



Control Number: 45489



Item Number: 60

Addendum StartPage: 0

**To: Public Utility Commissioner of Texas**  
Central Records  
1701 N Congress PO Box 13326  
Austin, Texas 78711-3326

2018 FEB 21 PM 5:12

**From: Hector Castaneda, LNV**

**Date: February 19, 2018**

**Re: Docket No. 45489 Application to Obtain CCN in  
City of Gregory, San Patricio County, Texas**

**To whom it may concern;**

The City of Gregory has received their Audit for 2016 recently. Please find attached. They are awaiting the completion of their 2017 Audit by March 31, 2018. Due to a change in city management, it has taken the City extra time and efforts to get the audits complete. The City is requesting that there CCN application not be denied due to lack of information. The previous City Administrator was handling this data and the City is in the process of catching up. Please feel free to contact the City or myself if you require further information about this matter.

Respectfully,  
LNV Engineering  
TBPE Firm No F-366



Hector Castaneda, E.I.T.

ANNUAL FINANCIAL REPORT

City of Gregory, Texas

*Year ended September 30, 2016*

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City of Gregory, Texas  
Annual Financial Report  
Year ended September 30, 2016

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# **Introductory Section**



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## CITY OF GREGORY

Office of the City Secretary

206 W. Fourth St.  
P.O. Box 297 Gregory, Texas 78359-0297

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Email: norma.garcia@gregorytx.com

December 6, 2017

The Honorable Mayor and City Council  
CITY OF GREGORY  
Gregory, Texas 78359

This report represents the Annual Financial Report for the City of Gregory, Texas for the fiscal year ended September 30, 2016.

This report is published to provide the City Council, City Staff, our citizens, our creditors and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures, rests with the city.

To the best of my knowledge and belief, the enclosed data is accurate in all material aspects, and is organized in a manner designed to fairly present the financial position and results of operations of the city, as measured by the financial activity of its various funds. I also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the city's financial affairs have been included.

The city staff is pleased to submit the Annual Financial Report for the City of Gregory, Texas, for the fiscal year ended September 30, 2016.

### THE REPORT

This report is in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of the City Officials, and an organizational chart. The Financial Section includes a Management Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the Independent Auditor's report on the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Gregory MD&A can be found immediately following the report of the independent auditors. The Statistical Section includes financial and demographic information, usually presented on a multi-year basis that is relevant to the financial statement reader.



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The City of Gregory's financial statement have been audited by Vail & Knauth, LLP; a properly licensed certified public accountant firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gregory for the fiscal year ending September 30, 2016 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor, based upon the audit, that there was a reasonable basis for the fiscal year ending September 30, 2016 financial statements to be considered to be fairly presented in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board and other professional promulgations, as applicable.

### **CITY PROFILE**

#### **Location**

The City of Gregory is a city located in San Patricio County. Located in San Patricio County, Gregory is 12 miles from Corpus Christi and about 136 miles south of San Antonio. The city encompasses approximately 1.5 square miles of land within the city's corporate boundary. Gregory's population is estimated at about 2,314.

Gregory was incorporated as a town in 1951. The city operates under a General Law, Type A form of government.

#### **Services Provided**

Services provided by the city under the general governmental functions include public safety (police and fire), streets, sanitation, public improvements, and general administrative services. Other services include utilities operation. A private firm provides solid waste collection and disposal services under a contract with the city. Also, a private firm provides emergency medical service response under a contract with the city. In addition, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses, payments on outstanding debt and reserves.

#### **Blended Component Unit**

The City of Gregory, Texas had no blended component units.



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### Discretely Presented Component Unit

The City of Gregory, Texas had no discretely presented component units.

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 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.



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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.

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:

- o Sherwin Alumina
- o DuPont
- o OxyChem
- o Tianjin Pipe Company
- o Cheniere Energy
- o Voestalpine Group Steel Company

Total taxable value for all residential and commercial property in the City of Gregory exceeded \$55 million for the fiscal year 2016, a 6.00% increase from the previous year.



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Total sales tax collections have decreased over \$32.1K or 11% over the prior fiscal year. The overall growth of the area is considered to be a negative factor.

### 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, is continuing 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; is continuing 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; is continuing 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 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.



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### 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 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 2016	Plan Year 2015
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



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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:

1. Annual Required Contribution (ARC)	15,180
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost APC)	15,180
5. Contributions Made	15,180
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	

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



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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 available to eligible former employees and eligible dependents.

