



**CITY OF GREGORY**  
*Office of the City Secretary*

206 W. Fourth St. – PO Box 297  
Gregory, Texas 78359

Phone: (361) 643-6562 Fax: (361) 777-2981  
Email: [veronica.cortez@gregorytx.com](mailto:veronica.cortez@gregorytx.com)

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Services provided by the city under the general governmental function include public safety (police and fire.)

Accounting System and Budgetary Control

The city's accounting record for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, expenditures being recorded when services or goods are received, and the liabilities are incurred. Accounting records for the city's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the city's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management.

The city requires that in or before the end of August, the City Administrator submits to the City Council a proposed budget and budget message to the City Council for the fiscal year commencing the following October 1. The budget message is the responsibility of the City Administrator. The City Council shall review the proposed budget and make any appropriate changes prior to adopting and publishing the final budget. The budget is legally enacted through passage of an ordinance on or before September 30<sup>th</sup>. The City Secretary is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. The City Administrator and City Secretary may be authorized, by ordinance and the adoption of the City Council, to expend limited amounts which are included within the budget. Expenditures over this amount require authorization by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item for the current month and year-to-date and are distributed monthly to city department supervisors as well as other upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personal expenditures are monitored and controlled at a position level and capital expenditures are controlled item by item.



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The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the city operates.

### **ECONOMIC OUTLOOK AND FINANCIAL CONDITION**

#### **Regional Economy**

San Patricio County is located at the center of the Corpus Christi Bay Area on the Gulf of Mexico. Linked to Corpus Christi by the Harbor Bridge, the county is part of a two county MSA, which celebrates being the industrial area in the nation that has clear air, healthy bays and estuaries and plentiful water supplies. Coupled with an abundant land and a young workforce, San Patricio County is poised to be the center of growth in the region. Rail and interstate connectivity also link San Patricio County to Mexican and U.S. markets.

As a bedroom community to the larger City of Corpus Christi, which is to our south, our economic is largely related to providing high quality of life for the families that reside here. Housing sales have remained slow in contrast to the national trend. Gregory's housing remains affordable and in most cases is close to 25% less than a comparable property in neighboring metropolitan Corpus Christi. The city has however started to see the development of additional affordable housing, starting with the 72 unit complex on FM 2986 and the renovation of the existing Gregory Housing Authority complexes.

The following facts reflect upon Gregory's economic condition and outlook:

- Major industrial construction continues at an increasing pace.
- Gregory and its adjacent land continue to serve as plant locations for some of the nation's largest corporations:
  - Sherwin Alumina
  - DuPont
  - OxyChem
  - Tianjin Pipe Company
  - Cheniere Energy
  - Voestalpine Group Steel Company
- Total taxable value for all residential and commercial property in the City of Gregory exceeded \$46.50 million for the fiscal year 2014, a 7.29% increase from the previous year.
- Total sales tax collections have increased over \$68.9K or 13.86% over the prior fiscal year. The overall industrial growth of the area is considered to be the major factor.



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### **Current Economic Outlook and New Developments**

The City of Gregory has taken several steps in the recent years and continues to move forward on several projects to improve the quality of life, by capitalizing on the natural beauty of the area and preserving public access to natural areas.

### **New Developments:**

Tianjin Pipe Company; (TPCO) a seamless steel pipe manufacturing facility, has started the construction of its one billion dollar project. This project will be the largest Chinese development in the United States. Gregory is expected to be positively impacted both during construction and when the plant is completed, with additional vendor support businesses and the resulting expanded workforce.

Cheniere Energy; has started construction of a liquefied natural gas (LNG) export terminal in the La Quinta Channel, located adjacent to the City of Gregory. The total terminal is expected to cost over \$16 billion dollars. This project would be underpinned by the significant conventional and unconventional resources available across Texas and the Gulf Coast Region.

Voestalpine; has started construction of a 500 acre steel plant at the La Quinta Trade Gateway, adjacent to the City of Gregory. The project is expected to cost over \$700 million and create 150 jobs. The facility has already a committed sales of their product for the next ten years.

### **Cash Management**

Idle cash is invested by city officials in certificates of deposit, when the interest rates available provide local government investment opportunities, while protecting principle and liquidity.

It is in the city's policy that all demand deposits and time deposits are secured by pledged collateral, with a market value equal to no less than 100% of the deposits, less an amount insured by the FDIC. Evidence of the pledged collateral is periodically obtained at a third party financial institution. Collateral is reviewed to assure the market value of the securities pledged, equals or exceeds the related bank balances. All collateral is subject to inspection and audit by the city's independent auditors.

### **Pension Plan**

The City of Gregory provides pension benefits for its employees, except for fire fighters, through a non-traditional joint contributory, hybrid defined benefit plan, in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement



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system. The plan provisions that have been adopted by the city, are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) from TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, PO Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on the TMRS website, at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2014	Plan Year 2013
Employee deposit rate	5.0%	5.0%
Matching ration (city to employee)	1.5 to 1	1.5 to 1
Service retirement eligibility (expressed as age / years of service)	60/5,0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions:** Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. The rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The city contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the city make contributions monthly. Since the city needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:



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1. Annual Required Contribution (ARC)	10,024
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost (APC)	10,024
5. Contributions Made	10,024
6. Increase (Decrease) in net pension obligation	0
7. Net Pension Obligation (Asset), beginning of year	0
8. Net Pension Obligation (Asset), end of year	0

The city has unfunded Actuarial Accrued Liability overall, but did not have a current year variance. See notes to financial statements for additional information.

Employee Health Plan

In addition to providing pension benefit, the city's provides certain health care benefits for retired employees at the city's expense. Substantially, all of the city's employees may become eligible for those benefits if they reach normal retirement age, while working for the city. There is no direct cost to the city associated with the benefit. In addition, under the Consolidated Budget Reconciliation Act (COBRA), the city provides health care benefits to eligible former employees and eligible dependents.

Post-Employment Health Care Benefits

Under the Consolidated Budget Reconciliation Act (COBRA), the city makes health care benefits to eligible former employees and eligible dependents.

**OTHER INFORMATION**

**Acknowledgements**

Appreciation is expressed to each and every city employee who, throughout the past year, has faithfully and diligently served the city and its community. They are to be thanked.

