

City of Gregory, Texas  
 Budgetary Comparison Schedule - General Fund  
 Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes:				
Property taxes	\$ 355,000	\$ 355,000	\$ 377,300	\$ 22,300
General sales and use taxes	141,700	141,700	158,516	16,816
Franchise taxes	78,000	78,000	99,545	21,545
Penalty and interest on taxes	8,000	8,000	14,745	6,745
Licenses and permits	6,000	6,000	8,478	2,478
Charges for services	200,000	200,000	187,444	(12,556)
Investment earnings	-	-	16	16
Other revenue	152,315	152,315	191,878	39,563
Total revenues	941,015	941,015	1,037,922	96,907
Expenditures				
Current:				-
General government	435,500	435,500	384,877	50,623
Animal control	2,500	2,500	3,750	(1,250)
Municipal court	44,200	44,200	95,040	(50,840)
Public safety				-
Police	212,000	212,000	210,298	1,702
Fire Protection	20,000	20,000	31,511	(11,511)
Public works	48,350	48,350	45,534	2,816
Sanitation	155,000	155,000	170,669	(15,669)
Capital outlay	4,500	4,500	9,795	(5,295)
Total expenditures	922,050	922,050	951,474	(29,424)
Excess (deficiency) of				-
revenues over expenditures	18,965	18,965	86,448	67,483
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(107,031)	107,031
Total other financing sources (uses)	-	-	(107,031)	107,031
Net change in fund balances	18,965	18,965	(20,583)	39,548
Prior period adjustment	144,615	144,615	144,615	-
Fund balances - beginning	561,148	561,148	561,148	-
Fund balances - ending	\$ 724,728	\$ 724,728	\$ 685,180	\$ 39,548

City of Gregory, Texas  
 Budgetary Comparison Schedule - Debt Service Fund  
 Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Investment earnings	\$ -	\$ -	\$ 13,574	\$ 13,574
Other revenue	-	-	112,300	112,300
Total revenues	-	-	125,874	125,874
Expenditures				
Debt principal	52,500	52,500	105,000	52,500
Bond interest	65,750	65,750	126,419	60,669
Total expenditures	118,250	118,250	231,419	113,169
Excess (deficiency) of revenues over expenditures	(118,250)	(118,250)	(105,545)	12,705
Other financing sources (uses)				
Transfers in	-	-	226,600	226,600
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	226,600	226,600
Net change in fund balances	(118,250)	(118,250)	121,055	239,305
Fund balance, beginning of year	212,604	212,604	212,604	-
Fund balance, end of year	<u>\$ 94,354</u>	<u>\$ 94,354</u>	<u>\$ 333,659</u>	<u>\$ 239,305</u>

City of Gregory, Texas  
 Budgetary Comparison Schedule - EDA Fund  
 Year ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Street expenses	<u>-</u>	<u>-</u>	<u>14,170</u>	<u>14,170</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>14,170</u>	<u>14,170</u>
Excess (deficiency) of revenues over expenditures	-	-	(14,170)	(14,170)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(14,170)	(14,170)
Fund balances - beginning	<u>32,848</u>	<u>32,848</u>	<u>32,848</u>	<u>-</u>
Fund balances - ending	<u>32,848</u>	<u>32,848</u>	<u>18,678</u>	<u>(14,170)</u>

City of Gregory, Texas  
 Budgetary Comparison Schedule - HOME Fund  
 Year ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Grants Revenue	-	-	759,109	759,109
Total revenues	-	-	759,109	759,109
Expenditures				
Engineer	-	-	672,543	672,543
Administration	-	-	84,467	84,467
Total expenditures	-	-	757,009	757,009
Excess (deficiency) of revenues over expenditures	-	-	2,100	2,100
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	2,100	2,100
Fund balances - beginning	(8,783)	(8,783)	(8,783)	-
Fund balances - ending	(8,783)	(8,783)	(6,683)	2,100

City of Gregory, Texas  
 Budgetary Comparison Schedule - Nonmajor Governmental Funds  
 Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
General sales and use taxes	\$ 70,000	\$ 70,000	\$ 78,611	\$ 8,611
Intergovernmental revenue and grants	19,000	19,000	14,521	(4,479)
Total revenues	<u>89,000</u>	<u>89,000</u>	<u>93,132</u>	<u>4,132</u>
				-
Expenditures				
Construction expense	-	-	20,600	20,600
Total expenditures	<u>-</u>	<u>-</u>	<u>20,600</u>	<u>20,600</u>
				-
Excess (deficiency) of revenues over expenditures	89,000	89,000	72,532	(16,468)
				-
Other financing sources (uses)				
Transfers in	-	-	21,473	21,473
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,473</u>	<u>21,473</u>
				-
Net change in fund balances	89,000	89,000	94,005	5,005
Fund balances - beginning	<u>129,639</u>	<u>129,639</u>	<u>129,639</u>	<u>-</u>
Fund balances - ending	<u>\$ 218,639</u>	<u>\$ 218,639</u>	<u>\$ 223,644</u>	<u>\$ 5,005</u>