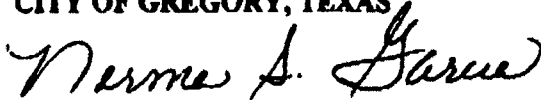
## OTHER INFORMATION

### 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.

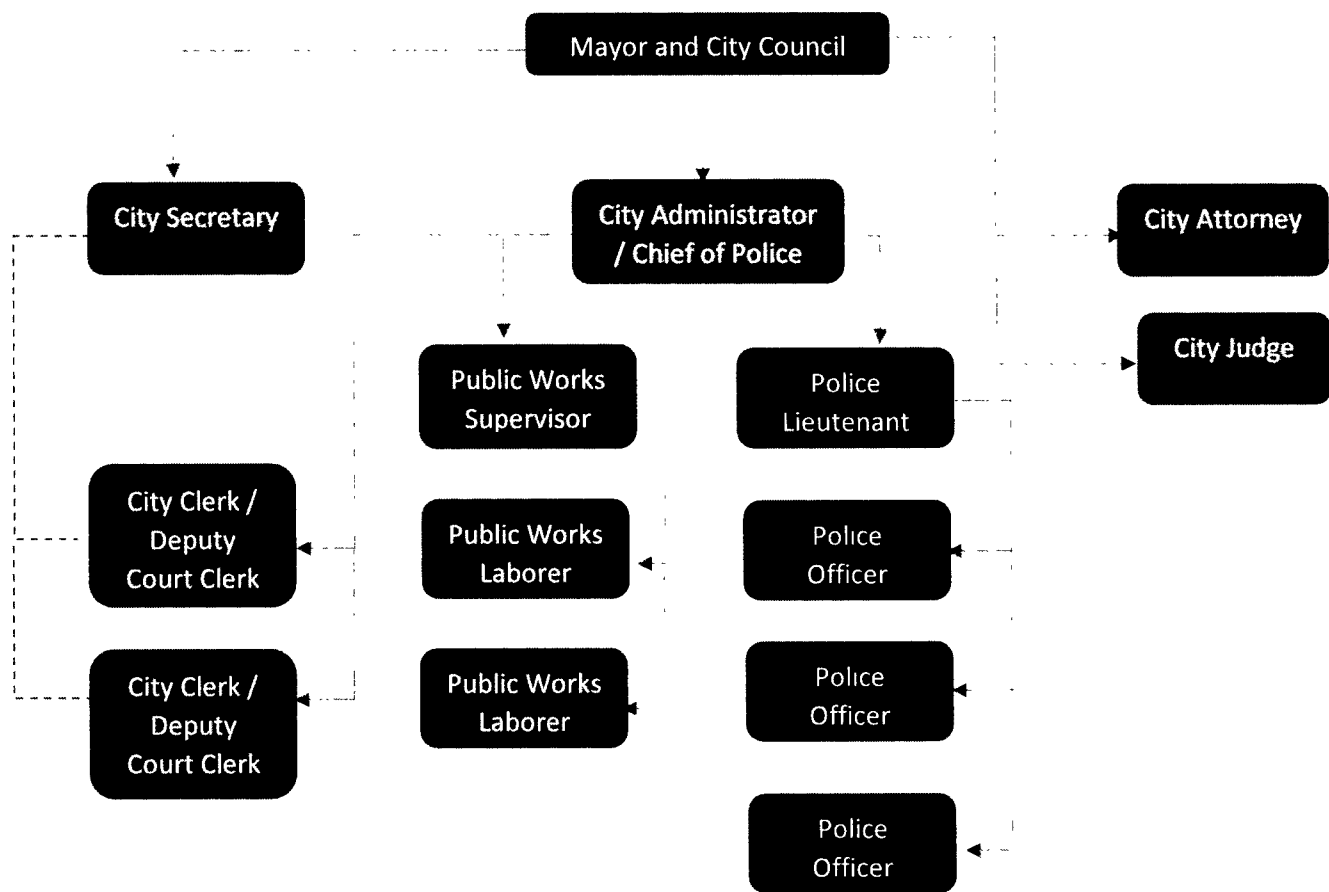
The Mayor, members of the City Council, and Citizens, are to be thanked for their active participation in the support of the operations of the city. The city continues to grow and enhance its overall operations, as it plans for the future of the City of Gregory, Texas. While challenges remain, there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



Norma S. Garcia  
City Secretary

# CITY OF GREGORY- Organizational Chart



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

## **City Council**

Celestino Zambrano, Mayor

Pablo Martinez, Mayor Pro-Tem

Alvaro Lopez, Jr., City Council

Kristina Zambrano, City Council

Estanislao Perales, Jr., City Council

Christopher Flores, City Council

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## **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, 2016, 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, 2016, 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 4 to the Basic Financial Statements, the City discovered certain sales tax receivables that were not recorded in the previous year. This resulted in a \$56,162 increase in governmental activities net position as of September 30, 2015. Accordingly, an adjustment has been made to beginning net position as of September 30, 2016.

## 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 Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and budgetary comparison information on pages 17 – 23, 5, and 6 – 6 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 – 10 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 22, 2017, 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.

*M. C. C. & Associates, P.C.*

Richardson, Texas  
December 22, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS



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**City of Gregory, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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, 2016. 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 \$5,606,619 (net position). Of this amount, \$903,845 or 16% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total debt decreased by \$130,000 during 2016 from \$2,575,000 to \$2,445,000. 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, 2016, the City of Gregory, Texas's General Fund reported an ending fund balance of \$463,456 compared to \$313,822 in the prior year. This increase in Fund Balance is due to increase in taxes revenues.
- As of September 30, 2016, the City of Gregory, Texas's governmental funds reported combined ending fund balance of \$1,158,911 compared to \$835,848 in the year before. This increase is due to increase in taxes revenues and grant revenues.
- The net position of the City of Gregory, Texas exceeded its liabilities at the close of the fiscal year ending September 30, 2016 by \$5,606,619, an increase of \$328,893 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 \$5.6 million as of September 30, 2016. Analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$2 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 2016	FY 2015	FY 2016	FY 2015
Current and other assets	\$ 1,386,658	\$ 1,070,482	\$ 369,042	\$ 341,629
Capital assets	4,687,809	4,835,196	1,824,331	1,814,160
Total assets	6,074,467	5,905,678	2,193,373	2,155,789
Deferred outflows of resources	19,023	(15,920)	5,523	(4,622)
Total deferred outflows of resources	19,023	(15,920)	5,523	(4,622)
Long-term liabilities outstanding	2,445,000	2,575,000	-	-
Other liabilities	84,218	105,941	156,549	138,420
Total liabilities	2,529,218	2,680,941	156,549	138,420
Net position:				
Net investment in capital assets	2,242,809	2,260,196	1,824,331	1,814,160
Restricted	635,634	623,732	-	-
Unrestricted	685,829	324,889	218,016	198,587
Total net position	\$ 3,564,272	\$ 3,208,817	\$ 2,042,347	\$ 2,012,747

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

	Governmental Activities		Business-type Activities	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
Revenue				
Property Taxes	\$ 475,067	\$ 396,278	\$ -	\$ -
Sales Taxes	303,672	319,070	-	-
Franchise Taxes	67,982	75,280	-	-
Charges for Services	200,793	209,114	1,027,862	857,944
Fees and fines	299,883	202,167		
Grants and contributions	318,304	163,567	-	-
Investment earnings	107,300	69,339	-	-
Miscellaneous	13,235	59,564	-	-
Total revenues	1,786,236	1,494,379	1,027,862	857,944
Expense				
General government	699,502	678,264	-	-
Public safety	414,713	309,504	-	-
Sanitation	159,894	160,962	-	-
Public works	185,596	228,312	-	-
Animal control	3,000	2,900	-	-
Bond interest and fiscal agent fee	114,927	121,959	-	-
Business type	-	-	907,573	729,727
Total expenses	1,577,632	1,501,901	907,573	729,727
Change in Net Position Before Transfers	208,604	(7,522)	120,289	128,217
Transfers	90,689	(282,421)	(90,689)	282,421
Change in Net Position	299,293	(289,943)	29,600	410,638
Net Position, beginning of year	3,264,979	3,554,922	2,012,747	1,602,109
Net Position, end of year	<u>\$ 3,564,272</u>	<u>\$ 3,264,979</u>	<u>\$ 2,042,347</u>	<u>\$ 2,012,747</u>

**Governmental Fund Activities** – The City’s general fund revenues increased when compared to the prior year by 20 percent or \$291,857 due to an increase in grants and contributions and fees and fines. The assessed value of the property in the City increased by \$11 million from \$46,197,095 to \$57,239,868, or 23.9 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.