The Mayor, members of the City Council, and Citizens, are to be thanked for their active participation in the support of the operations of the city. The city continues to grow and enhance its overall operations, as it plans for the future of the City of Gregory, Texas. While challenges



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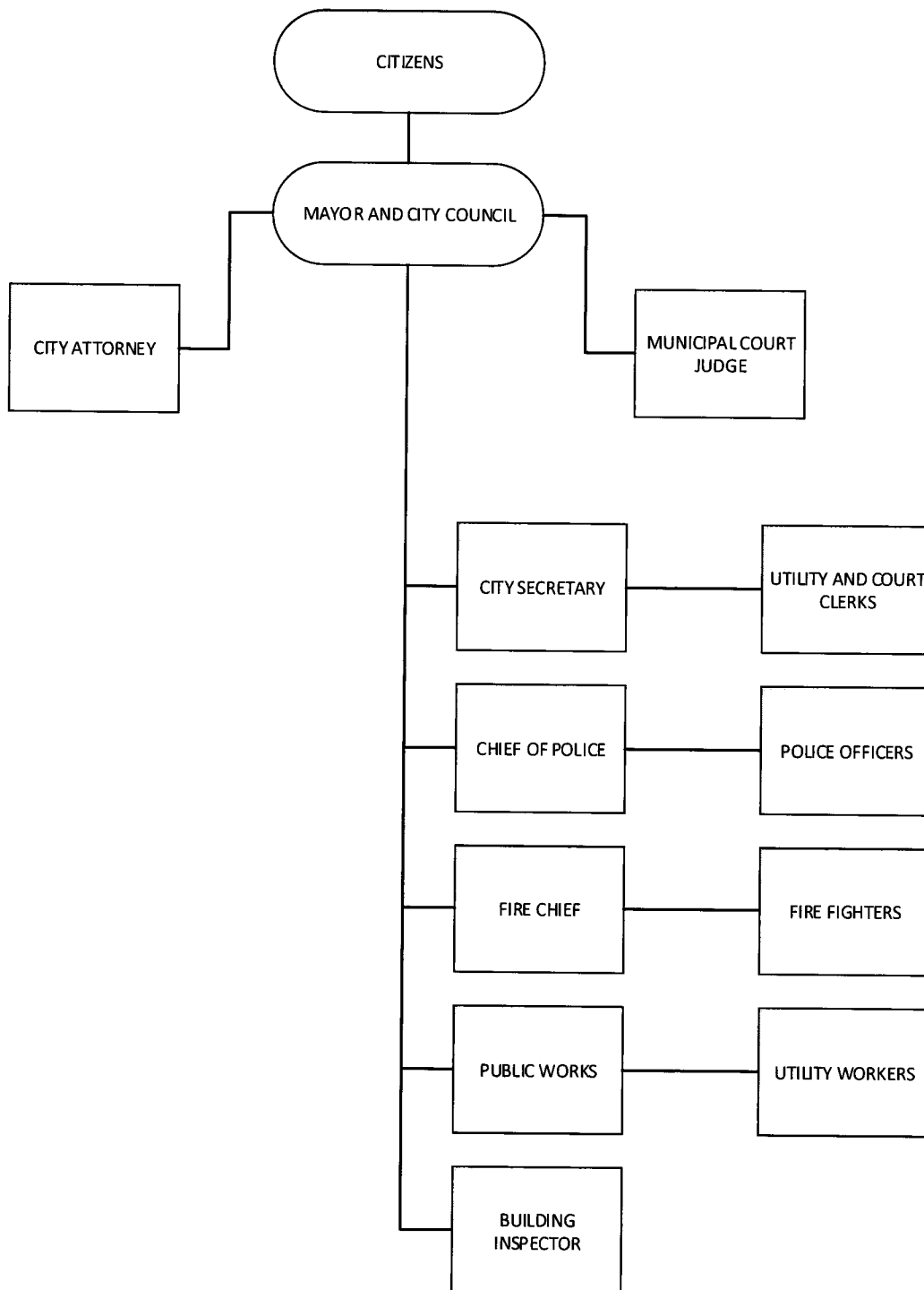
remain, there are also opportunities. As with any effort to improve, we are continuing a process toward attaining a goal. Further, this will not be one person's effort, but the efforts of everyone.

Respectfully submitted,

Veronica Cortez  
City Secretary

# City of Gregory, Texas

## Organizational Chart



# **City of Gregory, Texas Principal Officials**

## **City Council**

Freddy Garcia, Mayor

Celestino Zambrano– Mayor Pro Tem

Kristina Zambrano – City Council

Tanis Perales, Jr – City Council –

Pablo Martinez – City Council

Alvaro Lopez, Jr - City Council



## **Financial Section**



## Report of Independent Auditors

To the Mayor and Members of the City Council  
City of Gregory, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type of the City of Gregory, Texas, as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Gregory, Texas, as of September 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the Basic Financial Statements, certain errors resulting in \$144,615 increase in governmental activities net assets and \$1,548 decrease in business-type activities as of September 30, 2013, were discovered by management of the City of Gregory, Texas during the current year. Accordingly, an adjustment has been made to net assets as of September 30, 2014, to correct the error.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 15 – 21, 50, and 53 – 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Other Information*

The introductory section on pages 1 – 8 has not been subjected to the auditing procedures applied in the audit of the based financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the City of Gregory, 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 to describe the scope of our testing of internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering City of Gregory, Texas's internal control over financial reporting and compliance.

*Vail + Knauth, LLP*

Richardson, Texas  
December 16, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Gregory, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2014**

This discussion and analysis of the City of Gregory, Texas's financial performance is intended to provide an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. The reader is encouraged to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Gregory, Texas, were more than its liabilities at the close of the most recent fiscal year by \$5,091,388 (net position). Of this amount, \$361,499 or 7.1% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total debt decreased by \$105,000 during 2014 from \$2,895,000 to \$2,790,000. This debt is a result of the City of Gregory, Texas combination Tax and Revenue Certificates of Obligation; Series 2011 dated August 10, 2011.
- As of September 30, 2014, the City of Gregory, Texas's General Fund reported an ending fund balance of \$599,015 compared to \$640,437 in the prior year. This decrease in Fund Balance is due to current operations of \$41,422.
- As of September 30, 2014, the City of Gregory, Texas's governmental funds reported combined ending fund balance of \$ 1,264,607 compared to \$ 1,071,803 in the year before. This increase is mostly due to reduction in expenditure compared to prior year.
- The net position of the City of Gregory, Texas exceeded its liabilities at the close of the fiscal year ending September 30, 2014 by \$5,091,388, an decrease of \$59,296 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Gregory, Texas's basic financial statements. The City of Gregory, Texas's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City of Gregory, Texas's finances, in a manner similar to private sector business.