City of Gregory, Texas  
Combining Balance Sheet- Nonmajor Governmental Funds  
Year ended September 30, 2014

	4B Economic Sales Tax Fund	TDA #14.228 Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 188,447	\$ -	\$ 188,447
Tax receivable	26,980	-	26,980
Special assessments receivable, net	-	3,892	3,892
Due from other funds	10,317	-	10,317
Total assets and other debits	<u>225,744</u>	<u>3,892</u>	<u>229,636</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to other funds	-	3,892	3,892
Total liabilities	<u>-</u>	<u>3,892</u>	<u>3,892</u>
Fund balances:			
Other restricted fund balance	225,744	-	225,744
Total fund balances	<u>225,744</u>	<u>-</u>	<u>225,744</u>
Total liabilities and fund balances	<u>\$ 225,744</u>	<u>\$ 3,892</u>	<u>\$ 229,636</u>

City of Gregory, Texas  
Combining Statement Of Revenues, Expenditures, and Changes  
in Fund Balance Nonmajor Governmental Funds  
Year ended September 30, 2014

	4B Economic Sales Tax Fund	TDA #20600 Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental revenue and grants	\$ 19,000	\$ 14,521	\$ 33,521
General sales and use taxes	78,611	-	78,611
Total revenues	<u>78,611</u>	<u>14,521</u>	<u>78,611</u>
Expenditures	-	-	-
Street expenses	-	20,600	20,600
Total expenditures	<u>-</u>	<u>20,600</u>	<u>20,600</u>
Other financing sources (uses)			
Transfers in	21,473	-	21,473
Total other financing sources (uses)	<u>21,473</u>	<u>-</u>	<u>21,473</u>
Net change in fund balances	100,084	(6,079)	100,084
Fund balances - beginning	<u>129,639</u>	<u>-</u>	<u>129,639</u>
Fund balances - ending	<u>\$ 229,723</u>	<u>\$ (6,079)</u>	<u>\$ 229,723</u>



# VAIL & KNAUTH, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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## REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the City Council  
City of Gregory, 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 the *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 remaining fund information of the City of Gregory, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Gregory, Texas's basic financial statements, and have issued our report thereon dated December 16, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gregory, Texas'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 of Gregory, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gregory, Texas'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is 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 purposes 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, as described in the accompanying schedule of findings and questioned costs, during our audit we identified certain deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gregory, Texas's financial statements are free of 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 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vail + Knauth, LLP*

Richardson, Texas  
December 16, 2015

**Finding No. 2013-01**

Criteria: The City of Gregory should safeguard its assets.

Condition: In the year under audit it was discovered by management that funds were being misappropriated by one of more employees of the City of Gregory. This misappropriation of funds is currently under investigation by county and state agencies.

Cause: The City of Gregory did not adhere to their system of internal accounting controls

Effect: The City of Gregory suffered a loss of over approximately \$150,000 over a period of two years.

Recommendation: For Accountability and internal control purposes, the City of Gregory should review its current internal accounting controls, document them in writing and follow them routinely. Furthermore, the City should consider hiring an experienced City Secretary. If the City should consider promoting from within, this person should be adequately trained and staffing levels adjusted so that this position can adequately perform their responsibilities.

Status: Finding has been corrected.

**Finding No. 2013-02**

Criteria: The City of Gregory should maintain a general fund balance of approximately three months of annual expenditures.

Condition: The City of Gregory over-expended funds and resulted in a deficit general fund balance.

Cause: The overspending of funds and lack of monitoring the budget process resulted in a deficit general fund balance.

Effect: The City of Gregory has a general fund deficit fund balance and should have approximately three months of annual expenditures in the general fund balance.

Recommendation: For accountability and internal control purposes, the City of Gregory should establish strong budget and purchasing controls to re-establish its general fund balance to three months of annual operational expenditures.

Status: Finding has been corrected

**Finding No. 2013-03**

Criteria: Interfund balances are generally short-term loans to cover temporary cash flows and reimbursements for various funds. The current General Fund Due from System Fund is over two years old.

Condition: The City of Gregory continues to carry large Due to and from between the General Fund and the System Fund which distorts Fund Balance and should have been reported as Transfers In and Out.

Cause: The large net operating loss in system fund have crated large interfund balances between the general fund and system fund.

Effect: The City of Gregory General Fund has loaned the System Fund large amounts of funds with a low probability of repayment and should have been reported as transfers in and out which would result in a more accurate fund balance in both funds.

Recommendation: For accountability and internal control purposes, the City of Gregory should consider writing off the old interfund balances and record future transfer of funds as transfers.

Status: Finding still valid.

**Finding No. 2013-04**

Criteria: The City of Gregory should make bank deposits daily.

Condition: The City of Gregory was not making bank deposits daily.

Cause: Proper internal accounting controls were not followed and bank deposits were not being made daily.

