

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

City of Mount Pleasant, Texas

Home Rule, Council-Manager Form of Government

City Manager

Mike Ahrens

Director of Finance

Brenda Reynolds



**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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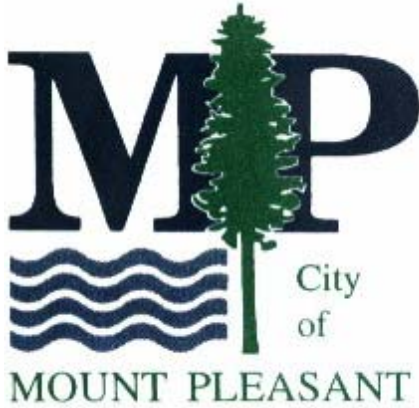
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INTRODUCTORY SECTION





501 N. Madison
Mount Pleasant, Texas 75455

January 14, 2011

Honorable Mayor and City Council
City of Mount Pleasant
Mount Pleasant, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Mount Pleasant, Texas, for the year ended September 30, 2010, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Mount Pleasant's financial statements for the year ended September 30, 2010. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to compliment Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF MOUNT PLEASANT

The City of Mount Pleasant is the seat of Titus County, which is located in the northeast corner of Texas. The City was incorporated on September 17, 1900, under the provisions of H.B. 901 of the Texas Legislature.

The City Council is comprised of a Mayor and five council members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and a

Municipal Judge. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

ECONOMIC CONDITIONS AND OUTLOOK

Mount Pleasant is the largest municipality in the County and serves as the regional economic center for a three county area. Major industries in the area include farming, poultry farming and processing, livestock, oil, lignite and manufacturing. According to the 2000 census, the City's population is 13,935.

The economy seems to have stabilized with the sales tax revenues leveling out rather than decreasing each month. The City expects growth as the economy recovers.

Given Mount Pleasant's pro-business attitude, the City continues to prosper economically. Highlights include:

- Right of way purchase has been completed for the Mount Pleasant/Titus County Loop Project with construction expected to begin in January 2011. This is a \$168 million project in which the City and County have jointly worked diligently.

MAJOR INITIATIVES

The construction of the City's new \$26 million water treatment plant has begun with construction about 25% complete at September 30, 2010. Completion of this plant is expected to be in December 2011. This new water treatment plant will increase the City's daily treated water capacity by 50% by adding 5 million gallons per day of treated water into the system.

The City is in the process of making upgrades to the wastewater treatment plant. These upgrades will make the wastewater plant more efficient and should be complete by February 2011.

The City issued \$4.5 million in certificates of obligation on August 15, 2010. These certificates of obligation will be used to construct a new library which will be located across the street from the municipal building. With these funds, there will also be some remodeling of the current police department to make their operations more efficient.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the Director of Finance. The City Manager makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Director of Finance, the City Manager, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental

appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

General Governmental Functions

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The tax rates adopted by the City Council are shown below:

	<u>Tax Rate</u>
2006-2007	\$0.309927
2007-2008	\$0.309927
2008-2009	\$0.310000
2009-2010	\$0.310000
2010-2011	\$0.310000

OTHER INFORMATION

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Accounting Department who were instrumental in the successful completion of this report.

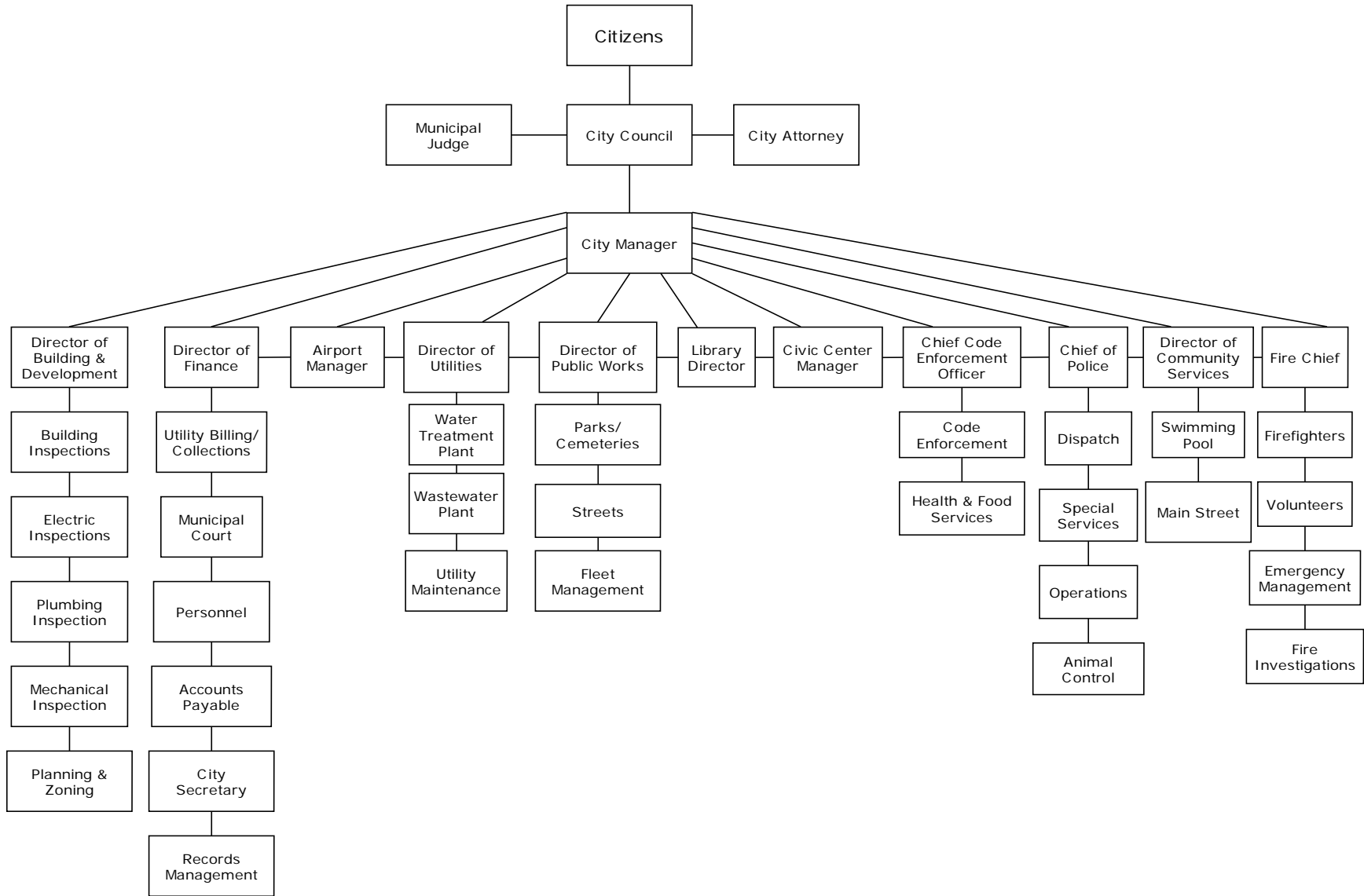
Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Mike Ahrens
CITY MANAGER

Brenda Reynolds
DIRECTOR OF FINANCE

ORGANIZATION CHART



City Council

Jerry Boatner, Mayor
Robert Nance, Mayor Pro-Tem
Erman Hensel, Council Member, Place 2
David Huffman, Council Member, Place 3
Dr. Paul Meriwether, Council Member, Place 4
Andy Fortenberry, Council Member, Place 5

Administrative Staff

Mike Ahrens, City Manager
Brenda Reynolds, Director of Finance



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

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Greenville, Texas 75404-8234

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American Institute of CPAs
Texas Society of CPAs

January 14, 2011

Independent Auditor's Report on Financial Statements

City Council
City of Mount Pleasant
501 North Madison Street
Mount Pleasant, Texas 75002

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mount Pleasant, Texas' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 14, 2011, on our consideration of the City of Mount Pleasant, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the Schedule of Pension Trust – TMRS Funding Progress and Contributions, and the schedule of Other Post-Employment Benefits – Funding and Contributions on pages 5 to 15, 55, 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Pleasant, Texas' financial statements as a whole. The introductory section, the individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

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CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2010

As management of the City of Mt. Pleasant, we offer the readers of the City of Mt. Pleasant's financial statements this narrative overview and analysis of the financial activities of the City of Mt. Pleasant for the fiscal year ended September 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

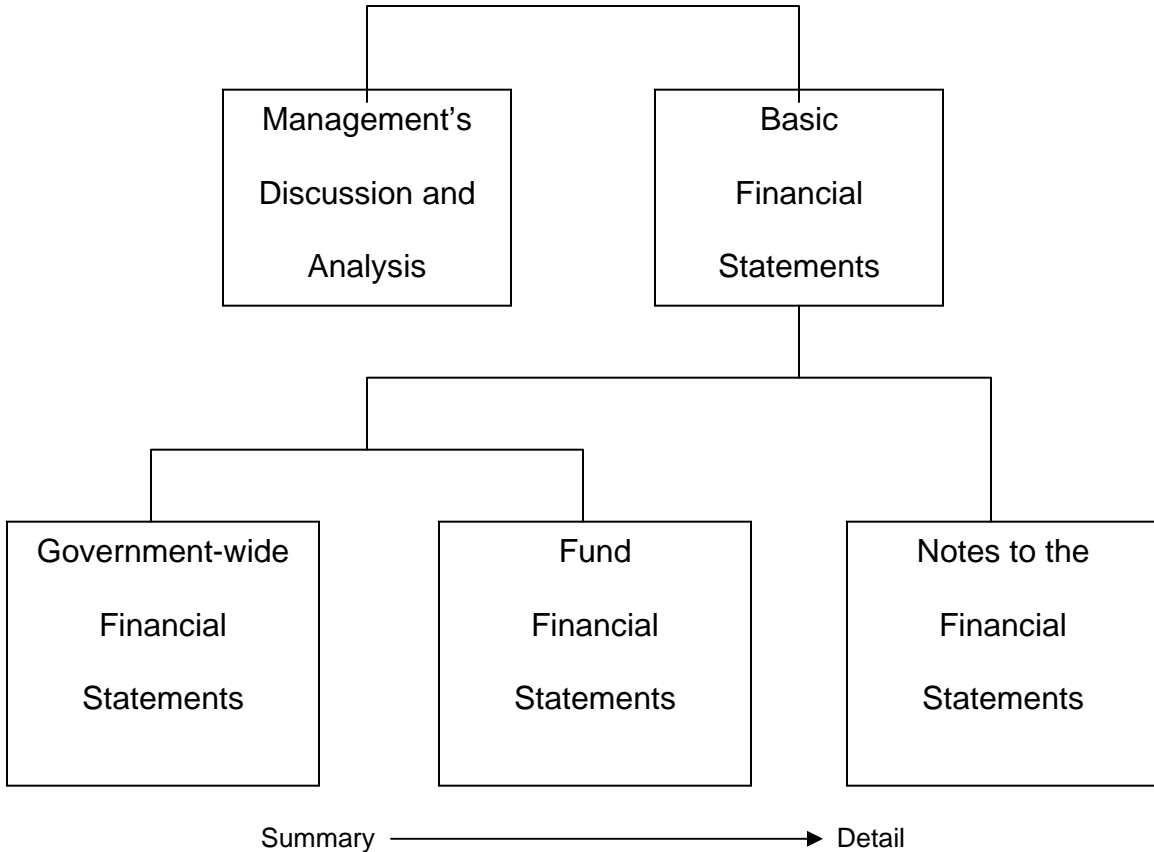
- The assets of the City of Mt. Pleasant exceeded its liabilities at the close of the fiscal year by \$58,799,988 (net assets). Of this amount, \$1,061,829 is restricted for public safety, hotel/motel, and debt service expenditures. The amount of unrestricted net assets is \$5,277,542.
- The government's total net assets increased by \$2,410,517, due to increases in both the Government-type activities net assets and Business-type net assets.
- As of the close of the current fiscal year, the City of Mt. Pleasant's governmental funds reported combined ending fund balances of \$11,113,091, an increase of 51% or \$3,736,524 in comparison with the prior year. \$6,378,670 or 57% is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General fund of \$2,299,481 was 28% of total general fund expenditures for the fiscal year.
- The City of Mt. Pleasant's total bonded debt increased by \$8,163,987 or 69% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Mt. Pleasant's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Mt. Pleasant.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) fiduciary funds. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Mount Pleasant. The final category is the fiduciary funds. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs.