The statement of Net Position presents information on all of the City of Gregory, Texas's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Gregory, Texas is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. To assess the overall health or financial condition of the City, other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.).

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but not used vacation leave). Both of the statements of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statements of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities-** Most of the City's basic services are reported here, including the police, fire, library, building and inspections, sanitation, code enforcement, parks and recreation and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business type Activities-** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

#### Reporting the City's Most Significant Funds

**Fund financial statements** – The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City has established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds - governmental and business type - utilize different accounting guidelines.

**Governmental Funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provided a detailed short term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term operating decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statement.

The City of Gregory, Texas maintains six individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Funds. Data from the other two governmental funds are combined into a single, aggregated non major fund presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds** – The City charges customers for the services it provides. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in

the governmental-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Notes to the basic financial statements** - These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for the general fund.

## The City as a Whole - GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$5.1 million as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$1.6 million. The analysis focuses on the net position (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business type-activities.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and furniture); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table I**  
**City of Gregory, Texas**  
**Statement of Net Position**

	Governmental Activities		Business-type Activities	
	FY 2014	FY2013	FY 2014	FY 2013
Current and Other Assets	\$ 1,369,241	\$ 1,043,703	\$ 169,738	\$ 159,571
Capital Assets	4,959,493	5,110,843	1,894,804	2,128,682
Total Assets	6,328,734	6,154,546	2,064,542	2,288,253
Long-term Liabilities Outstanding	2,680,000	2,790,000	-	-
Other Liabilities	145,827	162,892	477,534	667,663
Total Liabilities	2,825,827	2,952,892	477,534	667,663
Net Position:				
Net Investment in Capital Assets	2,169,493	2,215,843	1,894,804	2,128,682
Restricted	665,592	366,042	-	-
Unrestricted	667,822	619,770	(306,323)	(508,092)
Total Net Position	\$ 3,502,907	\$ 3,201,655	\$ 1,588,481	\$ 1,620,590

**Table II**  
**City of Gregory, Texas**  
**Changes in Net position**

	Governmental Activities		Business-type Activities	
	FY 2013-14	FY 2012-13	FY 2013-14	FY 2012-13
<b>Revenue</b>				
Property Taxes	\$ 387,485	\$ 318,547	\$ -	\$ -
Sales Taxes	237,127	208,256	-	-
Franchise Taxes	99,545	84,943	-	-
Charges for Services	195,922	-	662,242	573,455
Penalty and interest	14,745	7,610		
Grants and contributions	773,630	1,702,182	92,374	-
Interest on Investments	13,590	17,022	-	-
Miscellaneous	304,180	787,581	-	-
Total revenues	2,026,224	3,126,141	754,616	573,455
<b>Expense</b>				
General government	625,609	360,480	-	-
Public safety	276,268	382,559	-	-
Sanitation	170,669	160,380	-	-
Public works	818,308	797,746	-	-
Animal control	3,750	2,250	-	-
Bond interest and fiscal agent fee	126,419	101,422	-	-
Business type	-	-	820,586	608,846
Total expenses	2,021,023	1,804,837	820,586	608,846
Change in Net Position Before Transfers	5,201	1,321,304	(65,970)	(35,391)
Transfers	151,438	-	(151,438)	22,856
Change in Net Position	156,639	1,321,304	(217,408)	(12,535)
Prior period adjustments	144,612	-	1,548	194,813
Net Position, beginning of year	3,201,656	1,880,352	1,802,868	1,620,590
Net Position, end of year	<u>\$ 3,502,907</u>	<u>\$ 3,201,656</u>	<u>\$ 1,587,008</u>	<u>\$ 1,802,868</u>



**Governmental Fund Activities** – The City’s general fund revenues decreased when compared to the prior year by 35 percent or \$1 Million due to a reduction in grants and contributions. The assessed value of the property in the City increased by \$5.44 million from \$40,757,548 to \$46,197,095, or 13.3 percent, as compared to the prior year. In addition to ad valorem property taxes, the City collects sales taxes, franchise taxes, beverage taxes and other taxes in lieu of ad valorem taxes. Sales tax revenue increased by \$28,871 or 13.9 percent over the previous year due to conditions of the local economy and the addition of the 4B tax increase.

**Table III**  
**City of Gregory, Texas**  
**General Fund Revenue**

	2014	2013	Increase (decrease)
Taxes	\$ 650,106	\$ 487,791	\$ 162,315
Licenses and permits	8,478	5,785	2,693.0
Intergovernmental revenue and grants	773,630	-	773,630.0
Charges for services	187,444	192,519	(5,075.0)
Other	191,895	506,224	(314,329.0)
Total general revenue	<u>\$ 1,811,553</u>	<u>\$ 1,192,319</u>	<u>\$ 619,234</u>

The most significant governmental expense for the City was in the public works and general government. The public works incurred expenses of \$818,308. The general government incurred expenses of \$530,569.

**Enterprise Fund Activities** – Revenues of the City’s Utility Funds were \$662,242 for the fiscal year ending September 30, 2014. Operating expenses were \$820,586 for the year, resulting in a net loss of (\$1,831) before transfers and depreciation is taken into account. The most significant expense of the utility Fund was \$223,360 to purchase water and \$133,454 in contracted services.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year 2014, the City of Gregory, Texas had nearly \$6.9 million invested in a broad range of capital assets, including police and fire equipment building, land, park facilities, roads, bridges, vehicles, and water and sewer lines, (See Table IV).

**Table IV**  
**City of Gregory, Texas**  
**Capital Assets before Depreciation**

	Governmental Activities		Business-type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$ 62,504	\$ 62,504	44,814.0	\$ 44,814	\$ 107,318	\$ 107,318
Buildings and Improvements	157,794	157,794	183,755	177,555	341,549	335,349
Machinery and Equipment	795,798	786,003	-	-	795,798	786,003
Infrastructure	5,252,313	5,252,313	-	-	5,252,313	5,252,313
Water and Sewer system	-	-	3,708,411	3,708,411	3,708,411	3,708,411
Total	<u>\$ 6,268,409</u>	<u>\$ 6,258,614</u>	<u>\$ 3,936,980</u>	<u>\$ 3,930,780</u>	<u>\$ 10,205,389</u>	<u>\$ 10,189,394</u>

### Debt

At year-end, the City of Gregory, Texas had \$2,790,000 in General Certifications of Obligation and Loans are compared to \$2,895,000 at the end of the prior fiscal year. Table V below reflects outstanding long-term debt overall decrease of \$105,000.