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

	2016	2015	Increase (decrease)
Taxes	\$ 846,721	\$ 790,628	\$ 56,093
Licenses and permits	299,883	202,167	97,716
Intergovernmental revenue and grants	318,304	163,567	154,737
Charges for services	200,793	209,114	(8,321)
Other	120,535	128,903	(8,368)
Total general revenue	<u>\$ 1,786,236</u>	<u>\$ 1,494,379</u>	<u>\$ 291,857</u>

The most significant governmental expense for the City was in the public safety and general government. The public safety incurred expenses of \$414,713. The general government incurred expenses of \$699,502.

**Enterprise Fund Activities** – Revenues of the City’s Utility Funds were \$1,027,862 for the fiscal year ending September 30, 2016. Operating expenses were \$907,573 for the year, resulting in a net income of \$120,289 before transfers is taken into account. The most significant expense of the utility Fund was \$249,911 to purchase water and \$170,668 in contracted services.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year 2016, the City of Gregory, Texas had approximately \$6.5 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	
	FY 2016	FY 2015	FY 2016	FY 2015
Land	\$ 62,504	\$ 62,504	\$ 44,814	\$ 44,814
Construction in progress	-	-	100,230	-
Buildings and Improvements	57,711	60,867	-	-
Machinery and Equipment	85,944	115,753	34,441	40,941
Infrastructure	4,481,650	4,596,072	-	-
Water and Sewer system	-	-	1,644,846	1,728,405
Total	<u>\$4,687,809</u>	<u>\$4,835,196</u>	<u>\$1,824,331</u>	<u>\$1,814,160</u>

## Debt

At year-end, the City of Gregory, Texas had \$2,445,000 in General Certifications of Obligation and Loans are compared to \$2,575,000 at the end of the prior fiscal year. Table V below reflects outstanding long-term debt overall decrease of \$130,000.

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

	Governmental Activities		Business-type Activities	
	FY 2016	FY 2015	FY 2016	FY 2015
Certificates of Obligations	\$2,575,000	\$2,445,000	\$ -	\$ -
Total	<u>\$2,575,000</u>	<u>\$2,445,000</u>	<u>\$ -</u>	<u>\$ -</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, 2016, 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, 2016, the governmental funds of the City reported a combined fund balance of \$1,158,911. The majority of it is the general fund and economic development fund which were \$463,456 and \$365,570, respectively at September 30, 2016.

Other governmental fund balances includes:

- Debt Service Fund \$328,558
- Other Funds \$1,327

In the Proprietary Funds, retained earnings at September 30, 2016 are \$2,042,347 an increase of \$29,600.

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 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.



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## BASIC FINANCIAL STATEMENTS

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City of Gregory, Texas  
Statement of Net Position  
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 999,219	\$ 80,303	\$ 1,079,522
Receivables (net of allowance for uncollectible)	206,968	119,719	326,687
Internal balances	(63,230)	63,230	-
Due from others	168,979	35,614	204,593
Net pension assets	74,722	21,693	96,415
Restricted cash and cash equivalents	-	48,483	48,483
Capital Assets:			
Land	62,504	44,814	107,318
Construction in progress	-	100,230	100,230
Infrastructure, net	4,481,650	1,638,346	6,119,996
Building, net	57,711	-	57,711
Machinery and equipment, net	85,944	40,941	126,885
Total capital assets	<u>4,687,809</u>	<u>1,824,331</u>	<u>6,512,140</u>
Total assets	<u>6,074,467</u>	<u>2,193,373</u>	<u>8,267,840</u>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources	19,023	5,523	24,546
<b>Liabilities</b>			
Accounts payable and accrued liabilities	84,218	102,315	186,533
Payable from restricted assets	-	54,234	54,234
Noncurrent liabilities:			
Due within one year	130,000	-	130,000
Due in more than one year	2,315,000	-	2,315,000
Total liabilities	<u>2,529,218</u>	<u>156,549</u>	<u>2,685,767</u>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources			-
<b>Net Position</b>			
Net investment in capital assets	2,242,809	1,824,331	4,067,140
Restricted for:			
Economic development	305,749	-	305,749
Debt service	328,558	-	328,558
Capital project	1,327	-	1,327
Unrestricted	<u>685,829</u>	<u>218,016</u>	<u>903,845</u>
Total net position	<u>\$ 3,564,272</u>	<u>\$ 2,042,347</u>	<u>\$ 5,606,619</u>

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

City of Gregory, Texas  
Statement of Activities  
September 30, 2016

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 582,005	\$ 200,793	\$ -	\$ 318,304	\$ (62,908)	\$ -	\$ (62,908)
Animal control	3,000	-	-	-	(3,000)	-	(3,000)
Municipal court and other fees	117,497	36,382	-	-	(81,115)	-	(81,115)
Public safety	414,713	-	-	-	(414,713)	-	(414,713)
Public works	185,596	-	-	-	(185,596)	-	(185,596)
Sanitation	159,894	-	-	-	(159,894)	-	(159,894)
Bond interest	114,927	-	-	-	(114,927)	-	(114,927)
Total governmental activities	1,577,632	237,175	-	318,304	(1,022,153)	-	(1,022,153)
Business-type activities							
Water and sewer	907,573	1,027,862	-	-	-	120,289	120,289
Total business-type activities	907,573	1,027,862	-	-	-	120,289	120,289
Total primary government	2,485,205	1,265,037	-	318,304	(1,022,153)	120,289	(901,864)
General revenues							
Taxes							
Property taxes					475,067	-	475,067
Sales taxes					303,672	-	303,672
Franchise taxes					67,982	-	67,982
Penalty and interest on taxes					263,501	-	263,501
Investment earnings					107,300	-	107,300
Miscellaneous					13,235	-	13,235
Transfers					90,689	(90,689)	-
Total general revenues and transfers					1,321,446	(90,689)	1,230,757
Change in net position					299,293	29,600	328,893
Prior period adjustments					56,162	-	56,162
Net position - beginning					3,208,817	2,012,747	5,221,564
Net position - ending					\$ 3,564,272	\$ 2,042,347	\$ 5,606,619