The government-wide financial statements are on pages 19 through 21 of this report.

Fund Financial Statements

The fund financial statements (pages 22-28) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mount Pleasant, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Mount Pleasant can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Mount Pleasant adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Mount Pleasant has three proprietary funds: the Utility Fund, the Airport Fund and the Civic Center Fund. *Proprietary Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mount Pleasant uses proprietary funds to account for its water and sewer, airport, and civic center activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. To account for the difference between the accrual basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The 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 are on pages 30 to 51 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mount Pleasant's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2010 continue the implementation of a new standard of financial reporting for the City of Mount Pleasant, and many other units of government across the United States. Prior to fiscal year 2003, the City of Mount Pleasant maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Mount Pleasant. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Mount Pleasant's financial reports as well as those of many other units of government. While the City of Mount Pleasant was required to implement these changes for the fiscal year ended September 30, 2003, other units were required to implement Statement 34 in 2002, and any remaining governments implemented in 2004.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

The City of Mount Pleasant's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009*	2010	2009	2010	2009
Current and other assets	\$ 11,753,995	\$ 8,066,947	\$ 12,000,707	\$ 10,435,951	\$ 23,754,702	\$ 18,502,898
Capital assets	20,723,224	19,416,011	43,443,114	38,930,646	64,166,338	58,346,657
Total assets	32,477,219	27,482,958	55,443,821	49,366,597	87,921,040	76,849,555
Long-term liabilities	10,820,174	5,988,699	17,555,422	13,776,445	28,375,596	19,765,144
Other liabilities	395,694	401,093	349,762	293,849	745,456	694,942
Total liabilities	11,215,868	6,389,792	17,905,184	14,070,294	29,121,052	20,460,086
Net assets:						
Invested in capital assets, net of related debt	20,682,013	19,226,012	31,778,604	31,122,199	52,460,617	50,348,211
Restricted	495,926	144,736	565,903	4,001,360	1,061,829	4,146,096
Unrestricted	83,412	1,722,418	5,194,130	172,744	5,277,542	1,895,162
Total net assets	\$ 21,261,351	\$ 21,093,166	\$ 37,538,637	\$ 35,296,303	\$ 58,799,988	\$ 56,389,469

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Mt. Pleasant exceeded liabilities by \$58,799,988 as of September 30, 2010. The City's net assets increased by \$2,368,336, excluding prior period adjustments, for fiscal year ended September 30, 2010. However, the largest portion (89%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Mt. Pleasant uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mt. Pleasant's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mt. Pleasant's net assets, 1.81%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,277,542 is unrestricted.

*As restated, see financial statement note S.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

The City of Mount Pleasant Changes in Net Assets

Figure 3

	Governmental Activities		Business Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 1,283,327	\$ 964,031	\$ 11,726,694	\$ 10,175,054	\$ 13,010,021	\$ 11,139,085
Operating Grants and Contributions	11,434	20,434	5,134	12,419	16,568	32,853
Capital Grants and Contributions	90,680	17,709	79,516	-	170,196	17,709
General Revenues:						
Property Taxes	2,599,962	2,434,536	-	-	2,599,962	2,434,536
Sales Taxes	3,377,527	3,777,182	-	-	3,377,527	3,777,182
Hotel/Motel Taxes	312,487	516,976	-	-	312,487	516,976
Franchise Taxes	1,324,057	1,289,741	-	-	1,324,057	1,289,741
Beverage Taxes	21,274	26,634	-	-	21,274	26,634
Investment Income	17,323	63,857	21,041	94,341	38,364	158,198
Contractual Income	393,733	322,898	-	-	393,733	322,898
Royalties	332,918	-	-	-	332,918	-
Sale of Assets	35,838	11,035	6,702	1,529	42,540	12,564
Intragovernmental	-	299,460	25,000	-	25,000	299,460
Miscellaneous	88,359	706,811	83,327	126,610	171,686	833,421
Total Revenues	9,888,919	10,451,304	11,947,414	10,409,953	21,836,333	20,861,257
Expenses:						
Program Expenses						
General Government	1,419,361	1,346,187	-	-	1,419,361	1,346,187
Police	3,564,008	3,211,059	-	-	3,564,008	3,211,059
Fire	1,964,728	1,943,099	-	-	1,964,728	1,943,099
Libraries	317,184	318,521	-	-	317,184	318,521
Public Services and Operations	550,832	400,319	-	-	550,832	400,319
Parks and Recreation	645,176	661,703	-	-	645,176	661,703
Public Works	1,888,613	1,690,435	-	-	1,888,613	1,690,435
Interest on Long-Term Debt	14,278	17,043	-	-	14,278	17,043
Water and Sewer	-	-	7,712,928	7,427,555	7,712,928	7,427,555
Airport	-	-	1,058,856	925,797	1,058,856	925,797
Civic Center	-	-	332,033	304,972	332,033	304,972
Total Expenses	10,364,180	9,588,366	9,103,817	8,658,324	19,467,997	18,246,690
Change in Net Assets before Other						
Revenues and Financing Sources (Uses)	(475,261)	862,938	2,843,597	1,751,629	2,368,336	2,614,567
Other Revenues & Financing Sources (Uses):						
Transfers	541,348	205,260	(541,348)	(205,260)	-	-
Total Other Financing Sources (Uses)	541,348	205,260	(541,348)	(205,260)	-	-
Total Change in Net Assets	66,087	1,068,198	2,302,249	1,546,369	2,368,336	2,614,567
Net assets - beginning as restated	21,093,166	25,101,980	35,296,305	35,646,018	56,389,471	60,747,998
Prior Period Adjustments	102,098	(5,077,012)	(59,917)	(1,896,082)	42,181	(6,973,094)
Net assets - ending	\$ 21,261,351	\$ 21,093,166	\$ 37,538,637	\$ 35,296,305	\$ 58,799,988	\$ 56,389,471

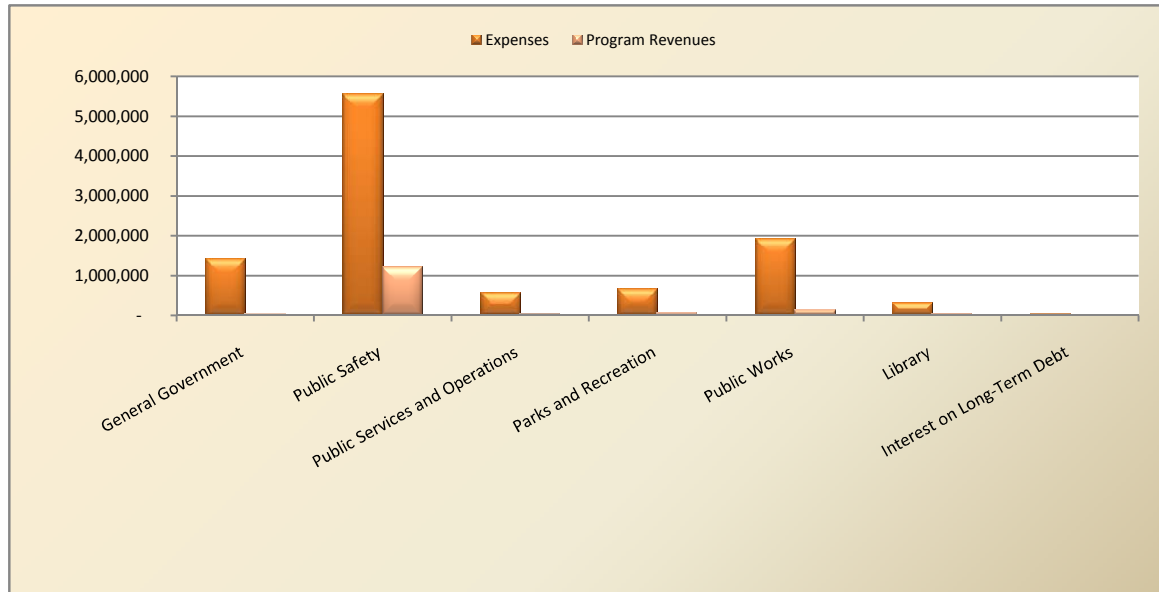
**MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Governmental-type activities - The Governmental Funds increased the City's net assets by \$66,087, excluding prior period adjustments. A key element of this increase is as follows:

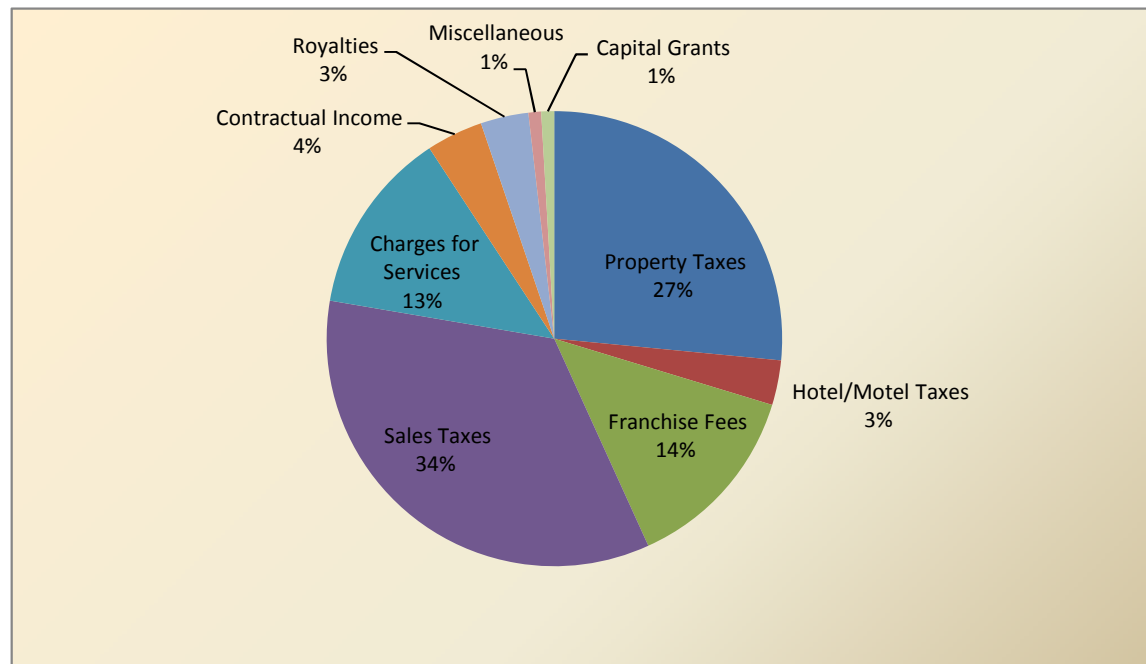
Charges for services increased by 34% over the prior year.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues By Source - Governmental Activities