**Table V**  
**City of Gregory, Texas**  
**Outstanding Long-term Debt**

	Governmental Activities		Business-type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Certificates of Obligations	\$ 2,790,000	\$ 2,895,000	\$ -	\$ -	\$ 2,790,000	\$ 2,895,000
Total	<u>\$ 2,790,000</u>	<u>\$ 2,895,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,790,000</u>	<u>\$ 2,895,000</u>

The above outstanding debt represents long term debt. The City Charter authorizes the City of Gregory, Texas to issue bonds, when authorized by the voters or the City Council, for any purpose for which a city may issue bonds under the Constitution and laws of the State of Texas. The Charter precludes the use of bond proceeds for any other purpose other than that for which the bonds were sold. At September 30, 2014, the City had no bonds of any type approved that had not been issued.

### THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2014, the governmental funds of the City reported a combined fund balance of \$1,264,607. The majority of it is the general fund and debt service fund which were \$572,035 and \$212,604, respectively at September 30, 2014.

Other governmental fund balances includes:

- EDA Grant Fund \$18,678
- Home Fund (\$8,783)
- Capital Projects Fund \$10,129

- Other Funds \$225,744

In the Proprietary Funds, retained earnings at September 30, 2014 are \$1,587,008, a decrease of \$217,408.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for the business-type activities. The total growth of the City's commercial development and revenues remain on target. Total property tax valuation continues to increase; thus the property tax revenues are still increasing while the tax rate decreases. Water and sewer utility rates provide adequate revenue to cover the cash expenses of the Utility fund but are expected to improve due to the new installation of automatic water meters.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives from all sources. If you have questions about this report or need additional financial information, contact the Office of the Finance Department, P.O. Box 297, Gregory, Texas 78359.

## BASIC FINANCIAL STATEMENTS

City of Gregory, Texas  
Statement of Net Position  
September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 726,942	\$ 5,322	\$ 732,264
Receivables (net of allowance for uncollectible)	127,940	68,654	196,594
Internal balances	381,813	(381,813)	-
Due from others	132,546	54,522	187,068
Restricted cash and cash equivalents	-	41,240	41,240
Capital Assets:			
Land	62,504	44,814	107,318
Infrastructure, net	4,710,494	1,808,098	6,518,592
Building, net	63,494	-	63,494
Machinery and equipment, net	123,001	41,892	164,893
Total capital assets	4,959,493	1,894,804	6,854,297
Total assets	6,328,734	1,682,729	8,011,463
<b>Liabilities</b>			
Accounts payable and accrued liabilities	35,650	49,332	84,982
Intergovernmental Payable	177		
Payable from restricted assets	-	46,389	46,389
Noncurrent liabilities:			
Due within one year	110,000	-	110,000
Due in more than one year	2,680,000	-	2,680,000
Total liabilities	2,825,827	95,721	2,921,548
<b>Net Position</b>			
Net investment in capital assets	2,169,493	1,894,804	4,064,297
Restricted for:			
Economic development	223,644	-	223,644
Debt service	333,659		333,659
Capital project	10,129		10,129
Federal grants and state grants	11,995		
Unrestricted	753,987	(307,796)	446,191
Total net position	\$ 3,502,907	\$ 1,587,008	\$ 5,089,915

*The accompanying notes are an integral part of this statement*

City of Gregory, Texas  
Statement of Activities  
September 30, 2014

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental activities.							
General government	\$ 441,102	\$ 187,444	\$ -	\$ 773,630	\$ 519,972	\$ -	\$ 519,972
Animal control	3,750	-	-	-	(3,750)	-	(3,750)
Municipal court and other fees	95,040	8,478	-	-	(86,562)	-	(86,562)
Public safety	276,268	-	-	-	(276,268)	-	(276,268)
Public works	907,774	-	-	-	(907,774)	-	(907,774)
Sanitation	170,669	-	-	-	(170,669)	-	(170,669)
Bond interest	126,419	-	-	-	(126,419)	-	(126,419)
Total governmental activities	2,021,022	195,922	-	773,630	(1,051,470)	-	(1,051,470)
<b>Business-type activities</b>							
Water and sewer	820,586	662,242	-	92,374	-	(65,970)	(65,970)
Total business-type activities	820,586	662,242	-	92,374	-	(65,970)	(65,970)
Total primary government	2,841,608	858,164	-	866,004	(1,051,470)	(65,970)	(1,117,440)
<b>General revenues</b>							
Taxes							
Property taxes		387,485			387,485	-	387,485
Sales taxes		237,127			237,127	-	237,127
Franchise taxes		99,545			99,545	-	99,545
Penalty and interest on taxes		14,745			14,745	-	14,745
Interest on investments		13,590			13,590	-	13,590
Miscellaneous		304,178			304,178	-	304,178
Transfers		151,438			151,438	(151,438)	-
Total general revenues and transfers		1,208,108			1,208,108	(151,438)	1,056,670
Change in net position		156,638			156,638	(217,408)	(60,770)
Prior period adjustments		144,615			144,615	1,548	146,163
Net position - beginning		3,201,654			3,201,654	1,802,868	5,004,522
Net position - ending		\$ 3,502,907			\$ 3,502,907	\$ 1,587,008	\$ 5,089,915