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

City of Gregory, Texas  
Balance Sheet - Governmental Funds  
September 30, 2016

City of Gregory, Texas  
Balance Sheet - Governmental Funds  
September 30, 2016

	General Fund	Economic Development Fund	50 Deb Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	320,904	348,430	328,558	\$ -	\$ 1,327	\$ 999,219
Taxes receivable	142,890	17,140	-	-	-	160,030
Allowance for uncollectible taxes	(16,292)	-	-	-	-	(16,292)
Grant receivable	-	-	-	-	63,230	63,230
Due from others	168,979	-	-	-	-	168,979
Total assets and other debits	<u>616,481</u>	<u>365,570</u>	<u>328,558</u>	<u>-</u>	<u>64,557</u>	<u>1,375,166</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	58,790	-	-	-	-	58,790
Intergovernmental payable	25,428	-	-	-	-	25,428
Due to other funds	-	-	-	-	63,230	63,230
Total liabilities	<u>84,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,230</u>	<u>147,448</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>68,807</u>
<b>Fund balances:</b>						
Long term receivable	168,979	-	-	-	-	168,979
Other restricted fund balance	-	365,570	-	-	1,327	366,897
Restricted for debt services	-	-	328,558	-	-	328,558
Restricted for capital projects	-	-	-	-	-	-
Unassigned fund balance	294,477	-	-	-	-	294,477
Total fund balances	<u>463,456</u>	<u>365,570</u>	<u>328,558</u>	<u>-</u>	<u>1,327</u>	<u>1,158,911</u>
Total liabilities and fund balances	<u>\$ 616,481</u>	<u>\$ 365,570</u>	<u>\$ 328,558</u>	<u>\$ -</u>	<u>\$ 64,557</u>	<u>\$ 1,375,166</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, 2016

<b>Total fund balances - governmental funds</b>	\$ 1,158,911
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.	4,687,809
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	68,807
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.	(2,445,000)
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, eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	93,745
<b>Net assets of governmental activities</b>	<u><u>\$ 3,564,272</u></u>

*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, 2016

	General Fund	Economic Development Fund	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes:						
Property taxes	\$ 444,347	\$ -	\$ -	\$ -	\$ -	\$ 444,347
General sales and use taxes	202,603	101,069	-	-	-	303,672
Franchise taxes	67,982	-	-	-	-	67,982
Penalty and interest on taxes	7,626	-	-	-	-	7,626
Licenses and permits	36,382	-	-	-	-	36,382
Intergovernmental revenue and grants	197,174	-	-	-	121,130	318,304
Charges for services	200,793	-	-	-	-	200,793
Fines	255,875	-	-	-	-	255,875
Investment earnings	107,300	-	-	-	-	107,300
Other revenue	13,235	-	-	-	-	13,235
Total revenues	<u>1,533,317</u>	<u>101,069</u>	<u>-</u>	<u>-</u>	<u>121,130</u>	<u>1,755,516</u>
<b>Expenditures</b>						
Current:						
General government	569,151	-	-	-	25,900	595,051
Animal control	3,000	-	-	-	-	3,000
Municipal court	117,497	-	-	-	-	117,497
Public safety						
Police	359,732	-	-	-	-	359,732
Fire Protection	5,800	-	-	-	-	5,800
Street and public works	67,623	-	-	-	-	67,623
Sanitation	159,894	-	-	-	-	159,894
Capital outlay	33,228	-	-	-	-	33,228
Debt service						
Debt principal	-	-	122,552	-	-	122,552
Bond interest	-	-	114,927	-	-	114,927
Total expenditures	<u>1,315,925</u>	<u>-</u>	<u>237,479</u>	<u>-</u>	<u>25,900</u>	<u>1,579,304</u>
Excess (deficiency) of revenues over expenditures	217,392	101,069	(237,479)	-	95,230	176,212
<b>Other financing sources (uses)</b>						
Transfers in	-	-	332,366	-	-	332,366
Transfers out	(105,199)	(41,248)	-	-	(95,230)	(241,677)
Total other financing sources (uses)	<u>(105,199)</u>	<u>(41,248)</u>	<u>332,366</u>	<u>-</u>	<u>(95,230)</u>	<u>90,689</u>
Net change in fund balances	112,193	59,821	94,887	-	-	266,901
Prior period adjustment	37,441	18,721	-	-	-	56,162
Fund balances - beginning	313,822	287,028	233,671	-	1,327	835,848
Fund balances - ending	<u>\$ 463,456</u>	<u>\$ 365,570</u>	<u>\$ 328,558</u>	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 1,158,911</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, 2016

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 266,901</b>
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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.	32,601
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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.	(179,988)
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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.	130,000
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Certain revenues and expenses in the government-wide statement of activities that do not provide current financial resources are not reported as revenue and expense in the governmental funds.	<u>49,779</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 299,293</u></b>
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*The accompanying notes are an integral part of this statement.*

City of Gregory, Texas  
Statement of Net Position - Proprietary Funds  
September 30, 2016