Effect: The City of Gregory suffered losses of over approximately \$150,000 in prior years.

Recommendation: For accountability and internal control purposes, The City of Gregory should make bank deposits daily.

Status: Finding has been corrected.

**Finding No. 2013-05**

Criteria: The City of Gregory should reconcile (balance) each day collections prior to making daily bank deposits.

Condition: The City of Gregory was not reconciling (balancing) each day's collection prior to making daily bank deposits.

Cause: Proper internal accounting controls were not followed and reconciliations (balancing) of daily collections were not being performed.

Effect: The City of Gregory's daily collections and associated reporting could not be accurate.

Recommendation: For Accountability and internal control purposes, the City of Gregory should reconcile (balance) daily collections each day prior to making the bank deposit.

Status: Finding has been corrected.

**Finding No. 2013-06**

Criteria: The City of Gregory should begin each day with a standardized cash bank in the cash drawer.

Condition: The City of Gregory starts each day's cash bank based on the prior day's overage or underage amount.

Cause: Proper internal accounting controls were not followed and daily collection procedures are not being followed.

Effect: The city of Gregory's daily collections and associated reporting could not be accurate.

Recommendation: For accountability and internal control purposes, the City of Gregory should start each day with a standardized cash bank in the cash drawer.

Status: Finding has been corrected.

**Finding No. 2013-07**

Criteria: The City of Gregory should maintain council minutes in a timely manner and the minutes should be approved by the council in an open meeting.

Condition: The City of Gregory was not maintaining council minutes in a timely fashion nor approving them in a timely manner. Furthermore, associated ordinances, budgets or other action items were not being maintained with the Official Minutes in the possession of the City.

Cause: Lack of a full time City Secretary and appropriate office staffing levels.

Effect: The City of Gregory is out of compliance with Robert's Rules of Order.

Recommendation: For compliance and internal control purposes, the City of Gregory should write council minutes after each meeting and these minutes should be approved by the City Council in an open meeting. Furthermore, all action items associated with these minutes should be maintained with the Official minutes in the possession of the City.

Status: Finding has been corrected.

**Finding No. 2013-08**

Criteria: Federal Outlay and Request for Reimbursement For Construction Program report number nine was submitted using invoices not found in the general ledgers of the City of Gregory

Condition: The City's Outlay and Request for Reimbursement For Construction Program report number nine submitted to EDA was not accurate.

Cause: The City's Outlay and Request for Reimbursement For Construction Program report number nine to EDA was based on invoices that were not that of the City of Gregory.

Effect: The City's Outlay and Request for Reimbursement For Construction Program report number nine was reimbursed by the EDA for expenditures not made by the City of Gregory.

Recommendation: For accountability and internal control purposes, The City of Gregory should ensure that all EDA Outlay and Request for Reimbursement For Construction Program reports are prepared based on accurate and valid expenditures of the City of Gregory.

Status: Finding has been corrected.

**Finding No. 2013-9**

Criteria: Federal Outlay and Request for Reimbursement for Construction Program reports submitted to EDA should reflect amounts posted in general ledger of the City of Gregory.

Condition: The City's Outlay and Request for Reimbursement For Construction Program reports submitted to EDA are not in agreement with amounts posted in the general ledger.

Cause: The City's Outlay and Request for Reimbursement For Construction Program reports to EDA are in disagreement with ledger amounts, resulting in inaccurate reporting statements. The lack of reconciliation of these reports resulted in the discrepancies.

Effect: The City's Outlay and Request for Reimbursement For Construction Program reports to EDA are not in agreement with amounts posted in the general ledger of the City of Gregory.

Recommendation: For accountability and internal control purposes, The City of Gregory should ensure that EDA Outlay and Request for Reimbursement For Construction Programs reports are prepared based on accurate amounts posted in City of Gregory's general ledger to avoid discrepancies in the future. Timely reconciliation should be done by a supervisor to ensure the federal/state reports reconcile back to the general ledger.

Status: Finding has been corrected.

## **I. Summary of Auditor's Results**

Type of Auditor's report issued:	<b>Unmodified</b>	
Internal Control over financial reporting:		
Material Weaknesses identified?	<u><b>X</b></u> <b>Yes</b>	<u>      </u> <b>No</b>
Significant deficiencies identified not considered being material weaknesses?	<u><b>X</b></u> <b>Yes</b>	<u>      </u> <b>No</b>
Noncompliance material to financial statements noted?	<u><b>X</b></u> <b>Yes</b>	<u>      </u> <b>No</b>
Federal Awards		
Internal Control over major programs:		
Material Weaknesses identified?	<u><b>X</b></u> <b>Yes</b>	<u>      </u> <b>No</b>
Significant deficiencies identified not considered being material weaknesses?	<u><b>X</b></u> <b>Yes</b>	<u>      </u> <b>No</b>
Noncompliance material to financial statements noted?	<u>      </u> <b>Yes</b>	<u><b>X</b></u> <b>No</b>

A modified opinion was issued regarding compliance and internal controls.