*The accompanying notes are an integral part of this statement*

City of Gregory, Texas  
Balance Sheet - Governmental Funds  
September 30, 2014

	General Fund	EDA #08-01-04694 Fund	Home #549412 Fund	50 Deb Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 194,678	\$ 18,678	\$ -	\$ 310,803	\$ 14,336	\$ 188,447	\$ 726,942
Tax receivable	53,961	-	-	-	-	26,980	80,941
Allowance for uncollectible taxes (credit)	(12,134)	-	-	-	-	-	(12,134)
Receivables (net)	55,241	-	-	-	-	-	55,241
Special assessments receivable, net	-	-	-	-	-	3,892	3,892
Due from others	132,546	-	-	-	-	-	132,546
Due from other funds	375,839	-	-	22,856	-	10,317	409,012
Total assets and other debits	<u>800,131</u>	<u>18,678</u>	<u>-</u>	<u>333,659</u>	<u>14,336</u>	<u>229,636</u>	<u>1,396,440</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	35,393	-	-	-	-	-	35,393
Accrued liabilities	257	-	-	-	-	-	257
Intergovernmental payable	177	-	-	-	-	-	177
Due to other funds	10,317	-	6,683	-	4,207	5,992	27,199
Total liabilities	<u>46,144</u>	<u>-</u>	<u>6,683</u>	<u>-</u>	<u>4,207</u>	<u>5,992</u>	<u>63,026</u>
<b>Deferred inflows of resources</b>							
Unearned revenue - property taxes	68,807	-	-	-	-	-	68,807
Total deferred inflows of resources	<u>68,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,807</u>
<b>Fund balances</b>							
Long term receivable	132,546	-	-	-	-	-	132,546
Federal or state funds grant restriction	-	18,678	(6,683)	-	-	-	11,995
Other restricted fund balance	-	-	-	-	-	223,644	223,644
Restricted for debt services	-	-	-	333,659	-	-	333,659
Restricted for capital projects	-	-	-	-	10,129	-	10,129
Unassigned fund balance	552,634	-	-	-	-	-	552,634
Total fund balances	<u>685,180</u>	<u>18,678</u>	<u>(6,683)</u>	<u>333,659</u>	<u>10,129</u>	<u>223,644</u>	<u>1,264,607</u>
Total liabilities and fund balances	<u>\$ 800,131</u>	<u>\$ 18,678</u>	<u>\$ -</u>	<u>\$ 333,659</u>	<u>\$ 14,336</u>	<u>\$ 229,636</u>	<u>\$ 1,396,440</u>

The accompanying notes are an integral part of this statement.

City of Gregory, Texas  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
September 30, 2014

<b>Total fund balances - governmental funds</b>	<b>\$ 1,264,607</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,949,698
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	58,622
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(2,790,000)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transaction. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	19,980
<b>Net assets of governmental activities</b>	<b><u>\$ 3,502,907</u></b>

*The accompanying notes are an integral part of this statement.*



City of Gregory, Texas  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year ended September 30, 2014

	General Fund	EDA #08-01-04694 Fund	Home #549412 Fund	50 Deb Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes:							
Property taxes	\$ 377,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,300
General sales and use taxes	158,516	-	-	-	-	78,611	237,127
Franchise taxes	99,545	-	-	-	-	-	99,545
Penalty and interest on taxes	14,745	-	-	-	-	-	14,745
Licenses and permits	8,478	-	-	-	-	-	8,478
Intergovernmental revenue and grants	-	-	759,109	-	-	14,521	773,630
Charges for services	187,444	-	-	-	-	-	187,444
Investment earnings	16	-	-	13,574	-	-	13,590
Other revenue	191,878	-	-	112,300	-	-	304,178
Total revenues	<u>1,037,922</u>	<u>-</u>	<u>759,109</u>	<u>125,874</u>	<u>-</u>	<u>93,132</u>	<u>2,016,037</u>
<b>Expenditures</b>							
Current:							
General government	384,877	-	-	-	-	-	384,877
Animal control	3,750	-	-	-	-	-	3,750
Municipal court	95,040	-	-	-	-	-	95,040
Public safety							
Police	210,298	-	-	-	-	-	210,298
Fire Protection	31,511	-	-	-	-	-	31,511
Street and public works	45,534	14,170	757,009	-	-	20,600	837,313
Sanitation	170,669	-	-	-	-	-	170,669
Capital outlay	9,795	-	-	-	-	-	9,795
Debt service							
Debt principal	-	-	-	105,000	-	-	105,000
Bond interest	-	-	-	126,419	-	-	126,419
Total expenditures	<u>951,474</u>	<u>14,170</u>	<u>757,009</u>	<u>231,419</u>	<u>-</u>	<u>20,600</u>	<u>1,974,672</u>
Excess (deficiency) of revenues over expenditures	86,448	(14,170)	2,100	(105,545)	-	72,532	41,365
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	226,600	10,396	21,473	258,469
Transfers out	(107,031)	-	-	-	-	-	(107,031)
Total other financing sources (uses)	<u>(107,031)</u>	<u>-</u>	<u>-</u>	<u>226,600</u>	<u>10,396</u>	<u>21,473</u>	<u>151,438</u>
Net change in fund balances	(20,583)	(14,170)	2,100	121,055	10,396	94,005	192,803
Prior period adjustment	144,615	-	-	-	-	-	144,615
Fund balances - beginning	561,148	32,848	(8,783)	212,604	(267)	129,639	927,189
Fund balances - ending	<u>\$ 685,180</u>	<u>\$ 18,678</u>	<u>\$ (6,683)</u>	<u>\$ 333,659</u>	<u>\$ 10,129</u>	<u>\$ 223,644</u>	<u>\$ 1,264,607</u>

*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities  
Year ended September 30, 2014

**Net changes in fund balances - total governmental funds** \$ 192,803

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

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense. This is  
the amount of capital assets recorded in the current period. 9,795

Depreciation expense on capital assets is reported in the statement of activities but  
does not require the use of current financial resources. Therefore, depreciation  
expense is not reported as expenditures in the governmental funds. (161,145)

Current year changes in long-term liability for compensated absences do not require  
the use of current financial resources; therefore, are not reported as expenditures  
in governmental funds. 105,000

Certain revenues in the government-wide statement of activities that do not  
provide current financial resources are not reported as revenue in the  
governmental funds. 10,186

**Change in net assets of governmental activities** \$ 156,639

*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Statement of Net Position - Proprietary Funds  
September 30, 2014

	Business Type Activities - <u>Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,322
Receivable and allowances	
Water and wastewater billings	68,654
Assessments	-
Other	-
Due from other funds	-
Due from others	54,522
Total current assets	<u>128,498</u>
Restricted assets	
Cash and cash equivalents	41,240
Total restricted assets	<u>41,240</u>
Non-current assets:	
Capital assets	
Land	44,814
Water system	1,370,225
Sewer system	2,338,186
Furniture and equipment	183,755
Less accumulated depreciation	<u>(2,042,176)</u>
Net capital assets	<u>1,894,804</u>
Total Assets	<u><u>\$ 2,064,542</u></u>

*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Statement of Net Position - Proprietary Funds  
September 30, 2014

