.

Subsequent Events

On August 29, 2025, the Chief of Police for the City of Garrison, Texas retired.

Management has evaluated all other subsequent events through October 20, 2025, which is the date the financial statements were made available to management.

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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, 2025**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes:				
Sales	\$ 85,000	\$ 85,000	\$ 106,089	\$ 21,089
Property	125,000	125,000	127,480	2,480
Franchise	58,500	58,500	51,999	(6,501)
Fines and forfeitures	185,845	185,845	78,006	(107,839)
Infrastructure fees	33,000	33,000	31,418	(1,582)
Licenses and permits	1,500	1,500	275	(1,225)
Charges for services	27,574	27,574	21,474	(6,100)
Sanitation services	85,000	85,000	80,319	(4,681)
Grants and contributions	950,000	950,000	746,845	(203,155)
Interest income	448	448	2,549	2,101
Miscellaneous	13,551	13,551	23,053	9,502
Total revenues	1,565,418	1,565,418	1,269,507	(295,911)
EXPENDITURES				
Administration	252,956	252,956	218,572	34,384
Public safety	218,780	218,780	147,608	71,172
Municipal court	124,683	124,683	68,791	55,892
Sanitation	56,000	56,000	59,120	(3,120)
Emergency services	14,800	14,800	25,272	(10,472)
Highways and streets	136,700	136,700	5,795	130,905
Parks and recreation	100	100	5,293	(5,193)
Capital outlay	960,000	960,000	775,163	184,837
Total expenditures	1,764,019	1,764,019	1,305,614	458,405
Excess (deficiency) of revenues over (under) expenditures	(198,601)	(198,601)	(36,107)	162,494
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	270,000	270,000	-	(270,000)
Operating transfers to other funds	(265,130)	(265,130)	(46,997)	218,133
Copier lease	-	-	(1,026)	(1,026)
Right-to-use software arrangements	-	-	(3,762)	(3,762)
Total other financing sources	4,870	4,870	(51,785)	(56,655)
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	\$ (193,731)	\$ (193,731)	(87,892)	\$ 105,839
Fund balance - beginning of year			277,155	
Fund balance - end of year			\$ 189,263	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ 61,682	\$ 60,065	\$ 54,412	\$ 53,534	\$ 80,619	\$ 72,733	\$ 67,759	\$ 54,560	\$ 48,360
Interest (on the total pension liability)	136,627	130,388	125,139	118,410	144,693	139,649	137,222	127,958	114,165
Changes of benefit terms	-	-	-	-	-	-	-	74,631	-
Difference between expected and actual experience	14,179	15,624	34,785	42,238	(473,184)	4,270	(92,835)	32,504	33,691
Change of assumptions	-	(1,082)	-	-	-	(15,348)	-	-	-
Benefit payments, including refunds of employee contributions	(114,040)	(112,703)	(166,096)	(63,789)	(192,120)	(68,947)	(88,397)	(80,360)	(58,843)
Net change in total pension liability	98,448	92,292	48,240	150,393	(439,992)	132,357	23,749	209,293	137,373