A modified opinion was issued regarding compliance for major award programs.

The audit disclosed audit findings that are required to be reported in this schedule under OMB Circular A-133.

Major programs:

HOME Grant, CFDA 14.239

The threshold used to distinguish between Type A and Type B deferral programs was \$300,000.

The City was not classified as a low risk auditee in context of OMB Circular A-133.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

**Finding No. 2014-01**

Criteria: Interfund balances are generally short-term loans to cover temporary cash flows and reimbursements for various funds. The current General Fund Due from System Fund is over two years old.

Condition: The City of Gregory continues to carry large Due to and due from balances between the General Fund and the System Fund which distorts Fund Balance and should have been reported as Transfers In and Out.

Cause: The large net operating loss in system fund have created large interfund balances between the general fund and system fund.

Effect: The City of Gregory General Fund has loaned the System Fund large amounts of funds with a low probability of repayment and should have been reported as transfers in and out which would result in a more accurate fund balance in both funds.

Recommendation: For accountability and internal control purposes, the City of Gregory should consider writing off the old interfund balances and record future transfer of funds as transfers.

**Finding No. 2014-02**

Criteria: The City of Gregory should reconcile (balance) accounts receivable each month.

Condition: The City of Gregory was not reconciling (balancing) accounts receivable.

Cause: Proper internal accounting controls were not followed and reconciliations (balancing) of accounts receivable were not being performed.

Effect: The City of Gregory's accounts receivable associated reporting could not be accurate.

Recommendation: For Accountability and internal control purposes, the City of Gregory should reconcile (balance) accounts receivable monthly and maintain record of the reconciliations.

**Finding No. 2014-03**

Criteria: The City of Gregory should be recording activities to correct funds in their general ledgers and financial statements.

Condition: The City of Gregory's General Fund includes activities from other fund balances.

Cause: Lack of full time staff accountant and appropriate office staffing levels and knowledge of accounting.

Effect: The City of Gregory does not have accurate general ledgers or financial statements to reflect the correct fund balances based on their activities.

Recommendation: For accountability and internal control purposes, The City of Gregory should consider hiring a full-time staff accountant or consultant to manage the general ledgers to ensure activities are correctly recorded.

**Finding No. 2014-04**

Criteria: The City of Gregory should maintain records of supports for all transactions.

Condition: The City of Gregory was not able to locate certain invoices during the audit.

Cause: There were no policies and procedures for filing records. Therefore, when there was a transition of staff, the new staff was unable to locate the records.

Effect: The City of Gregory's records were not properly maintained.

Recommendation: For Accountability and internal control purposes, the City of Gregory should ensure proper procedures for filing of records.

**Finding No. 2014-05**

Criteria: The City of Gregory's staff should have adequate knowledge to utilize the City's current accounting system.

Condition: The City of Gregory's staff was not able to perform accruals and year end closing procedures.

Cause: Lack of full time staff accountant and appropriate office staffing levels and knowledge of accounting.

Effect: The City of Gregory's accruals and year end closing procedures were not performed.

Recommendation: For accountability and internal control purposes, The City of Gregory should consider hiring a full-time staff accountant or consultant to manage the general ledgers to ensure proper journal entries were being created.

**Finding No. 2014-01.**

Interfund balances are generally short-term loans to cover temporary cash flows and reimbursements for various funds. The current General Fund Due from System Fund is over two years old.

The City council will take action on this item, during the next regularly scheduled council meeting. The action will be to pass a resolution to write-off the old Interfund balances and record future transfer of funds as transfers.

**Finding No. 2014-02.**

The City of Gregory should reconcile (balance) accounts receivable each month.

The City, as of January 1, 2015, has implemented a process to reconcile accounts receivable monthly and maintain records of the reconciliations.

**Finding No. 2014-03.**

The City of Gregory should be recording activities to correct funds in their general ledgers and financial statements.

The City will be sending the City Secretary for additional education on general ledgers and financial statements. Also the City will be seeking out the services of an accountant to make sure proper journal entries are being created and maintained.

**Finding No. 2014-04.**

The City of Gregory should maintain records of supports for all transactions.

Invoices are being correctly categorized, filed and maintained, as of January 1, 2015, to make sure records are retained and easily accessible.

**Finding No. 2014-05.**

The City of Gregory's staff should have adequate knowledge to utilize the City's current accounting system.

The City will be sending the City Secretary for additional education on general ledgers and financial statements. Also the City will be seeking out the services of an accountant to make sure proper journal entries are being created and maintained.



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the City Council  
City of Gregory, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Gregory, Texas' compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A -133 Compliance Supplement* (OMB Circular A-133) that could have a direct and material effect on each of the City of Gregory, Texas's major federal programs for the year ended September 30, 2014. The City of Gregory, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Gregory, Texas's major federal programs based on our audit of the types of compliance requirements referred to above.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gregory, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the City of Gregory, Texas's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Gregory, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material on each of its major federal programs for the year ended September 30, 2014.