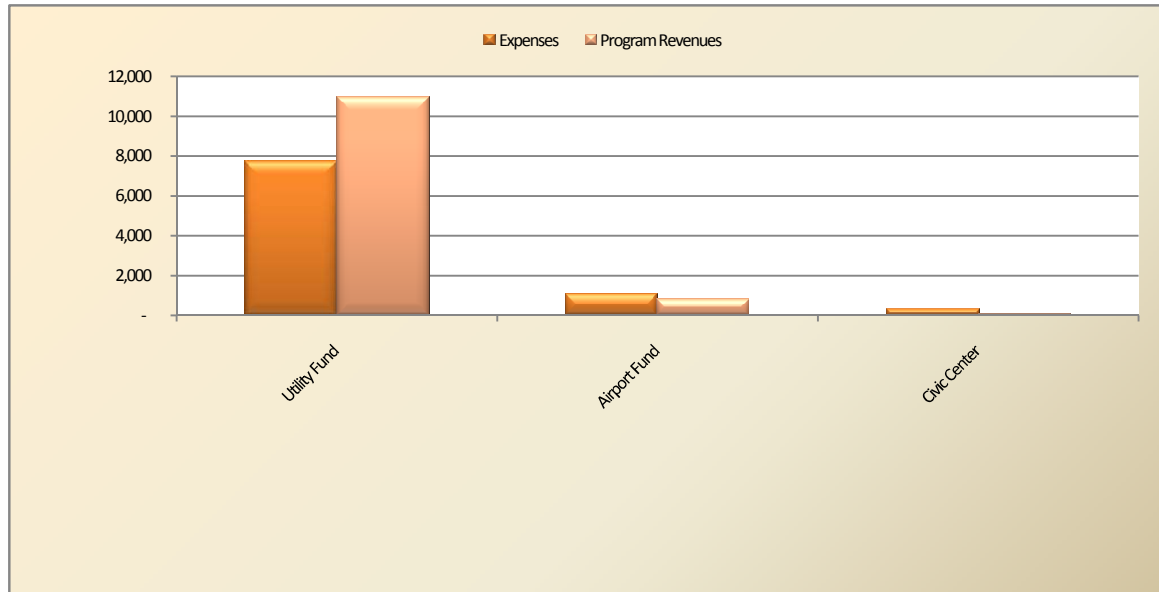
**CITY OF MOUNT PLEASANT, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
 SEPTEMBER 30, 2010**

Business-type Activities - Proprietary fund activities increased the City of Mount Pleasant's net assets by \$2,302,249. A key element of this increase is as follows:

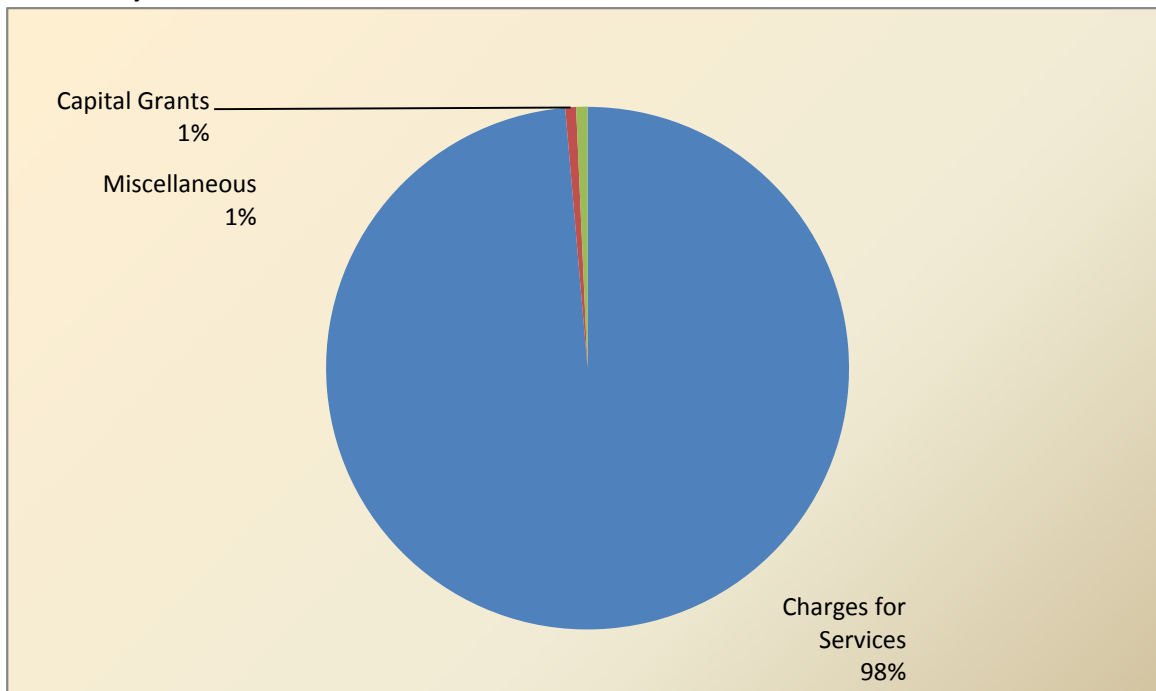
Charges for services increased by 16% over the prior year.

Expenses and Program Revenues - Business Activities

(amounts expressed in thousands)



Revenues By Source - Business Activities



**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Financial Analysis of the City's Funds

As noted earlier, the City of Mount Pleasant uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Mount Pleasant's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mount Pleasant's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Mount Pleasant. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,299,482. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unreserved fund balance represents 28% of total General Fund expenditures.

At September 30, 2010, the governmental funds of the City of Mount Pleasant reported a combined fund balance of \$11,113,091, a 51% increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly less than the budgeted amounts mainly in the area of sales tax revenues. Expenditures were also less than budgeted amounts mainly in the areas of general government and parks and recreation.

Proprietary Funds - The City of Mount Pleasant's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$5,194,130.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Capital Asset and Debt Administration

Capital assets - The City of Mount Pleasant's investment in capital assets for its governmental and business-type activities as of September 30, 2010, totals \$64,166,338 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The increase in the City of Mount Pleasant's capital assets for governmental activities was 7%. The capital assets for the business-type activities increased by 12%.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction in progress was due to the construction of a new water treatment facility, wastewater treatment improvements and an airport widening project. Related interest of \$75,583 was capitalized using the weighted average interest rate method.

Figure 4

**City of Mount Pleasant
Capital Assets
September 30, 2010
(net of accumulated depreciation)**

	Governmental		Business-type		Total	
	2010	2009*	2010	2009	2010	2009
Land	1,342,035	1,225,406	8,605,731	8,605,731	9,947,766	9,831,137
Construction in Progress	228,977	-	6,467,999	1,251,652	6,696,976	1,251,652
Buildings	3,188,220	3,359,836	7,555,961	7,809,175	10,744,181	11,169,011
Improvements	490,256	471,233	6,301,301	6,504,205	6,791,557	6,975,438
Infrastructure	13,764,374	12,854,488	13,794,228	13,952,252	27,558,602	26,806,740
Machinery & Equipment	884,403	712,491	577,449	624,178	1,461,852	1,336,669
Vehicles	824,959	792,557	140,445	183,453	965,404	976,010
Total	\$ 20,723,224	\$ 19,416,011	\$ 43,443,114	\$ 38,930,646	\$ 64,166,338	\$ 58,346,657

More detailed information about the City's capital assets is presented in Note E to the financial statements.

Long-Term Debt - As of September 30, 2010 the City had \$19,933,987, in general obligation bonds, revenue bonds, and certificates of obligation. This represents an increase of \$8,163,987 or 69% in comparison with the prior year.

**City of Mount Pleasant
Outstanding Debt
As of September 30, 2010**

	Governmental		Business-type		Total	
	2010	2009*	2010	2009	2010	2009
General Obligation Bonds	-	-	2,535,000	3,550,000	2,535,000	3,550,000
Revenue Bonds	-	-	12,838,987	8,100,000	12,838,987	8,100,000
Certificates of Obligation	4,500,000	-	60,000	120,000	4,560,000	120,000
Total	\$ 4,500,000	\$ -	\$ 15,433,987	\$ 11,770,000	\$ 19,933,987	\$ 11,770,000

More detailed information about the City's long-term obligations is presented in Note G to the financial statements.

*As restated, see financial statement note S.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Economic Factors and Next Year's Budgets and Rates

The proposed budget for FY 2010-2011 totals \$42,853,349 and reflects an increase of 12% or \$4,531,304 over the prior year's adopted budget. This amount includes a projected \$11,000,000 in spending on the construction of the water treatment plant and a projected \$5,100,000 million for the construction of the new library and police department improvements.

The proposed tax rate for FY 2010-2011 will remain at \$0.31 per \$100 valuation.

Major expenditures planned for in this budget include the completion of the filter replacement at the water treatment plant, the on-going upgrades to the wastewater treatment plant, replacement of the sewer vacuum truck, replacement of the street sweeper, and the first year of a four year project to install radio read water meters.

The budget also allows for a 3% increase in salary level for all employees.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Director of Finance, 501 N. Madison, City of Mount Pleasant, Texas 75455-3650.



BASIC FINANCIAL STATEMENTS



**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 5,696,667	\$ 5,611,576	\$ 11,308,243	\$ 1,961,088
Receivables (net of allow for uncollectibles)	899,082	1,343,016	2,242,098	175,822
Prepaid Expense	113,827	6,588	120,415	-
Deferred Charges	40,100	568,937	609,037	-
Restricted assets:				
Cash and Cash Equivalents	4,934,391	4,470,590	9,404,981	-
Notes Receivable	69,928	-	69,928	-
Non-depreciable Capital Assets:				
Land	1,342,035	8,605,731	9,947,766	1,628,156
Construction in Progress	228,977	6,467,999	6,696,976	-
Depreciable Capital Assets, net				
Buildings	3,188,220	7,555,961	10,744,181	-
Improvements	490,256	6,301,301	6,791,557	1,449,830
Infrastructure	13,764,374	13,794,228	27,558,602	2,305,909
Vehicles	824,959	140,445	965,404	-
Machinery and Equipment	884,403	577,449	1,461,852	-
Total Assets	32,477,219	55,443,821	87,921,040	7,520,805
LIABILITIES				
Accounts Payable	280,374	152,476	432,850	2,259
Other Liabilities	-	152,005	152,005	-
Accrued Interest Payable	17,723	14,616	32,339	9,500
Accrued Expenses	97,597	30,665	128,262	2,305
Noncurrent Liabilities:				
Due within one year:				
Compensated Absences	34,220	8,222	42,442	-
Notes Payable	-	-	-	167,222
Bonds Payable	-	1,480,000	1,480,000	-
Certificates of Obligation	115,000	60,000	175,000	-
Due in more than one year:				
Unfunded OPEB Liability	1,220,008	431,290	1,651,298	28,832
Net OPEB Obligation	177,400	59,917	237,317	4,158
Unfunded Pension Liability	4,567,536	1,542,693	6,110,229	107,052
Compensated Absences	321,010	79,313	400,323	-
Notes Payable	-	-	-	3,404,547
Bonds Payable	-	13,893,987	13,893,987	-
Certificates of Obligation	4,385,000	-	4,385,000	-
Total Liabilities	11,215,868	17,905,184	29,121,052	3,725,875
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	20,682,013	31,778,604	52,460,617	-
Restricted for:				
Debt Service	28,040	565,903	593,943	-
Hotel/Motel	90,186	-	90,186	-
Public Safety	377,700	-	377,700	-
Unrestricted	83,412	5,194,130	5,277,542	3,794,930
Total Net Assets	\$ 21,261,351	\$ 37,538,637	\$ 58,799,988	\$ 3,794,930

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General Government	\$ 1,419,361	\$ -	\$ 1,250	\$ -
Police	3,564,008	1,096,930	5,620	83,750
Fire	1,964,728	-	-	-
Libraries	317,184	6,380	4,564	6,930
Public Services and Operations	550,832	21,799	-	-
Parks and Recreation	645,176	46,975	-	-
Public Works	1,888,613	111,243	-	-
Interest on Long-Term Debt	14,278	-	-	-
Total governmental activities	10,364,180	1,283,327	11,434	90,680
Business-type Activities:				
Water and Sewer	7,712,928	10,920,944	-	-
Airport	1,058,856	738,353	5,134	79,516
Civic Center	332,033	67,397	-	-
Total business-type activities	9,103,817	11,726,694	5,134	79,516
Total primary government	19,467,997	13,010,021	16,568	170,196
Component Unit				
Industrial Development Corporation	622,555	-	-	-
Total component unit	\$ 622,555	\$ -	\$ -	\$ -

General revenues:

Property Taxes
Sales Taxes
Hotel/Motel Taxes
Franchise Taxes
Beverage Taxes
Investment Income
Contractual Income
Royalties
Sale of Assets
Miscellaneous
Intragovernmental
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning as restated
Prior Period Adjustment
Net assets - ending

The notes to the financial statements are an integral part of these financial statements

**Net (Expense) Revenue
and Changes in Net Assets**

Primary Government			
Governmental Activities	Business Activities	Total	Component Unit
\$ (1,418,111)	\$ -	\$ (1,418,111)	\$ -
(2,377,708)	-	(2,377,708)	-
(1,964,728)	-	(1,964,728)	-
(299,310)	-	(299,310)	-
(529,033)	-	(529,033)	-
(598,201)	-	(598,201)	-
(1,777,370)	-	(1,777,370)	-
(14,278)	-	(14,278)	-
<u>(8,978,739)</u>	<u>-</u>	<u>(8,978,739)</u>	<u>-</u>
-	3,213,150	3,213,150	-
-	(240,987)	(240,987)	-
-	(264,636)	(264,636)	-
-	<u>2,707,527</u>	<u>2,707,527</u>	-
<u>\$ (8,978,739)</u>	<u>2,707,527</u>	<u>(6,271,212)</u>	<u>-</u>
-	-	-	(622,555)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (622,555)</u>
\$ 2,599,962	\$ -	\$ 2,599,962	\$ -
3,377,527	-	3,377,527	1,132,904
312,487	-	312,487	-
1,324,057	-	1,324,057	-
21,274	-	21,274	-
17,323	21,041	38,364	2,914
393,733	-	393,733	-
332,918	-	332,918	-
35,838	6,702	42,540	-
88,359	83,327	171,686	-
-	25,000	25,000	(25,000)
541,348	(541,348)	-	-
<u>9,044,826</u>	<u>(405,278)</u>	<u>8,639,548</u>	<u>1,110,818</u>
66,087	2,302,249	2,368,336	488,263
21,093,166	35,296,305	56,389,471	3,216,099
102,098	(59,917)	42,181	90,568
<u>\$ 21,261,351</u>	<u>\$ 37,538,637</u>	<u>\$ 58,799,988</u>	<u>\$ 3,794,930</u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	General Fund	Street Fund	Other Governmental Funds	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,965,554	\$ 2,571,866	\$ 1,159,247	\$ 5,696,667
Receivables (net of allowance for uncollectibles)	765,115	103,081	30,886	899,082
Cash and Cash Equivalents - Restricted	133,765	-	4,800,626	4,934,391
Prepaid Expense	113,827	-	-	113,827
Total Assets	2,978,261	2,674,947	5,990,759	11,643,967
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	186,528	36,940	56,906	280,374
Accrued Expenses	91,755	5,842	-	97,597
Deferred Revenues	152,905	-	-	152,905
Total Liabilities	431,188	42,782	56,906	530,876
Fund Balances				
Reserved for:				
Prepaid Expense	113,827	-	-	113,827
Public Safety	133,765	-	-	133,765
Debt Service	-	-	28,040	28,040
Capital Projects	-	-	4,458,789	4,458,789
Unreserved-Designated for:				
Capital Projects	-	-	897,707	897,707
Unreserved-Undesignated	2,299,481	2,632,165	549,317	5,480,963
Total Fund Balances	2,547,073	2,632,165	5,933,853	11,113,091
Total Liabilities and Fund Balances	\$ 2,978,261	\$ 2,674,947	\$ 5,990,759	\$ 11,643,967

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet	\$ 11,113,091
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,760,020
Accumulated depreciation has not been included in the governmental fund financial statements.	(16,036,796)
Long-term Notes Receivable have not been included in the governmental fund financial statements.	69,928
Certain bond related items are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset.	40,100
Certificates of Obligation have not been included in the governmental fund financial statements.	(4,500,000)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(355,230)
Accrued liabilities for net OPEB obligation have not been included in the fund financial statements.	(177,400)
Accrued liabilities for unfunded pension liability have not been included in the fund financial statements.	(4,567,536)
Accrued liabilities for unfunded OPEB liability have not been included in the fund financial statements.	(1,220,008)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	152,905
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(17,723)</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 21,261,351</u></u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Property Taxes including P&I	\$ 2,424,916	\$ -	\$ 220,762	\$ 2,645,678
Beverage Tax	21,274	-	-	21,274
Hotel Tax	-	-	312,487	312,487
Franchise Fees	-	1,324,057	-	1,324,057
Fines and Forfeitures	853,498	-	249,812	1,103,310
Licenses and Permits	41,225	-	-	41,225
Sales Tax Collected	3,377,527	-	-	3,377,527
Charge for Services	138,582	210	-	138,792
Donations	1,250	-	7,707	8,957
Grant Revenue	-	-	93,156	93,156
Contractual Income	393,733	-	-	393,733
Royalties	-	332,918	-	332,918
Investment Income	6,613	5,720	2,553	14,886
Miscellaneous	82,363	2,191	39,190	123,744
Total Revenues	7,340,981	1,665,096	925,667	9,931,744
EXPENDITURES				
Current:				
General Government	1,003,419	-	297	1,003,716
Police	3,318,341	-	82,537	3,400,878
Fire	1,825,553	-	1,033	1,826,586
Libraries	260,154	-	423	260,577
Public Works	323,244	1,047,551	-	1,370,795
Public Services and Operations	530,493	-	20,339	550,832
Parks and Recreation	555,952	-	14,617	570,569
Debt Service:				
Principal Retirement	-	-	190,000	190,000
Interest and Fiscal Agent Fees	-	-	8,764	8,764
Capital Outlays:	319,254	1,593,724	515,561	2,428,539
Total Expenditures	8,136,410	2,641,275	833,571	11,611,256
Excess (deficiency) of revenues over (under) expenditures	(795,429)	(976,179)	92,096	(1,679,512)
Other Revenues and Financing Sources (uses)				
Transfers	(46,154)	441,308	146,194	541,348
Certificate of Obligation Proceeds	-	-	4,500,000	4,500,000
Debt Issuance Costs	-	-	(42,210)	(42,210)
Sale of Assets	81,644	39,053	12,024	132,721
Total Other Financing Sources (uses)	35,490	480,361	4,616,008	5,131,859
Net Change in Fund Balances	(759,939)	(495,818)	4,708,104	3,452,347
Fund Balances, beginning as restated	3,022,835	3,127,983	1,225,749	7,376,567
Prior Period Adjustments	284,177	-	-	284,177
Fund Balances, ending	\$ 2,547,073	\$ 2,632,165	\$ 5,933,853	\$ 11,113,091

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 3,452,347
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2010 capital outlays is to increase net assets.	2,428,539
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.	(1,019,763)
Current year long-term debt principal payments on certificates of obligation are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements.	190,000
Current year certificate of obligation proceeds are other financing sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements.	(4,500,000)
Debt Issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the debt in the government-wide financial statements.	42,210
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net assets.	9,198
Changes to unfunded pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	(353,273)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	(17,723)
Amortization of debt issuance costs is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets.	(2,110)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(45,716)
In governmental fund financial statements the proceeds from notes receivable are shown as an increase in financial resources. In the government-wide financial statements, this is shown as a reduction of the asset.	(20,739)
In governmental fund financial statements the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(96,883)
Change in net assets - statement of activities	<u>\$ 66,087</u>

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	Utility Fund	Airport Fund	Civic Center	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,356,869	\$ 61,403	\$ 193,304	\$ 5,611,576
Receivables (net of allow for uncollectibles)	1,342,586	-	430	1,343,016
Prepaid Expenses	-	6,588	-	6,588
Total Current Assets	6,699,455	67,991	193,734	6,961,180
Noncurrent Assets:				
Deferred Charges	568,937	-	-	568,937
Cash and Cash Equivalents - Restricted	4,470,590	-	-	4,470,590
Capital Assets:				
Property, Plant & Equipment:				
Land	6,953,503	1,652,228	-	8,605,731
Buildings	10,417,106	2,169,221	1,326,000	13,912,327
Improvements	1,150,816	7,223,892	220,739	8,595,447
Infrastructure	21,447,224	-	-	21,447,224
Vehicles	665,580	212,290	-	877,870
Machinery & Equipment	4,108,293	127,542	174,605	4,410,440
Construction in Progress	6,363,724	104,275	-	6,467,999
Less: Accumulated Depreciation	(18,304,860)	(1,991,067)	(577,997)	(20,873,924)
Total Capital Assets (net of accumulated depreciation)	32,801,386	9,498,381	1,143,347	43,443,114
Total Noncurrent Assets:	37,840,913	9,498,381	1,143,347	48,482,641
Total Assets	44,540,368	9,566,372	1,337,081	55,443,821
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts Payable	143,310	3,297	5,869	152,476
Other Liabilities	152,005	-	-	152,005
Accrued Interest	14,443	-	173	14,616
Accrued Expenses	24,127	2,906	3,632	30,665
Compensated Absences - current	8,222	-	-	8,222
Certificates of Obligation - current	-	-	60,000	60,000
Bonds Payable - current	1,480,000	-	-	1,480,000
Total Current Liabilities	1,822,107	6,203	69,674	1,897,984
Noncurrent Liabilities:				
Unfunded OPEB Liability	355,691	37,677	37,922	431,290
Net OPEB Obligation	49,155	5,365	5,397	59,917
Unfunded Pension Liability	1,265,606	138,131	138,956	1,542,693
Compensated Absences	79,313	-	-	79,313
Bonds Payable	13,893,987	-	-	13,893,987
Total Noncurrent Liabilities	15,643,752	181,173	182,275	16,007,200
Total Liabilities	17,465,859	187,376	251,949	17,905,184
NET ASSETS				
Invested in capital assets (net of related debt)	21,196,876	9,498,381	1,083,347	31,778,604
Restricted for:				
Debt Service	565,903	-	-	565,903
Unrestricted	5,311,730	(119,385)	1,785	5,194,130
Total Net Assets	\$ 27,074,509	\$ 9,378,996	\$ 1,085,132	\$ 37,538,637

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Utility Fund	Airport Fund	Civic Center	Total Enterprise Funds
OPERATING REVENUES:				
Charges for Services	\$ 10,920,944	\$ 738,353	\$ 67,397	\$ 11,726,694
Miscellaneous	81,914	861	552	83,327
Operating Grant Revenue	-	5,134	-	5,134
Total Operating Revenues	11,002,858	744,348	67,949	11,815,155
OPERATING EXPENSES:				
Personal Services	1,812,821	188,249	196,774	2,197,844
Supplies and Materials	380,439	453,230	20,140	853,809
Maintenance and Repair	756,245	16,970	15,800	789,015
Contractual Services	3,384,931	36,880	32,880	3,454,691
Depreciation	907,667	363,528	61,915	1,333,110
Total Operating Expenses	7,242,103	1,058,857	327,509	8,628,469
Operating Income (Loss)	3,760,755	(314,509)	(259,560)	3,186,686
NON-OPERATING REVENUES (EXPENSES):				
Amortization	(123,402)	-	-	(123,402)
Sale of Assets	5,938	764	-	6,702
Intragovernmental Revenue	-	25,000	-	25,000
Interest Revenue	20,803	-	238	21,041
Interest Expense	(347,423)	-	(4,523)	(351,946)
Total Non-Operating Revenues (Expenses)	(444,084)	25,764	(4,285)	(422,605)
Income Before Contributions and Transfers	3,316,671	(288,745)	(263,845)	2,764,081
Capital Contributions	-	79,516	-	79,516
Transfers	(782,202)	(50,000)	290,854	(541,348)
Change in Net Assets	2,534,469	(259,229)	27,009	2,302,249
Net Assets, October 1	24,589,195	9,643,590	1,063,520	35,296,305
Prior Period Adjustments	(49,155)	(5,365)	(5,397)	(59,917)
Net Assets, September 30	\$ 27,074,509	\$ 9,378,996	\$ 1,085,132	\$ 37,538,637