	Business Type Activities - <u>Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 80,303
Receivable and allowances	
Water and wastewater billings	119,719
Due from other funds	63,230
Due from others	35,614
Net pension asset	<u>21,693</u>
Total current assets	320,559
Restricted assets	
Cash and cash equivalents	<u>48,483</u>
Total restricted assets	48,483
Non-current assets:	
Capital assets	
Land	44,814
Construction in progress	100,230
Water system	1,370,225
Sewer system	2,338,186
Furniture and equipment	192,005
Less accumulated depreciation	<u>(2,221,129)</u>
Net capital assets	<u>1,824,331</u>
Total Assets	<u><u>\$ 2,193,373</u></u>
<b>Deferred outflows of resources</b>	
Deferred inflows of resources	5,523
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>102,315</u>
Total current liabilities	102,315
Current liabilities payable from restricted assets:	
Customer deposits	<u>54,234</u>
Total noncurrent liabilities	54,234
Total Liabilities	156,549
<b>Net position</b>	
Net investment in capital assets	1,824,331
Unrestricted	<u>218,016</u>
Total Net Position	<u><u>\$ 2,042,347</u></u>

City of Gregory, Texas  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year ended September 30, 2016

	Business Type Activities - <u>Enterprise Fund</u>
Operating revenues:	
Water sales	\$ 616,838
Sewer sales	257,905
Capital improvement charges	114,113
Other fees and charges	<u>39,006</u>
Total operating revenues	1,027,862
Operating expenses	
Water purchase	249,911
Personnel costs	145,186
Contracted services	170,668
Supplies	87,657
Maintenance	71,870
Other operating expenses	92,222
Depreciation	<u>90,059</u>
Total operating expenses	<u>907,573</u>
Operating income (loss)	120,289
 Transfers in	 -
Transfers out	<u>(90,689)</u>
Change in net assets	29,600
 Prior period adjustment	 -
 Net assets - beginning	 <u>2,012,747</u>
Net assets - ending	<u><u>\$ 2,042,347</u></u>

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

City of Gregory, Texas  
Statement of Cash Flows – Proprietary Funds  
September 30, 2016

	Business Type Activities - Enterprise Fund Water and Sewer
<b>Operating Activities</b>	
Cash received from customers	\$ 1,009,234
Cash payments to suppliers	(703,937)
Cash payments to employees	(150,719)
Net cash provided by operating activities	154,578
<b>Noncapital Financing Activities</b>	
Transfers from other funds	(90,689)
Net cash provided by noncapital financing activities	(90,689)
<b>Capital and Related Financing Activities</b>	
Capital expenditures	(100,230)
Net cash used in capital and related financing activities	(100,230)
<b>Investing Activities</b>	
Net cash provided by investing activities	-
Net increase (decrease) in cash and cash equivalents	(36,341)
Cash and cash equivalents - beginning	165,127
Cash and cash equivalents - ending	\$ 128,786
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 120,289
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	90,059
Loss on disposal of capital assets	
Change in assets and liabilities:	
Accounts receivable	(22,209)
Customer deposits	3,581
Net pension asset	4,612
Deferred outflows of resources	(10,145)
Due from others	(46,157)
Accounts payable and accrued liabilities	14,548
Net cash provided by (used in) operating activities	\$ 154,578

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

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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, 2016.

#### **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, 2016, 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, 2016 the carrying amount of the City's deposits (cash, certificate of deposit, and interest-bearing savings accounts included in temporary investments) was \$999,219. The City's cash deposits at September 30, 2016 and during the period ended September 30, 2016, 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 30, 2016, 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, 2016, was as follows:

City of Gregory, Texas  
Notes to Basic Financial Statements

	Balance September 30, 2015	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2016
<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 Rquipment	836,811	32,601	-	869,412
Infrastructure	5,252,313	-	-	5,252,313
Total capital assets being depreciated	6,246,917	32,601	-	6,279,518
Less accumulated depreciation for:				
Buildings and improvements	96,926	3,156	-	100,082
Machinery and Equipment	721,058	62,410	-	783,468
Infrastructure	656,241	114,422	-	770,663
Total accumulated depreciation	1,474,225	179,988	-	1,654,213
Total capital assets being depreciated, net	4,772,692			4,625,305
Governmental activities capital assets, net	<u>\$ 4,835,196</u>			<u>\$ 4,687,809</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 44,814	\$ -	\$ -	44,814
Construction in progress	-	100,230	-	100,230
Total capital assets not being depreciated	44,814	100,230	-	145,044
Capital assets being depreciated				
Distribution System	3,708,411	-	-	3,708,411
Machinery and Equipment	192,005	-	-	192,005
Total capital assets being depreciated	3,900,416	-	-	3,900,416
Less accumulated depreciation for:				
Distribution System	1,980,006	83,559	-	2,063,565
Machinery and Equipment	151,064	6,501	-	157,565
Total accumulated depreciation	2,131,070	90,060	-	2,221,130
Total capital assets being depreciated, net	1,769,346			1,679,286
Business-type capital assets, net	<u>\$ 1,814,160</u>			<u>\$ 1,824,330</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:

Governmental activities	
Culture & Recreation	\$ 346
General government administration	12,488
Public Safety	49,181
Public Works	70,461
Public Transportation	3,551
Transportation	43,961
Total depreciation expense - Governmental activities	<u>\$ 179,988</u>
Business-type activities	
Machinery and Equipment	\$ 6,501
Distribution System	83,559
Total depreciation expense - Business-type activities	<u>\$ 90,060</u>

**C. Long-Term Debt**

A summary of long-term debt as of September 30, 2016 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)	\$ 2,445,000	\$ -
Total	<u>\$ 2,445,000</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, 2016:

	BALANCE 1-Oct. 2015	ADDITION	REDUCTIONS	BALANCE 30-Sep. 2016	DUE WITHIN ONE YEAR
<b>Governmental Activities</b>					
Loans					
Certificates of Obligation	\$ 2,575,000	\$ -	\$ 130,000	\$ 2,445,000	\$ 130,000
Compensated Absences	-	-	-	-	-
Total Governmental Activities	<u>2,575,000</u>	<u>-</u>	<u>130,000</u>	<u>2,445,000</u>	<u>130,000</u>
<b>Business-Type Activities</b>					
Total Business-Type Activities	-	-	-	-	-
Total Government	<u>\$ 2,575,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 2,445,000</u>	<u>\$ 130,000</u>

City of Gregory, Texas  
Notes to Basic Financial Statements

The annual requirements for bonds for years subsequent to September 30, 2015, are as follows:

Certificates of Obligation	updated		Total	Business-type Activities		Total
	Governmental Activities			Principal	Interest	
	Principal	Interest				
2017	130,000	109,536	239,536	-	-	-
2018	135,000	103,712	238,712	-	-	-
2019	140,000	97,664	237,664	-	-	-
2020	145,000	91,392	236,392			
2021	155,000	84,896	239,896			
Thereafter	1,610,000	412,832	2,022,832	-	-	-
Total	<u>\$ 2,315,000</u>	<u>\$ 900,032</u>	<u>\$ 3,215,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Restricted Cash and Investments - Utility Fund**

The components of restricted cash and investments as of September 30, 2016 are as follows:

Meter Deposit Funds	<u>\$ 48,483</u>
Total Restricted Cash and Investments	<u>\$ 48,483</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 2016 consisted of the following individual fund balances:

	Due From Other Funds	Due To Other Funds
Primary Government		
Special Revenue Fund		63,230
Enterprise Fund	63,230	
	<u>\$ 63,230</u>	<u>\$ 63,230</u>

City of Gregory, Texas  
Notes to Basic Financial Statements

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

The inter-fund balances at September 30, 2016 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

Inter-fund transfers during the year ended September 30, 2016 were as follows:

<i>Transfer In</i>	General Fund	Debt Service Fund	Special Revenue Funds	Enterprise Fund	Economic Development Fund	Total
General Fund	\$ -	\$332,366	\$ -	\$ -	\$ -	\$ 332,366
Enterprise Fund	185,919	-	-	-	-	185,919
Economic Development Fund	41,248	-	-	-	-	41,248
Special Revenue Fund	-	-	-	95,230	-	95,230
Total	227,167	332,366	-	95,230	-	654,763
Less Transfers	(332,366)	-	(95,230)	(185,919)	(41,248)	(654,763)
Net Transfers	<u>\$(105,199)</u>	<u>\$332,366</u>	<u>\$(95,230)</u>	<u>\$(90,689)</u>	<u>\$ (41,248)</u>	<u>\$ -</u>

**F. Disaggregation of Receivables and payables**

Receivables at September 30, 2016 were as follows:

	<u>Taxes Receivable</u>	<u>Grant Receivable</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund - net	126,598	-	-	168,979	295,577
Nonmajor Gov. Funds - net	-	63,230	-	-	63,230
Total - Governmental Activities	<u>126,598</u>	<u>63,230</u>	<u>-</u>	<u>168,979</u>	<u>358,807</u>

Payables at September 30, 2016 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	58,790	-	25,428	-	-	84,218
Major Gov. Funds	-	130,000	-	-	-	130,000
Nonmajor Gov. Funds - net	-	-	63,230	-	-	63,230
Total - Governmental Activities	<u>58,790</u>	<u>130,000</u>	<u>88,658</u>	<u>-</u>	<u>-</u>	<u>277,448</u>



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 \$475,067 were assessed on property values totaling \$57,239,868 using a tax rate of \$0.860000 (\$0.630000 for general operations and \$0.210000 for debt service) per \$100 assessed value. The percent of property taxes collected was 79%.

**H. Pension Plan**

**Plan Description**

The City of Gregory participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. 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 2016	Plan Year 2015
Deposit rate:	5%	5%
Matching ratio (City to Employee):	1.5 to 1	1.5 to 1
Years required for vesting	5 years	5 years
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 to increase (to retirees)	70% of CPI	70% of CPI

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a

## City of Gregory, Texas

### Notes to Basic Financial Statements

portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

#### **H. Pension Plan (continued)**

At December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year 2015	Plan Year 2016
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	11	14
Active employees	9	10

#### **Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Gregory were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gregory were 5.28% and 3.90% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016 were \$15,787 and were equal to the required contributions.

#### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

City of Gregory, Texas  
Notes to Basic Financial Statements

**H. Pension Plan (continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10%	1%
Non-Core Fixed Income	20%	3.65%
Real Return	10%	4.03%
Real Estate	10%	5%
Absolute Return	10%	4.00%
Private Equity	5%	8%
Total	100.00%	

City of Gregory, Texas  
Notes to Basic Financial Statements

**H. Pension Plan (continued)**

**Discount Rate**

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

Changes in the net pension liability for the City are summarized in the following table:

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 299,393	\$ 416,304	\$(116,911)
Changes for the year:			
Service cost	\$ 39,610	-	\$ 39,610
Interest	\$ 21,644	-	\$ 21,644
Changes of benefits terms	-	-	-
Difference between expected and actual experience	\$ (9,544)	-	\$ (9,544)
Changes of assumptions	\$ 3,558	-	\$ 3,558
Contribution - employer	-	\$ 15,706	\$ (15,706)
Contribution - employee	-	\$ 18,844	\$ (18,844)
Net Investment Income	-	\$ 614	\$ (614)
Benefit payments, including refunds of employee contributions	\$ (19,982)	\$ (19,982)	-
Administrative expense	-	\$ (374)	\$ 374
Other changes	-	\$ (18)	\$ 18
Net changes	\$ 35,286	\$ 14,790	\$ 20,496
Balance at 12/31/2015	\$ 334,679	\$ 431,094	\$ (96,415)

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

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption(6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	(\$49,145)	(\$96,415)	(\$134,537)

City of Gregory, Texas  
Notes to Basic Financial Statements

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report that may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended September 30, 2016, the City recognized pension income of \$6,844 and the calculation of the expense is summarized in the following table:

Schedule of Pension Expense	
Total Service Cost	\$ 39,610
Interest on the Total Pension Liability	21,664
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(18,844)
Projected Earnings on Plan Investments (Reduction of Expense)	(29,141)
Administrative Expense	374
Other Changes in Fiduciary Net Position	18
Recognition of Current Year Outflow (Inflow) of Resources- Liabilities	(1,686)
Recognition of Current Year Outflow (Inflow) of Resources- Assets	5,705
Amortization of Prior Year Outflows (Inflows) of Resources- Liabilities	(25,656)
Amortization of Prior Year Outflows (Inflows) of Resources- Assets	1,112
Total Pension Expense	<u>\$ (6,844)</u>