Total pension liability - beginning	2,050,278	1,957,986	1,909,746	1,759,353	2,199,345	2,066,988	2,043,239	1,833,946	1,696,573
Total pension liability - ending (a)	\$ 2,148,726	\$ 2,050,278	\$ 1,957,986	\$ 1,909,746	\$ 1,759,353	\$ 2,199,345	\$ 2,066,988	\$ 2,043,239	\$ 1,833,946
Plan fiduciary net position									
Contributions - employer	\$ 22,574	\$ 21,425	\$ 23,350	\$ 44,950	\$ 73,615	\$ 75,430	\$ 68,170	\$ 49,057	\$ 49,111
Contributions - employee	23,620	23,581	21,255	20,865	31,230	28,176	26,752	21,723	19,605
Net investment income	244,202	251,153	(180,598)	285,251	160,655	278,385	(55,428)	226,606	102,930
Benefit payments, including refunds of employee contributions	(114,040)	(112,703)	(166,096)	(63,789)	(192,120)	(68,947)	(88,397)	(80,360)	(58,843)
Administrative expense	(1,569)	(1,600)	(1,563)	(1,320)	(1,039)	(1,577)	(1,074)	(1,177)	(1,166)
Other	(36)	(9)	1,864	10	(41)	(47)	(55)	(60)	(63)
Net change in plan fiduciary net position	174,751	181,847	(301,788)	285,967	72,300	311,420	(50,032)	215,789	111,574
Plan fiduciary net position - beginning	2,354,547	2,172,700	2,474,488	2,188,521	2,116,221	1,804,801	1,854,833	1,639,044	1,527,470
Plan fiduciary net position - ending (b)	\$ 2,529,298	\$ 2,354,547	\$ 2,172,700	\$ 2,474,488	\$ 2,188,521	\$ 2,116,221	\$ 1,804,801	\$ 1,854,833	\$ 1,639,044
Net pension liability - ending [(a) - (b)]	\$ (380,572)	\$ (304,269)	\$ (214,714)	\$ (564,742)	\$ (429,168)	\$ 83,124	\$ 262,187	\$ 188,406	\$ 194,902
Plan fiduciary net position as a percentage of total pension liability	117.71%	114.84%	110.97%	129.57%	124.39%	96.22%	87.32%	90.78%	89.37%
Covered employee payroll	\$ 337,431	\$ 336,877	\$ 303,638	\$ 298,075	\$ 446,149	\$ 402,509	\$ 382,172	\$ 362,044	\$ 326,754
Net pension liability as a percentage of covered employee payroll	(112.79%)	(90.32%)	(70.71%)	(189.46%)	(96.19%)	20.65%	68.60%	52.04%	59.65%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS
(UNAUDITED)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 40,842	\$ 41,033	\$ 16,793	\$ 62,120	\$ 63,679	\$ 75,430	\$ 68,170	\$ 49,057	\$ 49,111
Contributions in relation to the actuarially determined contribution	40,842	41,033	41,371	62,120	63,679	75,430	68,170	49,057	49,111
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employee payroll	337,431	336,877	303,638	298,075	446,149	402,509	382,172	362,044	326,754
Contributions as a percentage of covered employee payroll	12.10%	12.18%	13.63%	20.84%	14.27%	18.74%	17.84%	13.55%	15.03%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
Methods and assumptions used to determine	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.60% 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). 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).
Other information:	
Notes	There were no benefit changes during the year.