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Funds
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 10,910,880
Cash Received from Other Sources	88,461
Cash Paid to Employees	(2,195,662)
Cash Paid to Suppliers	(4,986,675)
Net Cash Provided by Operating Activities	<u>3,817,004</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(541,348)
Net Cash Used by Non-capital Financing Activities	<u>(541,348)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(5,845,577)
Proceeds from Sale of Capital Assets	6,702
Capital Contributions	79,516
Bond Proceeds	8,190,000
Debt Issuance Cost	44,848
Intragovernmental Revenues	25,000
Principal Paid	(4,500,000)
Interest and fiscal charges on debt	(469,662)
Net Cash Used for Capital & Related Financing Activities	<u>(2,469,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	21,041
Net Cash Provided by Investing Activities	<u>21,041</u>
Net Increase (Decrease) in Cash and Cash Equivalents	827,524
Cash and Cash Equivalents at Beginning of Year	9,254,642
Cash and Cash Equivalents at End of Year	<u>\$ 10,082,166</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating Income (Loss)	\$ 3,186,686
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	1,333,110
Change in Assets and Liabilities	
(Increase) Decrease in Assets:	
Accounts Receivable	(815,814)
Prepaid Expenses	29
Increase (Decrease) in Liabilities:	
Accounts Payable	54,275
Accrued Expenses	4,408
Compensated Absences	2,182
Unfunded Pension Liability	52,891
Other Liabilities	(763)
Total Adjustments	<u>630,318</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,817,004</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2010**

	<u>Police Escrow Fund</u>
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 216,062
Total Assets	<u>216,062</u>
LIABILITIES	
Other Accrued Liabilities	216,062
Total Liabilities	<u>\$ 216,062</u>

The accompanying notes are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

The City of Mount Pleasant, Texas (the "City") is a municipal Corporation governed by an elected mayor and a five-member council and provides the following services to the citizens of the City as authorized by its charter: public safety, (police and fire), public works, parks and recreation, public airport, civic center, water and sewer utilities, and general administrative services.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant account principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2010.

1. Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

Discretely Presented Component Units - The Mount Pleasant Industrial Development Corporation ("IDC") is a discretely presented component unit of the City. The IDC was first incorporated in 1993. The funding for the IDC occurs by the City transferring a portion of sales tax revenues collected by the City to the IDC fund. The nature and significance of the relationship between the primary government and the IDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the IDC.

2. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

2. Financial Statement Presentation (continued)

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented in the required supplementary section that compares the original adopted and final amended General Fund budget with actual results.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. As a general rule the effect of interfund activity has been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital improvements funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

Proprietary fund 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. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

3. Basis of Presentation, Basis of Accounting
 - b. Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, 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 government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Street Fund* accounts for the administration, operation, and maintenance of the City's streets. This fund also accounts for any street projects while under construction.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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. The principal operating revenues of the City's water, sewer and environmental waste services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the operations of the water, sanitary sewer utilities and trash collection which are self-supporting activities rendering services on a user-charge basis.

The *Airport Fund* accounts for the operation of the Airport. Activities of the fund include the administration, operation and maintenance of the airport infrastructure. This fund also accounts for airport projects while under construction.

The *Civic Center Fund* accounts for the operation of the Civic Center. Activities of the fund include the administration, operation and maintenance of the Civic Center.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

- 3. Basis of Presentation, Basis of Accounting**
b. Measurement Focus, Basis of Accounting (continued)

Agency funds account for amounts held on behalf of others by the City as a trustee, or fiduciary. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. The activities of these funds are excluded from the City's other financial statements because the City cannot use them to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

The *Police Escrow fund* is used to account for money or property seized from individuals during a drug arrest. Seizures may eventually be awarded by the Court to the Police Department for disposition. All funds acquired from seizures must be returned to the Police Department for use in law enforcement activities.

4. Financial Statement Amounts

- a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types to increase the amount of funds available for investment. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

- b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Trade and property tax receivables are shown net of an allowance for uncollectibles.

- c. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2010, the City had a tax rate of \$0.31 per \$100 assessed valuation based upon the maximum rates described above.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

d. Prepaid Items and Deferred Charges

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. Issuance costs are amortized over the life of the related debt using a straight-line method.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-45
Buildings	45
Building Improvements	15-20
Vehicles	6
Office Equipment	5-10
Computer Equipment	5-7

g. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. A liability for unpaid accumulated compensated absences is recorded in relation to these amounts in the government-wide and proprietary financial statements.

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts

h. Long-term Obligations (continued)

The fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balances represent management plans that are subject to change and are approved on an annual basis by the City Council.

j. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

k. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

m. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

n. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

B. Compliance and Accountability (continued)

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
State Jag Grant Fund	\$ (2,442)	Funds will be transferred to cover expenditures.

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 55 and other informational budgets are presented in the supplementary information section.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- According to the City Charter, total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting. The majority of the City's Capital Projects are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's fiscal budget.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

4. Excess of Expenditures over Appropriations

During the current year the City did not report any funds whose expenditures were in excess of the appropriations.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,713,224 and the bank balance was \$20,794,001. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$20,836,491.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. Deposits and Investments (continued)

Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and Cash Equivalents	\$ 11,308,243
Restricted cash and cash equivalents	9,404,981
Total cash and cash equivalents	<u>\$ 20,713,224</u>
Cash on hand	\$ 1,718
Savings and checking accounts	2,652,385
Investment Pools	18,059,121
Total cash and cash equivalents	<u>\$ 20,713,224</u>

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an 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.

Currently all of the City's investments are with the Texas Local Investment Pool, and LOGIC Investments.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

The City also invested in LOGIC Investments. LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fund is rated AAAM by Standard & Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>
TexPool	\$ 3,452,122	34
LOGIC	14,606,999	40
	<u>\$ 18,059,121</u>	

As of September 30, 2010 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. Deposits and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 3,452,122	N/A	AAA-m
LOGIC	14,606,999	N/A	AAA-m
	<u>\$ 18,059,121</u>		

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2010, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Utility</u>	<u>Civic</u>	<u>Total</u>
Receivables:						
Taxes	\$ 690,300	\$ -	\$ 20,386	\$ -	\$ -	\$ 710,686
Fees and Charges	1,315,825	103,081	10,500	1,345,102	430	2,774,938
Gross Receivables	2,006,125	103,081	30,886	1,345,102	430	3,485,624
Less: allowance for uncollectibles	1,241,010	-	-	2,516	-	1,243,526
Net Total Receivables	<u>\$ 765,115</u>	<u>\$ 103,081</u>	<u>\$ 30,886</u>	<u>\$ 1,342,586</u>	<u>\$ 430</u>	<u>\$ 2,242,098</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

E. Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 1,225,406	\$ -	\$ 127,629	\$ (11,000)	\$ 1,342,035
Construction in Progress	-	-	228,977	-	228,977
Total capital assets, not being depreciated:	1,225,406	-	356,606	(11,000)	1,571,012
Capital assets, being depreciated:					
Buildings	4,690,962	-	-	(69,991)	4,620,971
Improvements	3,422,107	-	46,949	-	3,469,056
Infrastructure	20,507,950	-	1,300,839	-	21,808,789
Machinery	2,510,365	(20,000)	451,076	(156,971)	2,784,470
Vehicles	2,478,088	(54,597)	273,070	(190,839)	2,505,722
Total capital assets being depreciated:	33,609,472	(74,597)	2,071,934	(417,801)	35,189,008
Less accumulated depreciation for:					
Buildings	(1,331,126)	-	(101,625)	-	(1,432,751)
Improvements	(2,950,874)	-	(27,926)	-	(2,978,800)
Infrastructure	(7,653,462)	-	(390,953)	-	(8,044,415)
Machinery	(1,797,874)	20,000	(272,643)	150,450	(1,900,067)
Vehicles	(1,685,531)	49,918	(226,616)	181,466	(1,680,763)
Total accumulated depreciation	(15,418,867)	69,918	(1,019,763)	331,916	(16,036,796)
Total capital assets, being depreciated, net	18,190,605	(4,679)	1,052,171	(85,885)	19,152,212
Governmental activities capital assets, net	\$ 19,416,011	\$ (4,679)	\$ 1,408,777	\$ (96,885)	\$ 20,723,224
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 8,605,731	\$ -	\$ -	\$ -	\$ 8,605,731
Construction in Progress	1,251,652	-	5,216,347	-	6,467,999
Total capital assets, not being depreciated	9,857,383	-	5,216,347	-	15,073,730
Capital assets, being depreciated:					
Buildings	13,862,088	-	50,239	-	13,912,327
Improvements	8,419,696	-	175,751	-	8,595,447
Infrastructure	21,206,122	-	241,102	-	21,447,224
Machinery	4,255,284	20,000	142,056	(6,900)	4,410,440
Vehicles	835,577	54,597	16,896	(29,200)	877,870
Total capital assets being depreciated	48,578,767	74,597	626,044	(36,100)	49,243,308
Less accumulated depreciation for:					
Buildings	(6,052,912)	-	(303,454)	-	(6,356,366)
Improvements	(1,915,492)	-	(378,654)	-	(2,294,146)
Infrastructure	(7,253,870)	-	(399,126)	-	(7,652,996)
Machinery	(3,631,107)	(20,000)	(187,292)	5,408	(3,832,991)
Vehicles	(652,123)	(49,918)	(64,584)	29,200	(737,425)
Total accumulated depreciation	(19,505,504)	(69,918)	(1,333,110)	34,608	(20,873,924)
Total capital assets, being depreciated, net	29,073,263	4,679	(707,066)	(1,492)	28,369,384
Business-type activities capital assets, net	\$ 38,930,646	\$ 4,679	\$ 4,509,281	\$ (1,492)	\$ 43,443,114

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

E. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 45,001
Police	172,327
Fire	138,142
Libraries	56,607
Parks and Recreation	74,607
Public Works	533,079
Total depreciation expense - governmental activities	<u>\$ 1,019,763</u>
Business-type activities:	
Utility	\$ 907,667
Airport	363,528
Civic Center	61,915
Total depreciation expense - business-type activities	<u>\$ 1,333,110</u>

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2010. The projects include the construction of a water treatment plant and improvements to a wastewater plant.

Commitments for construction in progress are composed of the following:

	Project Budget <u>Appropriation</u>	<u>Spent to Date</u>	Remaining Commitment
Water/Wastewater	22,088,876	6,027,727	16,061,149

F. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Tax revenues which are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund
Tax Revenue	<u>\$ 152,905</u>

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Certificates of Obligation	190,000	4,500,000	(190,000)	4,500,000	115,000
Total Bonds Payable	190,000	4,500,000	(190,000)	4,500,000	115,000
Compensated absences	364,428	17,869	(27,067)	355,230	34,220
Governmental activity Long-term debt	<u>\$ 554,428</u>	<u>\$ 4,517,869</u>	<u>\$ (217,067)</u>	<u>\$ 4,855,230</u>	<u>\$ 149,220</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

G. Long-Term Obligations (continued)

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds	\$ 3,550,000	\$ -	\$ (1,015,000)	\$ 2,535,000	\$ 1,245,000
Revenue Bonds	8,100,000	4,895,000	(3,425,000)	9,570,000	65,000
Revenue Refunding Bonds	-	3,295,000	-	3,295,000	170,000
Certificates of Obligation	120,000	-	(60,000)	60,000	60,000
	<u>11,770,000</u>	<u>8,190,000</u>	<u>(4,500,000)</u>	<u>15,460,000</u>	<u>1,540,000</u>
Add deferred amounts:					
For Bond Issuance Premium	-	10,498	(1,166)	9,331	-
For Bond Issuance Discount	-	(39,763)	4,418	(35,345)	-
Total Bonds Payable	<u>11,770,000</u>	<u>8,160,736</u>	<u>(4,496,748)</u>	<u>15,433,987</u>	<u>1,540,000</u>
Compensated absences	85,353	12,539	(10,357)	87,535	8,222
Business-type activity Long-term debt	<u>\$ 11,855,353</u>	<u>\$ 8,173,275</u>	<u>\$ (4,507,105)</u>	<u>\$ 15,521,523</u>	<u>\$ 1,548,222</u>

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30			Amounts Outstanding September 30 2010	Due Within One Year
			2009	Issued	Retired		
1993 Muni Bldg C.O.'s	5.20%	\$ 1,200,000	\$ 190,000	\$ -	\$ (190,000)	\$ -	\$ -
2010 Lib C.O.'s	2.00-3.75%	4,500,000	-	4,500,000	-	4,500,000	115,000
Total Bonds Payable		5,700,000	190,000	4,500,000	(190,000)	4,500,000	115,000
Compensated absences			364,428	17,869	(27,067)	355,230	34,220
Totals		<u>\$ 5,700,000</u>	<u>\$ 554,428</u>	<u>\$ 4,517,869</u>	<u>\$ (217,067)</u>	<u>\$ 4,855,230</u>	<u>\$ 149,220</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2011	115,000	106,341	221,341
2012	80,000	139,487	219,487
2013	95,000	137,888	232,888
2014	105,000	135,988	240,988
2015	120,000	133,888	253,888
2016-2020	815,000	622,413	1,437,413
2021-2025	1,280,000	477,663	1,757,663
2026-2030	1,890,000	217,563	2,107,563
Totals	<u>\$ 4,500,000</u>	<u>\$ 1,971,228</u>	<u>\$ 6,471,228</u>

\$1,200,000 Combination Tax and Revenue Certificates of Obligation, Series 1993 were issued for the purpose of paying the costs of improvements to the police department and city hall, and for paying legal, fiscal, and architectural fees.