At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Deferred Outflows and Inflows of Resources				
	Deferred Outflows of Resources	Deferred Inflows of Resources	2015 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in future expense
Differences between expected and actual economic experience	\$ -	\$ (9,544)	\$ (2,688)	\$ (6,856)
Changes in actuarial assumptions	3,558	-	1,002	2,556
Difference between projected and actual investment earnings	28,527	-	5,705	22,822
Contributions subsequent to the measurement date	12,087	-	-	-
Total	<u>\$ 44,172</u>	<u>\$ (9,544)</u>	<u>\$ 4,019</u>	<u>\$ 18,522</u>

The amount of \$12,087 reported in the above schedule as "Contributions subsequent to the measurement date" will be recognized as a reduction of the net pension liability for the year ending September 30,

City of Gregory, Texas  
Notes to Basic Financial Statements

2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2016	\$ (4,266)
2017	5,131
2018	5,888
2019	5,707
2020	-
Thereafter	-
Total	<u>\$ 12,460</u>

### 3. Contingencies

There are pending Equal Employment Opportunity Commission claims filed by former employees. The outcome is uncertain at this time. Therefore, there has been no accounting recognition for any possible liability.

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

### 4. Prior Period Adjustments

The City discovered certain sales tax receivables that were not recorded in the previous year resulting in a restatement of beginning net position as of September 30, 2016 as follows:

- Increase in Governmental Activities net position of \$56,162 to record sales tax receivables for the previous year.

### 5. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 22, 2017 the date the financial statements were available to be issued.

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## REQUIRED SUPPLEMENTARY INFORMATION



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## **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 2015-2016 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 Changes in Net Pension Liability and Related Ratios  
September 30, 2016

	2015	2016
Total pension liability		
Service cost	\$ 29,681	\$ 39,610
Interest	24,870	21,644
Change of benefit terms	-	-
Difference between expected and actual experience	(60,709)	(9,544)
Changes of assumptions	-	3,558
Benefit payments, including refunds of employee contributions	(69,800)	(19,982)
Net Change in Total Pension Liability	(75,958)	35,286
Total Pension Liability - Beginning	375,351	299,393
Total Pension Liability - Ending (a)	<u>299,393</u>	<u>334,679</u>
 Plan Fiduciary Net Position		
Contributions-employer	9,899	15,706
Contributions-employee	16,812	18,844
Net investment income	24,877	614
Benefit payments, including refunds of employee contributions	(69,800)	(19,982)
Administrative expense	(260)	(374)
Other changes	(21)	(18)
Net Change in Plan Fiduciary Net Position	(18,493)	14,790
Plan Fiduciary Net Position - Beginning	434,797	416,304
Plan Fiduciary Net Position - Ending (b)	<u>\$ 416,304</u>	<u>\$ 431,094</u>
 Net Pension Liability - Ending (a) - (b)	(116,911)	(96,415)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	139.05%	128.81%
 Covered Employee Payroll	336,249	376,883
 Net Pension Liability as a Percentage of Covered Employee Payroll	-34.77%	-25.58%

City of Gregory, Texas  
Required Supplementary Information  
Schedule of Contributions  
September 30, 2016

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 17,156	\$ 16,275
Contributions in relation to the actuarially determined contribution	15,312	15,787
Contribution deficiency (excess)	1,844	488
Covered employee payroll	376,759	402,742
Contributions as a percentage of covered employee payroll	4.00%	3.92%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determin Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10/5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of reates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

## **Other Supplementary Information Section**

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City of Gregory, Texas  
General Fund- Comparative Balance Sheet  
Year ended September 30, 2016

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	320,904	161,307
Receivable	142,890	118,382
Allowance for uncollectible taxes (credit)	(16,292)	(12,134)
Due from others	<u>168,979</u>	<u>245,912</u>
Total assets and other debits	<u>616,481</u>	<u>513,467</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	58,790	34,160
Accrued liabilities	-	71,781
Intergovernmental payable	<u>25,428</u>	<u>18,176</u>
Total liabilities	<u>84,218</u>	<u>124,117</u>
 <b>Deferred inflows of resources</b>		
Unearned revenue - property taxes	<u>68,807</u>	<u>38,087</u>
Total deferred inflows of resources	<u>68,807</u>	<u>38,087</u>
 Fund balances:		
Long term receivable	168,979	232,559
Unassigned fund balance	<u>294,477</u>	<u>118,704</u>
Total fund balances	<u>463,456</u>	<u>351,263</u>
Total liabilities and fund balances	<u>\$ 616,481</u>	<u>\$ 513,467</u>

City of Gregory, Texas  
 Budgetary Comparison Schedule - General Fund  
 Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 415,000	\$ 415,000	\$ 444,347	\$ 29,347
General sales and use taxes	187,500	187,500	202,603	15,103
Franchise taxes	80,000	80,000	67,982	(12,018)
Penalty and interest on taxes	50,000	50,000	7,626	(42,374)
Licenses and permits	6,850	6,850	36,382	29,532
Intergovernmental revenue and grants	7,712	7,712	197,174	189,462
Charges for services	200,000	200,000	200,793	793
Fines	189,200	189,200	255,875	66,675
Investment earnings	128,574	128,574	107,300	(21,274)
Other revenue	15,350	15,350	13,235	(2,115)
Total revenues	1,280,186	1,280,186	1,533,317	253,131
Expenditures				
Current:				
General government	449,698	449,698	569,151	(119,453)
Animal control	2,500	2,500	3,000	(500)
Municipal court	144,130	144,130	117,497	26,633
Public safety				
Police	306,467	306,467	359,732	(53,265)
Fire Protection	6,180	6,180	5,800	380
Public works	8,350	8,350	67,623	(59,273)
Sanitation	177,000	177,000	159,894	17,106
Capital outlay	97,200	97,200	33,228	63,972
Total expenditures	1,191,525	1,191,525	1,315,925	(124,400)
Excess (deficiency) of revenues over expenditures	88,661	88,661	217,392	128,731
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(105,199)	105,199
Total other financing sources (uses)	-	-	(105,199)	105,199
Net change in fund balances	88,661	88,661	112,193	(23,532)
Prior period adjustment	-	-	37,441	(37,441)
Fund balances - beginning	313,822	313,822	313,822	-
Fund balances - ending	\$ 402,483	\$ 402,483	\$ 463,456	\$ (60,973)