## Report on Internal Control over Compliance

Management of City of Gregory, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered City of Gregory, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Gregory, Texas's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, as described in the accompanying schedule of findings and questioned costs, during our audit we identified certain deficiencies in internal control that we consider to be material weaknesses.

City of Gregory, Texas's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Gregory, Texas's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Vail + Knauth, LLP*

Richardson, Texas  
December 16, 2015

City of Gregory, Texas  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2014

Federal Grantor Program of Cluster Title	Federal CFDA Number	Pass through Number	Federal Expenditures	Pass through Amount Sub Recipients
<b>U.S. Department of Commerce</b>				
Through: Economic Development Administration				
Period 08/09/2011 to 08/09/2016	11.301	08-01-04694	\$ 14,170	\$ -
<b>Total U.S. Department of Commerce</b>			<u>14,170</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
Through: Texas Department of Agriculture				
Period 11/01/2012 to 10/30/2014	14.228	712130	20,600	-
Through: Texas Department of Housing and Community Affairs				
HOME Investment Partnership Program				
Period 09/15/2011 to 08/24/2014	14.239	549412	757,009	-
<b>Total U.S. Department of Housing and Urban Development</b>			<u>777,609</u>	<u>-</u>
<b>Total Federal Expenditures</b>			<u>\$ 812,379</u>	<u>\$ -</u>

1. For all Federal programs, the City uses the fund types specified by the governmental generally accepted accounting principles. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund (Grants in Aid Section).

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets,

The modified accrual basis of accounting is used for the Governmental Fund types, and Agency Funds. This basis of accounting recognizes revenues in the accounting periods in which they become susceptible to accrual, i.e., both measureable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmetered interest on General Long-Term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97



# City of Gregory

## Profit & Loss Budget Performance

November 2015

Income	Nov 15	Budget	Oct - Nov 15	YTD Budget	Annual Budget
<b>1200000 REVENUES</b>					
1200100 - Taxes Revenue	0.00	7,000.00	10,054.29	9,000.00	400,000.00
1200110 - Ad Valorem Taxes	0.00	2,215.00	2,272.66	3,315.00	15,000.00
1200115 - Ad Valorem Taxes Delinquent	0.00	100.00	622.52	150.00	5,000.00
1200215 - Franchise Taxes	0.00	6,000.00	0.00	13,623.83	80,000.00
1200305 - Sales Taxes	0.00	5,700.00	0.00	16,963.01	177,000.00
1200306 - 48 Econ Dev Sales Tax	0.00	1,200.00	0.00	3,200.00	50,000.00
1200340 - Mixed Beverage Taxes	0.00		0.00	442.52	1,500.00