\$4,500,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 were issued for the purpose of constructing and equipping a public library and improving the police department building, with surplus funds to be used for major repair and renovation of existing municipal buildings, and to pay the costs of issuance.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

G. Long-Term Obligations (continued)

Changes in Business-type Long-term Debt by Debt Series:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30 2010	Due Within One Year
			September 30 2009	Issued			
1998A Refunding	3.75%	\$ 7,825,000	\$ 3,550,000	\$ -	\$ (1,015,000)	\$ 2,535,000	\$ 1,245,000
1999 Revenue	4.00%	3,700,000	3,325,000	-	(3,325,000)	-	-
2006 Utility Rev Refund	4.88%	3,320,000	3,220,000	-	(50,000)	3,170,000	45,000
2008 Utility Revenue	1.00%	6,470,000	1,555,000	4,895,000	(50,000)	6,400,000	20,000
2010 Rev Refunding	1.00-3.400	3,295,000	-	3,295,000	-	3,295,000	170,000
2001 Civic C.O.'s	4.00%	\$ 500,000	\$ 120,000	\$ -	\$ (60,000)	60,000	\$ 60,000
Total Bonds Payable		25,110,000	11,770,000	8,190,000	(4,500,000)	15,460,000	1,540,000
Compensated Absences			85,353	12,539	(10,357)	87,535	8,222
Totals		<u>\$ 25,110,000</u>	<u>\$ 11,855,353</u>	<u>\$ 8,202,539</u>	<u>\$ (4,510,357)</u>	<u>\$ 15,547,535</u>	<u>\$ 1,548,222</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2011	1,540,000	343,731	1,883,731
2012	1,530,000	311,023	1,841,023
2013	1,160,000	269,085	1,429,085
2014	1,185,000	245,810	1,430,810
2015	1,205,000	221,729	1,426,729
2016-2020	6,475,000	696,629	7,171,629
2021-2025	2,115,000	192,200	2,307,200
2026-2030	250,000	5,375	255,375
Totals	<u>\$ 15,460,000</u>	<u>\$ 2,285,582</u>	<u>\$ 17,745,582</u>

\$7,825,000 General Obligation Refunding Bonds, Series 1998A, were issued to refund the City's Combination Tax and Utility System Revenue Certificates of Obligation, Series 1990; Combination Tax and Solid Waste Revenue Certificates of Obligation, Series 1992; Combination Tax and Revenue Certificates of Obligation, Series 1994; and to pay the costs of issuance.

\$3,700,000 Utility System Revenue Bonds, Series 1999, were issued to provide funds for the purchase of water rights and construction of a water intake structure and pumping equipment, and to pay the costs of issuance.

\$3,320,000 Utility System Revenue Bonds, Series 2006, were issued to purchase land and pay the costs of improvements to the water system and the costs of issuance.

\$6,470,000 Waterworks and Sewer System Revenue Bonds, Series 2008, were issued for the purpose of the construction of a water treatment plant, improvements to raw water supply facilities and water distribution system.

\$500,000 Combination Tax and Revenue Certificates of Obligation, Series 2001, were issued to make improvements to the City's Civic Center including floor covering, roofing, exterior, painting, doors, restrooms, and outside signage and to pay professional fees in connection therewith.

\$3,295,000 Utility System Revenue Refunding Bonds, Series 2010, were issued to refund the City's Utility System Revenue Bonds, Series 1999, and to pay the costs of issuance.

H Bond Issuance Costs

The City incurred various bond issuance fees upon issuance of bonds. These fees are amortized over the life of the bonds. The following are schedules of these fees:

General Fund	Fees	Prior Years	Current Year	Balance
		Amortization Expense	Amortization Expense	
2010 CO bond issue fees	\$ 42,210	\$ -	\$ 2,110	\$ 40,100
Totals	<u>\$ 42,210</u>	<u>\$ -</u>	<u>\$ 2,110</u>	<u>\$ 40,100</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

H. Bond Issuance Costs (continued)

<u>Proprietary Fund</u>	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance
1998A Refunding bond issuance fees	\$ 777,455	\$ 631,725	\$ 72,865	\$ 72,865
2010 Rev Ref bond issuance fees	44,549	-	4,950	39,599
2008 Revenue bond issuance fees	545,691	43,631	45,587	456,473
Totals	<u>\$ 1,367,695</u>	<u>\$ 675,356</u>	<u>\$ 123,402</u>	<u>\$ 568,937</u>

I. Restricted Assets

The balances of restricted asset accounts in the governmental funds are as follows:

<u>Purpose</u>	Cash & Cash Equivalents
Public Safety	\$ 377,762
Hotel/Motel	69,800
C.O. Proceeds - Capital Projects	4,458,789
Debt Service Fund	28,040
	<u>\$ 4,934,391</u>

The balances of restricted asset accounts in the proprietary funds are as follows:

<u>Purpose</u>	Cash & Cash Equivalents
Utility Customer Deposits	\$ 135,209
Debt Service Fund	8,147
Debt Reserve Fund	1,572,412
Bond Proceeds - Capital Projects	2,754,822
	<u>\$ 4,470,590</u>

J. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employees contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employees accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employees salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

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

Deposit Rate:	7%
Matching Ratio (City to Employee):	2-1
A member is vested after	5 yrs
Members can retire at certain ages, based on the years of service with the City.	
The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.	

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

J. Pension Plan

1. Plan Description (continued)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P O Box 149153, Austin TX 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

2. 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. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period of that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis of the rate and the calendar year when the rate goes into effect.

City of Mount Pleasant			
Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	12/31/07	12/31/08	12/31/09
Actuarial Value of Assets	\$ 8,918,216	\$ 9,732,672	\$ 10,649,882
Actuarial Accrued Liability	14,624,444	\$ 15,536,330	\$ 16,867,165
Percentage Funded	61.0%	62.6%	63.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	5,706,228	\$ 5,803,658	\$ 6,217,283
Annual Covered Payroll	4,929,175	\$ 5,265,395	\$ 5,853,728
UAAL as a Percentage of Covered Payroll	115.8%	110.2%	106.2%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 663,957	866,407	747,785
Contributions Made	Less (663,957)	(866,407)	(747,785)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized	Amortized	Amortized
	Cost	Cost	Cost
Amortization period	25 years-open	25 years-open	25 years-open
Actuarial assumptions:			
Investment rate of return	7%	7%	7%
Inflation rate	3.50%	3.50%	3.50%
Projected salary increase	N/A	N/A	N/A

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

J. Pension Plan (continued)

3. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

The City's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were \$9,696, \$12,124 and \$9,291, respectively, which equaled the required contributions each year.

K. Other Post-Employment Benefits

1. Plan Description

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

2. Benefits Provided

The City provides post-employment medical benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage, an employee must qualify under all three of the following conditions:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. They must apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than ninety days from termination of employment; and
3. They must enroll for retiree Health coverage within thirty-one days of the date of termination. All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

As of September 30, 2010, group plan membership consisted of:

Retirees receiving benefits paid by the City	2
Retirees receiving benefits paid by themselves	1
Active employees	151
Total	<u>154</u>

3. Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. The City contributes \$392.80 per month for retirees between the ages of 62 and 65 for retiree-only coverage. Retirees over the age of 65 may contribute \$392.80 and receive retiree-only coverage. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

K. Other Post-Employment Benefits (continued)

4. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2010:

Annual Required Contribution	\$ 250,902
Interest on prior year Net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	250,902
Contributions made	(9,427)
Increase in net OPEB obligation	241,475
Net Obligation - beginning of year	-
Net Obligation - end of year	241,475
 Percentage of OPEB costs contributed	 3.8%

Funded Status and Funding Progress

The funded status of the plan as of actuarial valuation date of October 1, 2008 was as follows:

Actuarial Accrued Liability	1,680,130
Actuarial Value of Plan Assets	-
 Unfunded Actuarial Accrued Liability	 1,680,130
 Funded Ratio	 0.0%

5. Actuarial Methods and Assumptions

Projections of benefits are based on a substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate for valuing liabilities. The rate of payroll increases is assumed to be 3% per annum.

L. Health Care Coverage

During the year ended September 30, 2010, employees of the City were covered by a health and dental insurance plan. The City contributed \$392.80 per month per employee for employee coverage and \$318.17 (50% of the of the cost) for dependent's health insurance. The City contributed \$20.82 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent dental coverage. Health insurance is provided by United Healthcare, while dental insurance is provided by Lincoln Financial.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

M. Insurance Coverage

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Liability Coverage:						
TX Municipal League Joint Self Ins Fund	5743	General	1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 13,769	\$ -
TX Municipal League Joint Self Ins Fund	5743	Automotive	1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 16,949	\$ -
TX Municipal League Joint Self Ins Fund	5743	Law Enforcement	1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 15,583	\$ 1,000
TX Municipal League Joint Self Ins Fund	5743	Errors & Omissions	1,000,000 per claim	10/01/09 to 10/01/10	\$ 19,993	\$ 5,000
Aviation Liability:						
TX Municipal League Joint Self Ins Fund	5743	General Airport Premium Ind Contractors, Products Liability	1,000,000 per claim	10/01/09 to 10/01/10	\$ 6,672	\$ 2,500
Property Coverage:						
TX Municipal League Joint Self Ins Fund	5743	Real and Personal	Replacement Cost	10/01/09 to 10/01/10	\$ 45,794	\$ 2,500
TX Municipal League Joint Self Ins Fund	5743	Mobile Equipment	Replacement Cost	10/01/09 to 10/01/10	\$ 4,870	\$ 2,500
TX Municipal League Joint Self Ins Fund	5743	Automobile- Phys. Damage	Comprehensive Scheduled	10/01/09 to 10/01/10	\$ 15,856	\$ 1,000
TX Municipal League Joint Self Ins Fund	5743	Boiler and Machinery	3,500,000 Per Accident	10/01/09 to 10/01/10	Included	\$ 2,500
American States Ins	01-FI- 020437-3	Employee Dishonesty	100,000	02-01-09 to 02-01-10	\$ 1,785	\$ 250

N. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverages and policies for fiscal year 2010-2011.

O. Litigation

The City is party to various legal proceedings arising in the ordinary course of its operations. Management, based on the Council's opinion, believes the City has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially alter the City's financial position.

P. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	2,360,355,000
Gallons Billed	2,235,461,717

The City purchases the largest portion of its water from the Titus County Fresh Water Supply District. Each fiscal year the City pays a portion of the District's budget as well as a monthly payment of \$20,316 for 7,000 acre feet of a lake with an option to purchase up to 10,000 acre feet. For the fiscal year ended September 30, 2010, the City paid \$252,623 of the District's budget and a total of \$234,794 in aggregate water purchases. During 2010, the City also purchased 3,590 acre feet from the Franklin County Water District for \$120,509.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Q. Interfund Transactions

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ 46,154	\$ -
Street Fund	-	441,308
Other Governmental Funds	-	146,194
Utility	782,202	-
Airport	50,000	-
Civic Center	-	290,854
Total Major Funds	<u>\$ 878,356</u>	<u>\$ 878,356</u>

Transfers are used to 1) transfer debt service payments, 2) transfer fixed assets and fixed asset purchases, 3) transfer solid waste profits to the general fund, and 4) transfer hotel/motel tax revenues to the civic center fund.

R. Prior Period Adjustment

The City of Mount Pleasant had a prior period adjustment in the Governmental Funds of \$102,098 to correct sales tax revenues and to record a net OPEB obligation. The City also had a prior period adjustment in the Proprietary Funds of \$(59,917) to record a net OPEB obligation.

S. Restatement Note

In the current year the Industrial Development Corporation was reorganized into a discretely presented component unit. The beginning net assets in the component unit and governmental funds have been restated to reflect the change. Beginning net assets have been reduced by \$3,216,099 in the governmental funds and beginning net assets in the component unit have been increased by a corresponding amount.

T. New Accounting Pronouncements

In June of 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB No. 47 gives accounting and reporting guidance for early retirement incentives, severance payments for involuntary terminations and termination benefits affecting defined benefit postemployment benefits. The adoption of this statement has no impact on the City's financial statements.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2007, except for the requirement for plans that use the aggregate actuarial cost method to present a schedule of funding progress using the entry age actuarial cost method which is effective for the actuarial valuations as of June 15, 2007. The City is currently complying with this statement.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The adoption of this statement has no impact on the City's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2009. The adoption of this statement has no impact on the financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statements is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The City is in the process of reviewing and evaluating this statements and its potential impact on the City's financial statements.

U. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2010 up through January 14, 2010, the date the financial statements were available to be issued. During this period the City made a budget amendment to move the sanitation activity from the general fund to the utility fund. This is reflected on pages 55 and 63.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

V. Mount Pleasant Industrial Development Corporation

The IDC is financed with a voter approved 3/8 cent sales tax to aid, promote and further the economic development within the City. Under a contract between the IDC and the City, the City provides financial services for the IDC.

1. Deposits and Investments

Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and Cash Equivalents	\$ 1,961,088
Total cash and cash equivalents	<u>\$ 1,961,088</u>
Savings and checking accounts	448,425
Investment Pools	<u>1,512,663</u>
Total cash and cash equivalents	<u>\$ 1,961,088</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the IDC adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Currently all of the IDC's investments are with the Texas Local Investment Pool, TexPool, and LOGIC Investments described above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the IDC manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The IDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The IDC has no specific limitations with respect to this metric.

As of September 30, 2010, the IDC had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>
TexPool	\$ 1,412,505	34
LOGIC	100,158	40
	<u>\$ 1,512,663</u>	

As of September 30, 2010 the IDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the IDC's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 1,412,505	N/A	AAA-m
LOGIC	100,158	N/A	AAA-m
	<u>\$ 1,512,663</u>		

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the IDC's total investment portfolio will be invested in a single security type or with a single financial institution.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

V. Mount Pleasant Industrial Development Corporation

1. Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the IDC to require full collateralization of all IDC investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2010, the IDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

2. Receivables

Receivables as of year end for the IDC, including the applicable allowances for uncollectible accounts, are as follows:

	<u>IDC</u>
Receivables:	
Taxes	\$ 175,822
Fees and Charges	-
Gross Receivables	<u>175,822</u>
Less: allowance for uncollectibles	<u>-</u>
Net Total Receivables	<u><u>\$ 175,822</u></u>

3. Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

Governmental Activities	<u>Beginning Balances</u>	<u>Transfers</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:					
Land	\$ 1,628,156	\$ -	\$ -	\$ -	\$ 1,628,156
Total capital assets, not being depreciated:	<u>1,628,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,628,156</u>
Capital assets, being depreciated:					
Improvements	1,624,217	-	75,944	-	1,700,161
Infrastructure	2,499,327	-	-	-	2,499,327
Total capital assets being depreciated:	<u>4,123,544</u>	<u>-</u>	<u>75,944</u>	<u>-</u>	<u>4,199,488</u>
Less accumulated depreciation for:					
Improvements	(167,630)	-	(82,701)	-	(250,331)
Infrastructure	(143,431)	-	(49,987)	-	(193,418)
Total accumulated depreciation	<u>(311,061)</u>	<u>-</u>	<u>(132,688)</u>	<u>-</u>	<u>(443,749)</u>
Total capital assets, being depreciated, net	<u>3,812,483</u>	<u>-</u>	<u>(56,744)</u>	<u>-</u>	<u>3,755,739</u>
Governmental activities capital assets, net	<u><u>\$ 5,440,639</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (56,744)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,383,895</u></u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

V. Mount Pleasant Industrial Development Corporation (continued)

4. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding	Issued	Retired	Amounts Outstanding	Due Within One Year
			September 30 2009			September 30 2010	
1999 Pilgrims - Airport	4.750%	\$ 2,350,000	\$ 201,989	\$ -	\$ (201,989)	\$ -	\$ -
2005 IDC Taxable	6.110%	1,500,000	1,326,080	-	(50,465)	1,275,615	53,637
2005 IDC NonTaxable	4.052%	2,800,000	2,405,236	-	(109,082)	2,296,154	113,585
Total Notes Payable		<u>\$ 6,650,000</u>	<u>\$ 3,933,305</u>	<u>\$ -</u>	<u>\$ (361,536)</u>	<u>\$ 3,571,769</u>	<u>\$ 167,222</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2011	167,222	167,411	334,633
2012	175,281	159,352	334,633
2013	183,747	150,886	334,633
2014	192,638	141,995	334,633
2015	201,978	132,655	334,633
2016-2020	1,167,456	505,709	1,673,165
2021-2025	1,483,447	189,535	1,672,982
Totals	<u>\$ 3,571,769</u>	<u>\$ 1,447,543</u>	<u>\$ 5,019,312</u>

\$1,500,000 IDC Taxable Loan issued for the exclusive purpose of providing funds to the Economic Development Corporation to pay the costs of a land acquisition for a new business park.

\$2,800,000 Tax-Exempt Loan issued for the purpose of providing funds to the Industrial Development Corporation to pay the costs of improvements to streets, roads, utilities, drainage, telecommunication, and other related improvements to be constructed to service the land acquisition and the costs of debt issuance.

\$2,350,000 Loan issued to the Industrial Development Corporation for the purposes of financing the costs of the planning, design, construction and equipping of a general aviation business service airport in Titus County, Texas and the costs of issuance.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Property Taxes including P&I	\$ 2,357,469	\$ 2,357,469	\$ 2,424,916	\$ 67,447
Non-Property Taxes				
Sales Taxes	3,746,000	3,746,000	3,377,527	(368,473)
Beverage Taxes	27,000	27,000	21,274	(5,726)
Fines and Forfeitures	827,000	827,000	853,498	26,498
Licenses and Permits	48,400	48,400	41,225	(7,175)
Charge for Services	2,445,400	130,000	138,582	8,582
Donations	2,000	2,000	1,250	(750)
Grant Revenue	8,000	8,000	-	(8,000)
Contractual Income	393,733	393,733	393,733	-
Investment Income	35,000	35,000	6,613	(28,387)
Miscellaneous	100,500	100,500	82,363	(18,137)
Total Revenues	9,990,502	7,675,102	7,340,981	(334,121)
EXPENDITURES				
Current:				
General Government	1,120,183	1,123,667	1,003,419	120,248
Police	3,278,289	3,278,289	3,318,341	(40,052)
Fire	1,841,532	1,841,532	1,825,553	15,979
Libraries	265,703	265,703	260,154	5,549
Public Works	2,385,740	345,740	323,244	22,496
Public Services and Operations	554,691	554,691	530,493	24,198
Parks and Recreation	623,206	623,206	555,952	67,254
Capital Outlays:	330,900	330,900	319,254	11,646
Total Expenditures	10,400,244	8,363,728	8,136,410	227,318
Excess (deficiency) of revenues (under) expenditures	(409,742)	(688,626)	(795,429)	(106,803)
Other Revenues and Financing Sources (uses)				
Transfers	(387,320)	(111,920)	(46,154)	65,766
Sale of Assets	4,500	4,500	81,644	77,144
Total Other Financing Sources (uses)	(382,820)	(107,420)	35,490	142,910
Net Change in Fund Balances	(792,562)	(796,046)	(759,939)	36,107
Fund Balance, October 1	3,022,835	3,022,835	3,022,835	
Prior Period Adjustments	-	-	284,177	
Fund Balance, September 30	\$ 2,230,273	\$ 2,226,789	\$ 2,547,073	

The notes to the financial statements are an integral part of these financial statements

CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST FIVE FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2006	12/31/2005	\$ 7,949,852	\$ 11,061,524	\$ 3,111,672	71.9%	\$ 4,542,536	68.5%	\$ 600,541	\$ 600,541	100%
2007	12/31/2006	\$ 8,872,109	\$ 12,173,441	\$ 3,301,332	72.9%	\$ 4,696,828	70.3%	\$ 598,977	\$ 598,977	100%
2008	12/31/2007	\$ 8,918,216	\$ 14,624,444	\$ 5,706,228	61.0%	\$ 4,929,175	115.8%	\$ 663,957	\$ 663,957	100%
2009	12/31/2008	\$ 9,732,672	\$ 15,536,330	\$ 5,803,658	62.6%	\$ 5,265,395	110.2%	\$ 866,407	\$ 866,407	100%
2010	12/31/2009	\$ 10,649,882	\$ 16,867,165	\$ 6,217,283	63.1%	\$ 5,853,728	106.2%	\$ 747,785	\$ 747,785	100%

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

**CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**OTHER POST-EMPLOYMENT BENEFITS PLAN - ANALYSIS OF FUNDING PROGRESS
LAST FOUR FISCAL YEARS (UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Annual Required Contributions	(6) Actual Contributions	Percent Contributed (6)/(5)
2007	10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2008	10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 250,902	\$ 8,570	3%
2010	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 250,902	\$ 9,427	4%

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



SUPPLEMENTARY INFORMATION



CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Property Taxes including P&I	\$ 197,900	\$ 197,900	\$ 212,324	\$ 14,424
Miscellaneous	1,000	1,000	14,474	13,474
Total Revenues	<u>198,900</u>	<u>198,900</u>	<u>226,798</u>	<u>27,898</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	190,000	190,000	190,000	-
Interest and Fiscal Agent Fees	8,900	8,900	8,764	136
Total Expenditures	<u>198,900</u>	<u>198,900</u>	<u>198,764</u>	<u>136</u>
Excess (deficiency) of revenues (under) expenditures	-	-	28,034	28,034
Other Revenues and Financing Sources (uses)				
Transfers	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	28,034	28,034
Fund Balance, October 1	6	6	6	
Prior Period Adjustments	-	-	-	
Fund Balance, September 30	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 28,040</u>	