City of Gregory, Texas  
 Budgetary Comparison Schedule – Economic Development Fund  
 Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues	\$ 71,300	\$ 71,300	\$ 101,069	\$ 29,769
Total revenues	71,300	71,300	101,069	29,769
Expenditures	71,500	71,500	-	(71,500)
Total expenditures	71,500	71,500	-	(71,500)
Excess (deficiency) of revenues over expenditures	(200)	(200)	101,069	101,269
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(41,248)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(200)	(200)	59,821	101,269
Prior period adjustment	-	-	18,721	18,721
Fund balances - beginning	287,028	287,028	287,028	-
Fund balances - ending	287,028	287,028	365,570	78,542

City of Gregory, Texas  
 Budgetary Comparison Schedule - Debt Service Fund  
 Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Other revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Debt principal	120,000	120,000	122,552	2,552
Bond interest	126,000	126,000	114,927	(11,073)
Total expenditures	246,000	246,000	237,479	(8,521)
Excess (deficiency) of revenues over expenditures	(246,000)	(246,000)	(237,479)	8,521
Other financing sources (uses)				
Transfers in	-	-	332,366	332,366
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	332,366	332,366
Net change in fund balances	(246,000)	(246,000)	94,887	340,887
Fund balance, beginning of year	233,671	233,671	233,671	-
Fund balance, end of year	<u>\$ (12,329)</u>	<u>\$ (12,329)</u>	<u>\$ 328,558</u>	<u>\$ 340,887</u>

City of Gregory, Texas  
Combining Balance Sheet- Nonmajor Governmental Funds  
Year ended September 30, 2016

	Special Revenue Fund	Capital Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,327	\$ 1,327
Grant receivable	63,230	-	63,230
Total assets and other debits	<u>63,230</u>	<u>1,327</u>	<u>64,557</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:	63,230	-	-
Total liabilities	<u>63,230</u>	<u>-</u>	<u>-</u>
Fund balances:			
Other restricted fund balance	-	1,327	1,327
Total fund balances	<u>-</u>	<u>1,327</u>	<u>1,327</u>
Total liabilities and fund balances	<u>\$ 63,230</u>	<u>\$ 1,327</u>	<u>\$ 1,327</u>

City of Gregory, Texas  
Combining Statement Of Revenues, Expenditures, and Changes  
in Fund Balance Nonmajor Governmental Funds  
Year ended September 30, 2016

	Special Revenue Fund	Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Grant revenues	\$ 121,130	\$ -	\$ 121,130
Total revenues	<u>121,130</u>	<u>-</u>	<u>121,130</u>
Expenditures			
Administration	25,900	-	25,900
Total expenditures	<u>25,900</u>	<u>-</u>	<u>25,900</u>
Other financing sources (uses)			
Transfers out	(95,230)	-	(95,230)
Total other financing sources (uses)	<u>(95,230)</u>	<u>-</u>	<u>(95,230)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>1,327</u>	<u>1,327</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 1,327</u>



**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, 2016, 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 22, 2017.

**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.

*M. Mail & Associates, P.C.*

Richardson, Texas  
December 22, 2017

**Finding No. 2015-01**

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.

Status: Finding has been corrected

**Finding No. 2015-02**

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.

Status: Finding still valid

**Finding No. 2015-03**

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

City of Gregory, Texas  
Schedule of Prior Audit Findings  
For the Year Ended September 30, 2015

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.

Status: Finding still valid



City of Gregory, Texas  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

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

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

A modified opinion was issued regarding compliance and internal controls.

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

**Finding No. 2016-01**

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 to manage the general ledgers to ensure activities are correctly recorded and classified to the appropriate funds.

**Finding No. 2016-02**

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 to manage the general ledgers to ensure proper journal entries are recorded for accruals and general daily transactions.

**Finding No. 2016-03**

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

Condition: The City of Gregory's staff was not able to locate requested grant agreement and certain invoices.

Cause: The policies and procedures for filing were not followed. Therefore, when there was a transition of staff, the new staff was unable to locate 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. 2016-04**

Criteria: The City of Gregory should appropriately perform bank reconciliations monthly on a timely basis and identify any missing transactions.

Condition: The City of Gregory did not perform monthly bank reconciliations appropriately and on a timely basis. There were some checks and deposits missing from the accounting system.

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

Effect: The City of Gregory's banks were not properly reconciled. The missing checks and deposits were not identified timely.

Recommendation: For accountability and internal control purposes, the City of Gregory should ensure proper bank reconciliations are performed and reviewed on a timely basis.

**Finding No. 2016-05**

Criteria: The City of Gregory should understand review payroll records to ensure accurate payroll payments and payroll entries.

Condition: The City of Gregory had incorrect payments in some paychecks and recorded incorrect payroll entries to the accounting system. The City of Gregory did not have account records for pay rate changes in employees' personnel files.

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

Effect: The City of Gregory's payroll entries were not appropriately recorded. Recording of payments to employees were incorrect.

Recommendation: For accountability and internal control purposes, the City of Gregory should consider hiring a full-time staff accountant to manage the general ledgers to ensure payroll an accounts are reconciled at a timely basis and activities are correctly recorded in the general ledger.

**Finding No. 2016-01.**

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 contracted with bookkeeping services to make sure proper journal entries are being created and maintained.

**Finding No. 2016-02.**

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 contracted with bookkeeping services to make sure proper journal entries are being created and maintained.

**Finding No. 2016-03**

The City of Gregory should maintain record for all transactions.

The City of Gregory will establish policies and procedures related to record keeping.

**Finding No. 2016-04**

The City of Gregory should appropriately perform bank reconciliation monthly on a timely basis and identify any missing transactions.

The City of Gregory will consider hiring a full-time staff accountant or consultant to manage the general ledgers to ensure activities are correctly reviewed and recorded.

**Finding No. 2016-05**

The City of Gregory should understand review payroll records to ensure accurate payroll payments and payroll entries.

The City of Gregory will consider hiring a full-time staff accountant or consultant to manage the general ledgers to ensure activities are correctly reviewed and recorded.