	Business Type Activities - Enterprise Fund
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 43,609
Accrued liabilities	5,723
Compensated absences	-
Due to other funds	381,813
Total current liabilities	<u>431,145</u>
Current liabilities payable from restricted assets:	
Noncurrent liabilities:	
Customer deposits	46,389
Total noncurrent liabilities	<u>46,389</u>
Total Liabilities	477,534
<b>Net position</b>	
Net investment in capital assets	1,894,804
Unrestricted	(307,796)
Total Net Position	<u><u>\$ 1,587,008</u></u>

*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year ended September 30, 2014

	Business Type Activities - Enterprise Fund
Operating revenues:	
Water sales	\$ 427,888
Sewer sales	193,363
Sanitation fees	-
Other fees and charges	40,991
Total operating revenues	<u>662,242</u>
Operating expenses	
Water purchase	223,360
Personnel costs	91,698
Contracted services	133,454
Supplies	37,049
Maintenance	104,368
Other operating expenses	74,144
Depreciation	156,513
Total operating expenses	<u>820,586</u>
Operating income (loss)	<u>(158,344)</u>
Nonoperating revenues (expenses):	
Grants and contribution	92,374
Interest income	-
Total nonoperating revenues (expense)	<u>92,374</u>
Income (loss) before transfers	<u>(65,970)</u>
Transfers in	-
Transfers out	(151,438)
Change in net assets	<u>(217,408)</u>
Prior period adjustment	1,548
Net assets - beginning	1,802,868
Net assets - ending	<u>\$ 1,587,008</u>

*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Statement of Cash Flows – Proprietary Funds  
September 30, 2014

	Business Type Activities - <u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>Operating Activities</b>	
Cash received from customers	\$ 694,410
Cash payments to suppliers	(543,036)
Cash payments to employees	(85,975)
Net cash provided by operating activities	<u>65,399</u>
<b>Noncapital Financing Activities</b>	
Transfers (to) from other funds	(151,438)
Net cash provided by noncapital financing activities	<u>(151,438)</u>
<b>Capital and Related Financing Activities</b>	
Grant proceeds	92,374
Capital expenditures	(6,200)
Net cash used in capital and related financing activities	<u>86,174</u>
<b>Investing Activities</b>	
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	135
Cash and cash equivalents - beginning	46,427
Cash and cash equivalents - ending	<u>\$ 46,562</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (156,871)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	156,513
Loss on disposal of capital assets	
Change in assets and liabilities:	
Accounts receivable	46,264
Customer deposits	2,934
Due from others	(17,030)
Accounts payable and accrued liabilities	33,589
Net cash provided by (used in) operating activities	<u>\$ 65,399</u>

*The accompanying notes are an integral part of this statement*

City of Gregory, Texas  
Notes to Basic Financial Statements

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Gregory, Texas (the "City") was incorporated on June 16, 1951 under the provisions of the laws for the State of Texas. The City operates under a General Law type of government and provides the following services: public safety (police and fire), highways and streets, sanitation, waterworks, cultural and recreation, public improvements, planning and zoning, and general and administrative services. As required by the generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the City operations and so data from these units are combined with data from the City. If applicable, discretely presented units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City

**Blended Component Units**

There are no Blended Component Units

**Discretely Presented Component Unit**

There are no component units, which require discrete presentation

**Related and Jointly Governed Organizations**

Organizations that are administered by separate boards or commissions provide services within the City. However, the City is not financially accountable for these organizations. Therefore, they are not component units of the City, even if the City Council could appoint a voting majority of the organizations' board. Consequently, financial information for the Coastal Bend Council of Government is not included in these financial statements.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of Net Position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes while business type activities rely, to a significant extent, on fees and charges for support.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Gregory, Texas  
Notes to Basic Financial Statements

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Expenditures generally are recorded when a fund liability is incurred.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditure, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position, and cash flow. The City has presented the following major proprietary fund:

The Utility Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual and operational services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when the revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The General Fund and the other governmental fund are accounted for using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets.

Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.



## City of Gregory, Texas

### Notes to Basic Financial Statements

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on general long-term debt which is recognized when due.

The Utility Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

#### **D. Encumbrances/Commitments**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resource are recoded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2014.

#### **E. Cash Equivalents**

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its agencies or instrumentalities, state obligations, local government investment pools, and certain money market funds.

For purposes of the statement of cash flows, the City considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### **F. Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

#### **G. Allowance for Uncollectible Accounts**

The allowance for doubtful accounts is calculated using prior bad debt experience and takes into account management's estimate of specific uncollectible accounts through review of individual accounts and other information available.

#### **H. Inventory**

The enterprise fund inventories are valued at cost. Cost is determined primarily by the first-in, first-out method.

#### **I. Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

#### **J. Capital Assets**

Legally authorized transfers are treated as interfund transfer and are included in the results of operations of both Governmental and Proprietary Funds.

City of Gregory, Texas  
Notes to Basic Financial Statements

**K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, sidewalks, curbs and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follow:

Buildings	10-50 Years
Water and Sewer System	20-50 Years
Infrastructure	20-30 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years
Vehicles	5-10 Years

**L . Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability of unpaid accumulated sick leave since the government does not have a policy to pay any amount when employees separate from service with the government. All vacation pay is accrued and incurred in the government-wide proprietary fund financial statements. These liabilities for these amounts are immaterial and are not accrued in the governmental funds.

**M . Nature and Purpose of Designations of Fund Equity**

The City implemented Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the City classifies governmental fund balances effective with its financial statement ended September 30, 2014, and thereafter, as follows:

1. Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

City of Gregory, Texas  
Notes to Basic Financial Statements

2. Spendable Fund Balance

- a. Restricted Fund Balance – Includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.
  - i. The aggregate fund balance of the Economic Development Corporation is legally restricted for the promotion of economic development within the City.
- b. Committed Fund Balance – Includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The City Council must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
- c. Assigned Fund Balance – Includes amounts intended to be used by the City for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. Examples take on the similar appearance as those enumerated for committed fund balance, including the appropriation of existing fund balance to eliminate a deficit in next year's budget.
- d. Unassigned Fund Balance – Includes the residual classification of the general fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the City has implicitly assigned the funds for the purposes of those particular funds.

In circumstances where 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 extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

**N. Net Position**

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net asset classifications, restricted Net Position will be fully utilized first followed by unrestricted as necessary.

**O. 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 Gregory, Texas  
Notes to Basic Financial Statements

**P. Due from Others**

In the prior year under audit it was discovered by management that funds were being misappropriated by one or more employees of the City. This misappropriation of funds is currently under investigation by county and state agencies. These misappropriated funds are being reported as due from others until the investigations are complete and final resolution is clear.