<b>Total 1200100 - Taxes Revenue</b>	0.00	22,215.00	12,949.47	46,594.36	728,500.00
1204000 - Investment Earnings	0.00	10,714.51	0.00	21,429.02	128,574.12
1204120 - TPCO Buy In Contract	0.00	10,714.51	0.00	21,429.02	128,574.12
<b>Total 1204000 - Investment Earnings</b>	0.00	10,714.51	0.00	21,429.02	128,574.12
<b>1205000 - Current Services</b>					
1205010 - Licenses & Permits	0.00	50.00	50.00	100.00	300.00
1205215 - Plumbing permits	0.00	150.00	1,270.00	500.00	5,000.00
1205215 - Vendor/collectors permits	0.00	30.00	0.00	70.00	400.00
1205215 - Electrical permits	0.00	100.00	150.00	200.00	1,000.00
1206010 - Licenses & Permits - Other	0.00		0.00		149.25
<b>Total 1205010 - Licenses &amp; Permits</b>	0.00	330.00	1,470.00	870.00	6,849.25
1206220 - Garbage Bill collections	956.00	16,666.67	17,258.00	33,333.29	200,000.00
<b>Total 1206000 - Current Services</b>	956.00	16,996.67	18,728.00	34,203.29	206,849.25
<b>1206000 - Other Revenues</b>					
1206330 - Towing Fees	0.00	415.00	0.00	830.00	5,000.00
4606326 - OPSD Resource Officer	0.00	1,166.67	0.00	2,333.30	14,500.00
4606326 - MC SAP Fees	0.00	2,500.00	0.00	5,000.00	30,000.00
1206312 - Admin Services	0.00	12.50	39.00	25.00	150.00
1206347 - Police Reports	0.00	70.00	87.00	125.00	750.00
1206300 - Donations Received	0.00	125.00	0.00	250.00	1,500.00
1206305 - Fees & Deposits	0.00	250.00	25.00	250.00	3,000.00
1206306 - Deposit Refunds	0.00	125.00	0.00	250.00	1,500.00
1206310 - NSF Fees/Over - Short	30.00	62.50	60.00	125.00	1,500.00
1206325 - Misc Income	0.00	40.00	0.00	80.00	500.00
1206326 - Credit Card Sales	0.00	50.00	310.00	100.00	500.00
1206327 - 1206327 - Credit Card Fee	9.00	11,250.00	19,234.30	22,500.00	135,000.00
4606328 - Penalties on Fines	653.00	210.00	11.65	420.00	2,500.00
4606328 - Penalties on Fines	0.00	110.00	609.13	220.00	1,300.00
<b>Total 1206000 - Other Revenues</b>	702.00	16,176.67	20,606.08	32,353.30	194,500.00
<b>Total 1200000 REVENUES</b>	1,658.00	68,102.85	52,351.55	134,679.97	1,238,522.37
1203060 - Grants Revenues	0.00	85.00	0.00	170.00	671.00
1206310 - Donations Park	0.00	481.75	5,148.00	923.50	1,020.00
1206341 - Water Bill Payments Received	525.00	9,833.34	59,606.21	19,686.68	116,000.00
3000070 - Capital Imp Charge	1,214.75	33,333.34	58,706.21	68,688.60	405,000.00
<b>Total 3000070 - Water Bill Payments Received - Other</b>	1,739.75	43,166.68	59,606.21	88,333.78	518,000.00
3000071 - Sewer Bill Payments Received	840.84	15,833.34	21,699.75	31,646.68	190,000.00
3000072 - Connection Fees	0.00	125.00	75.00	250.00	1,500.00
3000073 - Reconnection Fees	0.00	500.00	500.00	1,000.00	8,000.00
3000075 - Water Tap Fees	0.00	416.67	0.00	833.34	5,000.04
3000076 - Sewer Tap Fees	0.00	833.34	0.00	1,666.68	10,000.08
3000078 - Penalties & Late fees	41.65	2,063.34	3,082.76	4,166.68	25,000.00
3003255 - Misc Income (191)	0.00	125.00	0.00	250.00	1,500.00
<b>Total Income</b>	4,312.24	129,732.97	142,493.27	261,640.13	2,022,754.49