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 540	\$ 505	\$ 941	\$ 775	\$ 1,428	\$ 684	\$ 688
Interest (on the total OPEB liability)	786	771	495	513	674	719	813
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(556)	102	136	(673)	(3,858)	(532)	(5,070)
Change of assumptions	(946)	857	(8,817)	754	3,366	3,981	(1,494)
Benefit payments	(439)	(472)	(273)	(179)	(89)	(121)	(115)
Net change in total OPEB liability	(615)	1,763	(7,518)	1,190	1,521	4,731	(5,178)
Total OPEB liability - beginning	<u>20,792</u>	<u>19,029</u>	<u>26,547</u>	<u>25,357</u>	<u>23,836</u>	<u>19,105</u>	<u>24,283</u>
Total OPEB liability - ending	<u>\$ 20,177</u>	<u>\$ 20,792</u>	<u>\$ 19,029</u>	<u>\$ 26,547</u>	<u>\$ 25,357</u>	<u>\$ 23,836</u>	<u>\$ 19,105</u>
Covered employee payroll	\$ 337,431	\$ 336,877	\$ 303,638	\$ 298,075	\$ 446,149	\$ 402,509	\$ 382,172
Total OPEB liability as a percentage of covered employee payroll	5.98%	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, 2025

	UTILITY SERVICES FUND ACTIVITIES			
	DEPARTMENTS			TOTAL
	WATER SYSTEM	NATURAL GAS	SEWER	
OPERATING REVENUES				
Service charges	\$ 385,218	\$ 247,481	\$ 157,673	\$ 790,372
Tap fees	-	-	3,000	3,000
Pension Earnings	61	56	-	117
Grants	-	-	132,066	132,066
Other	667	-	-	667
Total operating revenues	385,946	247,537	292,739	926,222
OPERATING EXPENSES				
Personnel services	147,569	109,808	1,182	258,559
Natural gas purchases	-	92,037	-	92,037
Contract labor	12,478	2,217	2,010	16,705
Depreciation	38,612	-	8,277	46,889
Maintenance	7,881	8,578	8,714	25,173
Utilities	1,627	3,152	1,627	6,406
Chemicals and supplies	16,432	21,655	43,033	81,120
Permits and licenses	1,426	937	67	2,430
Professional fees	2,624	2,883	2,979	8,486
Training and education	1,131	1,732	-	2,863
Insurance	5,836	5,441	2,982	14,259
Other	1,370	378	7,795	9,543
Total operating expenses	236,986	248,818	78,666	564,470
Operating income (loss)	148,960	(1,281)	214,073	361,752
NONOPERATING REVENUES (EXPENSES)				
Interest income	407	-	-	407
Interest expense	(1,888)	-	-	(1,888)
Total nonoperating expenses	(1,481)	-	-	(1,481)
Income (loss) before operating transfers	147,479	(1,281)	214,073	360,271
TRANSFERS				
Transfers in	60,294	563	-	60,857
Transfers out	-	-	(13,860)	(13,860)
Total transfers	60,294	563	(13,860)	46,997
Change in net position	207,773	(718)	200,213	407,268
Net position - beginning of year	894,312	193,485	387,601	1,475,398
Net position - end of year	\$ 1,102,085	\$ 192,767	\$ 587,814	\$ 1,882,666

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 20, 2025.

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*.

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.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is written in a cursive style and is positioned above a horizontal line.

David K. Godwin, CPA, PLLC

Tyler, Texas

October 20, 2025



DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Garrison, Texas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended March 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Garrison, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, provisions of contracts or grant agreements applicable to the City's federal programs

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is written in a cursive, flowing style.

David K. Godwin, CPA, PLLC

Tyler, Texas

October 20, 2025

CITY OF GARRISON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2025

A Summary of Auditor's Results

Financial Statements

- 1 The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

 X Unmodified Qualified Adverse Disclaimer

- 2 The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes X None reported

Material weakness(es)? Yes X No

- 3 Noncompliance considered material to the financial statements was disclosed by the audit?

 Yes X No

Federal Awards

- 4 The independent auditor's report on internal control over compliance for major federal award programs disclosed:

Significant deficiency(ies)? Yes X None reported

Material weakness(es)? Yes X No

- 5 The opinion expressed in the independent auditor's report on compliance for major federal award programs was:

 X Unmodified Qualified Adverse Disclaimer

- 6 The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

 Yes X No

- 7 The Organization's major federal program(s) were:

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number(s)
United States Department of Housing and Urban Development Texas Community Development Block Grant	14.228

- 8 The threshold used to distinguish between Type A and Type B programs was \$750,000.

- 9 The Organization qualified as a low-risk auditee? Yes X No

B Financial Statement Findings

No findings were noted.

C Federal Award Findings and Questioned Costs

No findings were noted.

CITY OF GARRISON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2025

Federal Grantor / Pass - Through Grantor / Program or Cluster Title	Assistance Listing Number	Federal Award Identification Number	Pass - Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development				
Community Development Block Grants/State's program and Non-Entitlement Grants				
Fire, Ambulance, and Service Truck Fund	14.228	CFA22-0087	-	\$ 752,645
Department of the Treasury				
Coronavirus State and Local Fiscal Recovery Funds	21.027	AR4556	-	189,249
United States Environmental Protection Agency				
Clean Water State Revolving Fund				
Texas Water Development Board	66.458	LF1001690	-	81,425
Total Federal Financial Assistance				<u>\$ 1,023,319</u>

CITY OF GARRISON, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Garrison, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedules presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. These expenditures are recognized according to the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The City of Garrison, Texas has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.