**2. Stewardship, Compliance, and Accountability**

**A. Cash and investment**

Legal and contractual provisions governing deposits and investments

The Public Funds Investment Act (Texas Government Code Charter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. 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, (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**a. Cash Deposits**

On September 30, 2014 the carrying amount of the City's deposits (cash, certificate of deposit, and interest-bearing savings accounts included in temporary investments) was \$81,533. The City's cash deposits at September 30, 2014 and during the period ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent in bank in the City's name.

**b. Investments**

As of September 20, 2014 The City had \$0 in investments.

Interest Rate Risk - In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

City of Gregory, Texas  
Notes to Basic Financial Statements

**2. Stewardship, Compliance, and Accountability (continued)**

Credit Risk - In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk - The City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

**B. Capital Assets**

Capital assets activity for the year ended September 30, 2014, was as follows:

City of Gregory, Texas  
Notes to Basic Financial Statements

	Balance September 30, 2013	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2014
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 62,504	\$ -	\$ -	62,504
Total capital assets not being depreciated	62,504	-	-	62,504
Capital assets being depreciated				
Buildings and Improvements	157,793	-	-	157,793
Machinery and Equipment	786,003	9,795	-	795,798
Infrastructure	5,252,313	-	-	5,252,313
Total capital assets being depreciated	6,196,109	9,795	-	6,205,904
Less accumulated depreciation for:				
Buildings and improvements	91,143	2,627	-	93,770
Machinery and Equipment	629,231	44,095	-	673,326
Infrastructure	427,396	114,423	-	541,819
Total accumulated depreciation	1,147,770	161,145	-	1,308,915
Total capital assets being depreciated, net	5,048,339			4,896,989
Governmental activities capital assets, net	<u>\$ 5,110,843</u>			<u>\$ 4,959,493</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 44,814	\$ -	\$ -	44,814
Total capital assets not being depreciated	44,814	-	-	44,814
Capital assets being depreciated				
Distribution System	3,708,411	-	-	3,708,411
Machinery and Equipment	177,555	6,200	-	183,755
Total capital assets being depreciated	3,885,966	6,200	-	3,892,166
Less accumulated depreciation for:				
Distribution System	1,750,368	149,945	-	1,900,313
Machinery and Equipment	135,295	6,568	-	141,863
Total accumulated depreciation	1,885,663	156,513	-	2,042,176
Total capital assets being depreciated, net	2,000,303			1,849,990
Business-type capital assets, net	<u>\$ 2,045,117</u>			<u>\$ 1,894,804</u>

City of Gregory, Texas

Notes to Basic Financial Statements

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

<b>Governmental activities</b>	
General government administration	\$ 8,368
Public Safety	34,459
Public works	346
Street-Infrastructure	117,972
Total depreciation expense - Governmental activities	<u>\$ 161,145</u>
<b>Business-type activities</b>	
Distribution System	\$ 154,229
Machinery & Eq.	2,284
Total depreciation expense - Business-type activities	<u>\$ 156,513</u>

**C. Long-Term Debt**

A summary of long-term debt as of September 30, 2014 is as follows:

	<u>Governmental</u>	<u>Business-type</u>
City of Gregory, Texas Combination Tax and revenue Certification of Obligation, series 2011 (Original Debt \$3,000,000)	\$ 2,790,000	\$ -
Total	<u>\$ 2,790,000</u>	<u>\$ -</u>

**Long-Term Liabilities**

The Following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2014:

	BALANCE 1-Oct.	ADDITIONS	REDUCTIONS	BALANCE 30-Sep.	DUE WITHIN ONE YEAR
<b>Governmental Activities</b>					
Loans					
Certificates of Obligation	\$ 2,895,000	\$ -	\$ 105,000	\$ 2,790,000	\$ 110,000
Compensated Absences	-	-	-	-	-
Total Governmental Activities	<u>2,895,000</u>	<u>-</u>	<u>105,000</u>	<u>2,790,000</u>	<u>110,000</u>
<b>Business-Type Activities</b>					
Cert. of Obligations	-	-	-	-	-
Loans	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 2,895,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 2,790,000</u>	<u>\$ 110,000</u>

City of Gregory, Texas

Notes to Basic Financial Statements

The annual requirements for bonds for years subsequent to September 30, 2014, are as follows:

	Governmental Activities		Total	Business-type Activities		Total
	Principal	Interest		Principal	Interest	
2015	\$ 110,000	\$ 122,528	\$ 232,528	\$ -	\$ -	\$ -
2016	115,000	117,488	232,488	-	-	-
2017	120,000	112,224	232,224	-	-	-
2018	125,000	106,736	231,736	-	-	-
2019	130,000	101,024	231,024	-	-	-
Thereafter	2,190,000	660,576	2,850,576	-	-	-
Total	<u>\$ 2,790,000</u>	<u>\$ 1,220,576</u>	<u>\$ 4,010,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Restricted Cash and Investments - Utility Fund**

The components of restricted cash and investments as of September 20, 2014 are as follows:

Meter Deposit Funds	\$ 46,389
Total Restricted Cash and Investments	<u>\$ 46,389</u>

**Capital Leases**

The City did not have any material or significant capital leases during the fiscal year.

**D. Commitments Under Non-capitalized Leases**

Operating Leases: The City leases equipment. Most of the leases are cancelable. Minimum lease commitments for the next five years are immaterial.

**E. Inter-fund Transactions and Balances**

Inter-fund balances at September, 30 2014 consisted of the following individual fund balances:

Primary Government	Due From Other Funds	Due To Other Funds
General Fund		
Capital Project	\$ 4,207	\$ -
Enterprise Fund	358,957	-
Home Fund	8,783	-
Special Revenue Fund	3,892	10,317
Home Fund		
General Fund	-	8,783
Special Revenue Fund		
General Fund	10,317	3,892
Debt Service		
Enterprise Fund	22,856	-
Enterprise Fund		
General Fund	-	358,957
Debt Service	-	22,856
Capital Project		
General Fund	-	4,207
	<u>\$ 409,012</u>	<u>\$ 409,012</u>



City of Gregory, Texas  
Notes to Basic Financial Statements

**E. Inter-fund Transactions and Balances (continued)**

The inter-fund balances at September 30, 2014 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

Inter-fund transfers during the year ended September 30, 2014 were as follows:

Transfer In	General Fund	Debt Service Fund	Special Revenue Funds	Utility Fund	Capital Projects Fund	Total
Utility Fund	-	151,438	-	-	-	151,438
General Fund	-	75,162	17,494	-	10,396	103,052
Spec. Rev. Fund	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-
EDA Fund	-	-	-	-	-	-
Total	-	226,600	17,494	-	10,396	254,490
Less Transfers	-	-	-	-	-	-
Net Transfers	-	226,600	17,494	-	10,396	254,490

**F. Disaggregation of Receivables and payables**

Receivables at September 30, 2014 were as follows:

	<u>Taxes</u> <u>Receivable</u>	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities:					
General Fund - net	97,068	-	375,839	132,546	605,453
Major Gov. Funds	-	-	22,856	-	22,856
Nonmajor Gov. Funds - net	26,980	-	10,317	3,892	41,189
Total - Governmental Activities	124,048	-	409,012	136,438	669,498

Payables at September 30, 2014 were as follows:

	Accounts Payable	Loans, Leases and Bonds Payable - Current Year	Due To Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:						
General Fund - net	35,650	-	10,317	177	-	46,144
Major Gov. Funds	-	110,000	12,990	-	-	122,990
Nonmajor Gov. Funds - net	-	-	-	-	3,892	3,892
Total - Governmental Activities	35,650	110,000	23,307	177	3,892	173,026

City of Gregory, Texas  
Notes to Basic Financial Statements

**G. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraise value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. The city does not offer a discount or early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Office. Ad valorem taxes of \$259,296 were assessed on property values totaling \$40,757,548 using a tax rate of \$.650000 (\$.650000 for general operations and \$.00 for debt service) per \$100 assessed value. The percent of property taxes collected was 92.94%.

**H. Pension Plan**

Plan Description: The City provides pension benefits for all of its eligible employees [any exceptions such as firefighters would be inserted here by the City] through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions: Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

City of Gregory, Texas  
Notes to Basic Financial Statements

**H. Pension Plan (continued)**

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 10,024
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	10,024
5. Contributions Made	10,024
6. Increase (decrease) in net pension	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	\$ -

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2014, also follows:

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.0 years: closed period	25.0 years: closed period	25.0 years: closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:	7.00%	7.00%	7.00%
Investments Rate of Return*	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases *	3.00%	3.00%	3.00%
* Includes Inflation at Cost-of-Living Adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

# City of Gregory, Texas

## Notes to Basic Financial Statements

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/11	344,423	305,327	112.8%	(39,096)	228,384	-17.1%
12/31/12	371,613	324,957	114.4%	(46,656)	231,195	-20.2%
12/31/13	410,086	375,351	109.3%	(34,735)	355,689	-9.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees [this sentence should be updated to reflect the City's actual provisions as noted in the chart below]. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Your city offers supplemental death to:	Plan Year 2013	Plan Year 2014
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

### 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.

City of Gregory, Texas  
Notes to Basic Financial Statements

***Schedule of Contribution Rates:  
(RETIREE-only portion of the rate)***

<b><i>Plan/ Calendar Year</i></b>	<b><i>Annual Required Contribution (Rate)</i></b>	<b><i>Actual Contribution Made (Rate)</i></b>	<b><i>Percentage of ARC Contributed</i></b>
2011	0.03%	0.03%	100.0%
2012	0.04%	0.04%	100.0%
2013	0.05%	0.05%	100.0%
2014	0.04%	0.04%	100.0%
2015	0.04%	0.04%	100.0%

### **3. Contingencies**

There are no significant claims or lawsuits pending against the City.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative.

### **4. Future Financial Reporting Requirement**

The GASB has issued the following statement which will become effective in future years.

Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the City in fiscal year 2015.

Management has not yet determined the effect of these statements on the financial statements.

### **5. Prior Period Adjustments**

The accompanying financial statements reflect adjustments resulting from a restatement of beginning fund balance/net assets as of September 30, 2014 as follows:

- Decrease in Enterprise Fund of \$1,548 to decrease accrued liabilities recorded as of September 30, 2013.
- Increase in General Fund of \$56,823 to decrease accounts payable recorded as of September 30, 2013.
- Increase in General Fund of \$22,469 to include Fire and Municipal Fund's assets that were omitted as of September 30, 2013.

The combined effect of these prior period adjustments on the government-wide financial statements is to increase governmental activities net assets by \$144,615 from \$3,201,654 to \$3,346,269 and increase business-type activities net assets by \$1,548 from \$1,802,868 to \$1,804,416.

### **6. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 16, 2015, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

## **Budgetary Data**

Annual budgets are legally adopted by council. The City Manager is authorized to transfer budgeter amount within departments; however, any revisions that after the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2013-2014 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budget, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to August 6<sup>th</sup> each year, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20<sup>th</sup>.
4. The tax rates are approved after the budget has been approved
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.

City of Gregory, Texas  
Required Supplementary Information  
Schedule of Funding Progress for Participation in Texas Municipal Retirement System  
September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/11	344,423	305,327	112.8%	(39,096)	228,384	-17.1%
12/31/12	371,613	324,957	114.4%	(46,656)	231,195	-20.2%
12/31/13	410,086	375,351	109.3%	(34,735)	355,689	-9.8%



## **Other Supplementary Information Section**

City of Gregory, Texas  
General Fund- Comparative Balance Sheet  
Year ended September 30, 2014

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	194,678	122,622
Receivable	109,202	91,430
Allowance for uncollectible taxes (credit)	(12,134)	(10,345)
Special assessments receivable, net	-	2,070
Due from others	132,546	128,832
Due from other funds	375,839	375,833
Total assets and other debits	<u>800,131</u>	<u>710,442</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	35,393	-
Accrued liabilities	257	1,069
Intergovernmental payable	177	-
Due to other funds	10,317	10,317
Total liabilities	<u>46,144</u>	<u>11,386</u>
 <b>Deferred inflows of resources</b>		
Unearned revenue - property taxes	68,807	58,622
Total deferred inflows of resources	<u>68,807</u>	<u>58,622</u>
 Fund balances:		
Long term receivable	132,546	128,832
Federal or state funds grant restriction	-	-
Other restricted fund balance	-	-
Restricted for debt services	-	-
Restricted for capital projects	-	-
Unassigned fund balance	552,634	432,316
Total fund balances	<u>685,180</u>	<u>561,148</u>
Total liabilities and fund balances	<u>\$ 800,131</u>	<u>\$ 631,156</u>