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11/04/15

Accrual Basis

# City of Gregory Profit & Loss Budget Performance

November 2015

Expense	Nov 15	Budget	Oct - Nov 15	YTD Budget	Annual Budget
<b>1210000 - OPERATING EXPENSES</b>					
1210000 - Personnel Services					
1210010 - Wages	0.00	9,956.67	11,320.61	17,913.34	107,480.00
1210010 - SS Tax Expense	0.00	2,950.00	775.51	5,900.00	35,400.00
1210010 - Unemployment Ins (SUTA)	0.00	66.67	0.00	123.34	800.00
1210090 - Railroad Retirement Expense	0.00	447.84	271.81	865.68	5,374.00
1210091 - Crossing Guards PD	0.00	333.34	624.75	666.68	4,000.00
1213210 - Wages PD	0.00	15,484.75	12,316.00	30,969.49	185,816.99
1213210 - Judge Wages	0.00	666.67	502.67	1,333.34	8,000.00
1213410 - Fica Exp PD	0.00	1,291.67	989.98	2,583.34	15,500.00
1213430 - SUTA Exp PD	0.00	833.34	578.10	1,666.68	10,000.00
1213450 - TMRS Exp PD	0.00	3,166.67	0.00	5,000.00	30,000.00
1218210 - Wages STR	0.00	333.34	0.00	500.00	3,000.00
1218430 - SUTA Exp STR	0.00	333.34	0.00	500.00	3,000.00
1218450 - TMRS STR	0.00	1,666.67	0.00	2,000.00	12,000.00
4210090 - Court Clerk Wages	0.00	4,166.67	3.81	8,333.34	50,000.00
4210091 - Crossing Guards MCF	0.00	333.34	0.00	500.00	3,000.00
4210700 - PR Exp Allocation MCF	0.00	220.84	550.00	870.84	4,000.00
<b>Total 1210000 - Personnel Services</b>	0.00	39,451.82	28,013.78	78,903.55	473,420.99
1210220 - Building Inspector	0.00	543.00	900.00	1,086.00	6,500.00
1210470 - Contract Labor	0.00	416.67	0.00	833.34	5,000.00
1210500 - Supplies	10.96	616.67	2,445.57	1,233.34	7,400.00
1210510 - Office Supplies	0.00	2,058.34	0.00	4,118.68	24,780.00
1210520 - Fuel & Lubricants	0.00	243.89	0.00	486.18	2,917.08
1210525 - Tires & Vehicle Supplies	0.00	945.84	322.09	1,891.50	11,350.00
1210530 - Operating Supplies	0.00	359.17	149.05	718.34	4,310.00
1210540 - General Use Supplies	0.00	4,223.11	2,918.71	8,446.14	50,877.08
<b>Total 1210500 - Supplies</b>	10.96	333.34	0.00	606.98	4,000.00
1210541 - Election Expense	0.00	1,250.00	2,500.00	2,500.00	15,000.00
1210600 - Other Services & Expense	0.00	83.34	300.00	1,66.68	1,000.00
1210610 - Attorney Fees	0.00	666.67	583.48	1,333.34	8,000.00
1210615 - Rep & Maint Office	0.00	764.42	0.00	1,528.80	9,173.00
1210620 - Rep & Maint other	0.00	545.25	550.00	1,095.25	6,543.00
1210621 - Rep & Maint Vehicles	0.00	916.67	825.00	1,825.00	11,000.00
1210622 - Rep & Maint Equipment	0.00	583.34	0.00	1,166.68	7,000.00
1210625 - Maintenance Contracts	0.00	125.00	0.00	250.00	1,500.00
1210627 - San Pat City Appraisal Dist	0.00	2,219.59	0.00	4,439.18	26,035.81
1210630 - San Pat City Tax Collector	0.00	166.67	0.00	333.34	2,000.00
1210635 - Audit Fees	0.00	66.67	1,065.61	1,333.34	8,000.00
1210640 - Data Processing	0.00	125.00	274.40	250.00	1,500.00
1210645 - Professional Services	0.00	704.59	646.22	1,409.18	8,456.08
1210650 - Legal Notices & Filing	0.00	250.00	0.00	500.00	3,000.00
1210651 - Dues Memberships Subscriptions	0.00	1,500.00	0.00	3,000.00	18,000.00
1210653 - Equipment Rental	0.00	1,774.18	41.68	41.68	250.00
1210656 - EMS Expense	0.00	791.83	791.83	791.83	4,750.00
1210658 - Inspections, Permits, Licenses	0.00	218.89	1,802.34	1,802.34	10,814.00
1210660 - Postage, Shipping	0.00	593.35	3,508.00	3,508.00	21,000.00
1210665 - Telephone	0.00	1,750.00	0.00	3,461.18	2,977.08
1210670 - Electric Utilities	0.00	173.09	0.00	346.18	4,000.00
1210675 - Other Utilities	0.00	233.34	0.00	466.68	5,216.00
1210678 - Bank Service Fees/late fees	0.00	434.67	0.00	869.34	500.00
1210680 - Seminars & Training Conferences	0.00	42.00	0.00	84.00	2,100.00
1210682 - 4B Econ Dev Staff Development	0.00	175.00	390.32	565.32	3,000.00
1210686 - Misc Expenses	103.00	250.00	200.00	500.00	3,000.00
1212695 - Radios, Pagers, Dispatch	0.00	291.67	334.22	583.34	1,391.76
1212674 - Uniforms	0.00	14,734.83	11,121.30	29,499.50	174,735.00
<b>Total 1210600 - Other Services &amp; Expense</b>	100.00	14,734.83	11,121.30	29,499.50	174,735.00
1210900 - Insurance Expenses	0.00	916.67	0.00	1,833.34	11,000.00
1210925 - Workers Comp Insurance	0.00	5,208.34	0.00	10,416.68	62,500.00
1210950 - Health Insurance Expense	0.00	803.34	0.00	1,766.68	10,500.00
1210955 - Liability Insurance Expense	0.00	1,417.00	0.00	2,834.00	17,000.00
1210957 - Property Insurance	0.00	8,425.35	0.00	16,850.70	101,100.00
<b>Total 1210900 - Insurance Expenses</b>	0.00	14,750.00	750.00	29,500.00	2,500.00
1211610 - San Pat City animal control	0.00	0.00	0.00	0.00	17,000.00
1212980 - Garbage & Waste Fee	0.00	0.00	0.00	0.00	994,033.07
<b>Total 1210000 - OPERATING EXPENSES</b>	110.96	83,068.12	43,601.78	166,205.91	994,033.07



# City of Gregory

## Profit & Loss Budget Performance

November 2015

	Nov-15	Budget	Oct - Nov 15	YTD Budget	Annual Budget
1210700 - Capital Outlay					
1210720 - Loan Payment	0.00				118,000.00
1210710 - Vehicles & Computer Equip	0.00	3,842.00	0.00	118,000.00	46,100.00
1210718 - Office Equipment	0.00	834.00	0.00	12,581.00	10,000.00
1210728 - General Equipment	0.00	3,425.00	0.00	6,850.00	41,100.00
Total 1210700 - Capital Outlay	0.00	\$ 101.00	0.00	124,199.00	215,200.00
1212415 - Tires & Other Vehicle FD	0.00				167.00
1212420 - Fuel Supplies & Lubr FD	0.00				1,200.00
1212431 - General supplies FD	48.01	100.00	48.01	200.00	1,200.00
1212510 - Vehicle Rep & Maint FD	0.00	100.00	0.00	200.00	1,200.00
1212622 - Equip Rep & Maint FD	0.00	100.00	0.00	200.00	1,200.00
1212670 - Utilities FD	0.00	175.00	0.00	350.00	2,100.00
1212675 - Dues & Memberships FD	0.00				450.00
1212688 - Radio & Pagers FD	268.80	282.24		551.04	3,380.88
1213511 - Fuel PD	305.13				
1213516 - Tires ac PD	0.00				
1213531 - Supplies General PD	0.00				
1213610 - Vehicles Rep & Maint PD	0.00	500.00		1,000.00	6,000.00
1213626 - Telephones PD	42.02				
1213629 - Licenses, dues (PD)	54.80				
1213633 - Misc Exp PD	0.00				
1213640 - Travel, Training PD	147.71				
1213645 - Vehicle Rep & Maint (STR)	0.00				
1213646 - Vehicle Rep & Maint (STR)	0.00				
1213650 - Supplies Office STR	197.71				
1216616 - Equip Rep & Maint STR	0.00				
1216625 - Street Lighting STR	0.00				
3210000 - OPERATING EXPENSES (SYS)	0.00				
3001065 - Telephone (on call)	0.00	12,333.34	430.59	24,666.68	148,000.00
3001410 - Wages (a)	0.00		6,511.71		
3001420 - Contract Labor (a)	0.00		280.00		
3001421 - Contract Labor	0.00		0.00		
3001430 - FICA Exp (a)	0.00	1,250.00		2,500.00	15,000.00
3001460 - Health Ins (a)	0.00		572.82		
3001500 - Supplies Operating (a)	0.00	3,250.00	0.00	6,700.00	40,200.00
3001531 - Supplies General (a)	0.00	1,200.00	1,348.60	2,548.60	15,940.00
3001532 - Vehicle Supplies	0.00	417.00	200.00	634.00	5,000.00
3001534 - Oper supplies	0.00	100.00	1,328.72	200.00	1,000.00
3001618 - Rep & Maint Equip (a)	0.00		309.81		
3001621 - Rep & Maint Water Lines (a)	0.00		15,925.80		
3001625 - Rental Equipment	0.00		154.00		
3001626 - Water Samples	0.00		286.85		
3001628 - Street Water Purchase	0.00		26,091.83	335,734.00	215,000.00
3001670 - Utilities	0.00	17,917.93	1,908.67		
3001676 - Bank Charges	0.00		0.00		
3002553 - Sewer Sample Testing	0.00		0.00		
3002756 - Cap Outlay Sewer Line Ext	0.00		753.00		
3210210 - Wages (sys)	10,033.85	12,333.34	10,033.85	24,666.68	148,000.00
3210410 - SS Tax Exp (sys)	0.00	810.00	0.00	1,520.00	9,710.00
3210430 - Sola Expense	0.00	48.00	0.00	90.00	540.00
3210450 - TURS Expense	0.00	375.00	350.42	750.00	4,500.00
3210470 - Health Ins Exp	0.00	3,350.00	0.00	6,700.00	40,200.00
3210520 - Contract Labor (sys)	0.00		1,490.00		
3210525 - Fuel & Lubricants (sys)	0.00		0.00		
3210530 - Tires-Vehicle Supplies	0.00		0.00		
3210535 - Operating Supplies (sys)	0.00		43.09		
3210620 - Repair & Maint Other	0.00		0.00		
3210621 - Repair & Maint Vehicles	0.00		0.00		
3210622 - Repair & Maint Equipment	0.00		0.00		
3210631 - Dues-Memberships-Subscrip	0.00		1,105.00		
3210632 - Equip Rental	0.00		0.00		
3210634 - Construction Exp	0.00		0.00		
3210635 - Engineering Exp	0.00		0.00		
3210636 - Permits-Licenses	0.00		0.00		
3210639 - Special Services	0.00		859.00		
3210670 - Electric Utility Exp	0.00		0.00		
3210671 - Bank fees-Jate fees	0.00		1,061.92		
3210680 - Seminars-Training-Conferences	0.00		0.00		
3210697 - Prop Ins Exp	0.00		0.00		
3210674 - Uniforms(sys)	0.00		0.00		
3214280 - Garbage-Waste Fees	0.00		0.00		
Total 3210000 - OPERATING EXPENSES (SYS)	10,033.85	53,850.68	72,948.68	107,101.36	732,041.00



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11/04/15

Accrual Basis

# City of Gregory Profit & Loss Budget Performance

November 2015

	Nov 15	Budget	Oct - Nov 15	YTD Budget	Annual Budget
465100 - Payments to State Texas	0.00	5,533.34	25,737.66	11,556.68	70,000.00
465200 - Travel MCF	500.00	125.00	500.00	250.00	1,500.00
465230 - Maintenance Contracts	1,515.84		1,515.84		
465278 - Bank Charges	0.00		0.00	375.45	28.08
0456300 - Expenses MCF	0.00	35.00	0.00	70.00	400.00
Total Expense	13,242.23	162,140.39	156,288.78	422,749.97	2,000,811.12
Net Income	-4,972.99	-22,407.41	-12,795.61	-160,909.34	-3,056.09



# **OVERSIZED MAP(S)**

**TO VIEW  
OVERSIZED MAP(S),  
PLEASE GO TO  
CENTRAL RECORDS.**

**(512) 936-7180**



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