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

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - STREET FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Franchise Fees	\$ 1,350,000	\$ 1,350,000	\$ 1,324,057	\$ (25,943)
Charge for Services	1,500	1,500	210	(1,290)
Royalties	335,000	335,000	332,918	(2,082)
Investment Income	27,000	27,000	5,720	(21,280)
Miscellaneous	10,000	10,000	2,191	(7,809)
Total Revenues	1,723,500	1,723,500	1,665,096	(58,404)
EXPENDITURES				
Current:				
Public Works	2,003,186	2,777,184	1,047,551	1,729,633
Capital Outlays	268,800	268,800	1,593,724	(1,324,924)
Debt Service:				
Principal Retirement	220,000	220,000	-	220,000
Interest and Fiscal Agent Fees	186,575	186,575	-	186,575
Total Expenditures	2,678,561	3,452,559	2,641,275	811,284
Excess (deficiency) of revenues (under) expenditures	(955,061)	(1,729,059)	(976,179)	752,880
Other Revenues and Financing Sources (uses)				
Transfers	444,000	444,000	441,308	(2,692)
Sale of Assets	-	-	39,053	39,053
Total Other Financing Sources (uses)	444,000	444,000	480,361	36,361
Net Change in Fund Balances	(511,061)	(1,285,059)	(495,818)	789,241
Fund Balance, October 1	3,127,983	3,127,983	3,127,983	
Prior Period Adjustments	-	-	-	
Fund Balance, September 30	\$ 2,616,922	\$ 1,842,924	\$ 2,632,165	

The notes to the financial statements are an integral part of these financial statements

CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUNDS
 SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Charges for Services	\$ 8,369,000	\$ 10,684,400	\$ 11,726,694	\$ 1,042,294
Miscellaneous	61,700	61,700	83,327	21,627
Grant Revenue	25,000	25,000	5,134	(19,866)
Total Operating Revenues	8,455,700	10,771,100	11,815,155	1,044,055
OPERATING EXPENSES:				
Personal Services	2,209,072	2,209,072	2,197,844	11,228
Supplies and Materials	1,004,750	1,004,950	853,809	151,141
Maintenance and Repair	1,080,750	1,084,034	789,015	295,019
Contractual Services	1,979,510	4,019,510	3,454,691	564,819
Capital Outlays	13,623,436	13,623,436	5,845,577	7,777,859
Depreciation	-	-	1,333,110	(1,333,110)
Debt Service				
Principal Retirement	1,340,000	1,340,000	4,500,000	(3,160,000)
Total Operating Expenses	21,237,518	23,281,002	18,974,046	4,306,956
Operating Income (Loss)	(12,781,818)	(12,509,902)	(7,158,891)	5,351,011
NON-OPERATING REVENUES (EXPENSES):				
Amortization	-	-	(123,402)	(123,402)
Interest Income	103,000	103,000	21,041	(81,959)
Interest Expense	(517,609)	(517,609)	(351,946)	165,663
Intragovernmental Revenue	-	-	25,000	25,000
Bond Proceeds	10,000,000	10,000,000	8,190,000	(1,810,000)
Sale of Assets	-	-	6,702	6,702
Total Non-Operating Revenues (Expenses)	9,585,391	9,585,391	7,767,395	(1,817,996)
Income Before Contributions and Transfers	(3,196,427)	(2,924,511)	608,504	3,533,015
Capital Contributions	-	-	79,516	79,516
Transfers	(22,400)	(297,800)	(541,348)	(243,548)
Change in Net Assets	(3,218,827)	(3,222,311)	146,672	3,368,983
Net Assets, October 1	35,296,305	35,296,305	35,296,305	
Prior Period Adjustments	-	-	(59,917)	
Net Assets, September 30	\$ 32,077,478	\$ 32,073,994	\$ 35,383,060	
Total net assets - budgetary comparison			\$ 35,383,060	
This budgetary comparison reports Capital Outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays.			5,845,577	
The budgetary comparison reports long-term debt proceeds as a revenue. This transaction, however, has no effect on net assets. This is the amount of long-term debt proceeds.			(8,190,000)	
The budgetary comparison reports long-term debt payments as an expenditure. This transaction, however, has no effect on net assets. This is the amount of long-term debt payments.			4,500,000	
Total net assets - statement of net assets			\$ 37,538,637	

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

CITY OF MOUNT PLEASANT, TEXAS
 STATEMENT OF NET ASSETS - NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Capital Replacement Fund	Cemetery Fund	Police Seizure Fund	K-9 Fund	Rural Development Fund	Homeland Security Grant Fund	Hobbs Fund	State Jag Grant	Hotel Fund
ASSETS									
Cash and Investments:									
Unrestricted	\$ 246,683	\$ 18,519	\$ -	\$ 83	\$ 150,526	\$ -	\$ 34,978	\$ -	\$ -
Restricted	-	-	243,997	-	-	-	-	-	69,800
Receivables (net of allowances for uncollectibles):									
Taxes	-	-	-	-	-	-	-	-	20,386
Grants	-	-	-	-	-	-	-	10,500	-
Total Assets	<u>246,683</u>	<u>18,519</u>	<u>243,997</u>	<u>83</u>	<u>150,526</u>	<u>-</u>	<u>34,978</u>	<u>10,500</u>	<u>90,186</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	-	-	61	83	-	-	-	12,942	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>61</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,942</u>	<u>-</u>
FUND BALANCES									
Reserved for:									
Debt Service	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-
Unreserved-Designated for:									
Capital Projects	246,683	-	-	-	-	-	-	-	-
Unreserved-Undesignated	-	18,519	243,936	-	150,526	-	34,978	(2,442)	90,186
Total Fund Balances	<u>246,683</u>	<u>18,519</u>	<u>243,936</u>	<u>-</u>	<u>150,526</u>	<u>-</u>	<u>34,978</u>	<u>(2,442)</u>	<u>90,186</u>
Total Liabilities and Fund Balances	<u>\$ 246,683</u>	<u>\$ 18,519</u>	<u>\$ 243,997</u>	<u>\$ 83</u>	<u>\$ 150,526</u>	<u>\$ -</u>	<u>\$ 34,978</u>	<u>\$ 10,500</u>	<u>\$ 90,186</u>

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

CITY OF MOUNT PLEASANT, TEXAS
 STATEMENT OF NET ASSETS - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 SEPTEMBER 30, 2010

	Law Enforcement Education Fund	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Federal Jag Grant	Debt Service Fund	Total Other Governmental Funds
ASSETS									
Cash and Investments:									
Unrestricted	\$ 1,390	\$ 244,021	\$ 7,018	\$ -	\$ 5,250	\$ 450,779	\$ -	\$ -	\$ 1,159,247
Restricted	-	-	-	-	-	4,458,789	-	28,040	4,800,626
Receivables (net of allowances for uncollectibles):									
Taxes	-	-	-	-	-	-	-	-	20,386
Grants	-	-	-	-	-	-	-	-	10,500
Total Assets	1,390	244,021	7,018	-	5,250	4,909,568	-	28,040	5,990,759
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	-	-	44	-	-	43,776	-	-	56,906
Total Liabilities	-	-	44	-	-	43,776	-	-	56,906
FUND BALANCES									
Reserved for:									
Debt Service	-	-	-	-	-	-	-	28,040	28,040
Capital Projects	-	-	-	-	-	4,458,789	-	-	4,458,789
Unreserved-Designated for:									
Capital Projects	-	244,021	-	-	-	407,003	-	-	897,707
Unreserved-Undesignated	1,390	-	6,974	-	5,250	-	-	-	549,317
Total Fund Balances	1,390	244,021	6,974	-	5,250	4,865,792	-	28,040	5,933,853
Total Liabilities and Fund Balances	\$ 1,390	\$ 244,021	\$ 7,018	\$ -	\$ 5,250	\$ 4,909,568	\$ -	\$ 28,040	\$ 5,990,759

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Capital Replacement Fund	Cemetery Fund	Police Seizure Fund	K-9 Fund	Rural Development Fund	Homeland Security Grant Fund	Hobbs Fund	State Jag Grant	Hotel Fund
REVENUE									
Property Taxes including P&I	\$ -	\$ 8,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel Taxes	-	-	-	-	-	-	-	-	312,487
Fines and Forfeitures	-	-	249,812	-	-	-	-	-	-
Donations	-	-	-	3,143	-	-	-	-	-
Grant Revenue	-	-	-	-	-	14,745	-	43,930	-
Investment Income	238	-	420	-	158	-	104	-	-
Miscellaneous	-	543	912	-	23,176	-	-	-	-
Total Revenues	238	8,981	251,144	3,143	23,334	14,745	104	43,930	312,487
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	-	-	-
Police	-	-	55,898	3,143	-	3,290	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	423	-	-
Public Services and Operations	-	19,139	-	-	1,200	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Debt Service									
Principal Payments	-	-	-	-	-	-	-	-	-
Interest and Fiscal Agent Fees	-	-	-	-	-	-	-	-	-
Capital Outlays	-	-	104,772	-	-	10,435	7,661	52,697	-
Total Expenditures	-	19,139	160,670	3,143	1,200	13,725	8,084	52,697	-
Excess (deficiency) of revenues (under) expenditures	238	(10,158)	90,474	-	22,134	1,020	(7,980)	(8,767)	312,487
Other Revenues and Financing Sources (Uses)									
Transfers	50,000	-	(8,400)	-	-	-	-	6,325	(296,354)
Certificate of Obligation Proceeds									
Debt Issuance Costs									
Sale of Assets	-	6,850	5,174	-	-	-	-	-	-
Total Other Financing Sources (Uses)	50,000	6,850	(3,226)	-	-	-	-	6,325	(296,354)
Net Change in Fund Balances	50,238	(3,308)	87,248	-	22,134	1,020	(7,980)	(2,442)	16,133
Fund Balances, October 1	196,445	21,827	156,688	-	128,392	(1,020)	42,958	-	74,053
Fund Balances, September 30	\$ 246,683	\$ 18,519	\$ 243,936	\$ -	\$ 150,526	\$ -	\$ 34,978	\$ (2,442)	\$ 90,186

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Law Enforcement Education Fund	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Federal Jag Grant	Debt Service Fund	Total Other Governmental Funds
REVENUE									
Property Taxes including P&I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,324	\$ 220,762
Hotel Taxes	-	-	-	-	-	-	-	-	312,487
Fines and Forfeitures	-	-	-	-	-	-	-	-	249,812
Donations	-	-	4,564	-	-	-	-	-	7,707
Grant Revenue	2,476	-	6,930	-	-	-	25,075	-	93,156
Investment Income	-	-	-	-	-	1,633	-	-	2,553
Miscellaneous	-	-	-	85	-	-	-	14,474	39,190
Total Revenues	2,476	-	11,494	85	-	1,633	25,075	226,798	925,667
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	297	-	-	297
Police	1,456	-	-	-	-	-	18,750	-	82,537
Fire	-	-	-	1,033	-	-	-	-	1,033
Libraries	-	-	-	-	-	-	-	-	423
Public Services and Operations	-	-	-	-	-	-	-	-	20,339
Parks and Recreation	-	14,617	-	-	-	-	-	-	14,617
Debt Service									
Principal Payments	-	-	-	-	-	-	-	190,000	190,000
Interest and Fiscal Agent Fees	-	-	-	-	-	-	-	8,764	8,764
Capital Outlays	-	-	10,190	-	-	329,806	-	-	515,561
Total Expenditures	1,456	14,617	10,190	1,033	-	330,103	18,750	198,764	833,571
Excess (deficiency) of revenues (under) expenditures	1,020	(14,617)	1,304	(948)	-	(328,470)	6,325	28,034	92,096
Other Revenues and Financing Sources (uses)									
Transfers	-	150,000	-	948	-	250,000	(6,325)	-	146,194
Certificate of Obligation Proceeds	-	-	-	-	-	4,500,000	-	-	4,500,000
Debt Issuance Costs	-	-	-	-	-	(42,210)	-	-	(42,210)
Sale of Assets	-	-	-	-	-	-	-	-	12,024
Total Other Financing Sources (uses)	-	150,000	-	948	-	4,707,790	(6,325)	-	4,616,008
Net Change in Fund Balances	1,020	135,383	1,304	-	-	4,379,320	-	28,034	4,708,104
Fund Balances, October 1	370	108,638	5,670	-	5,250	486,472	-	6	1,225,749
Fund Balances, September 30	\$ 1,390	\$ 244,021	\$ 6,974	\$ -	\$ 5,250	\$ 4,865,792	\$ -	\$ 28,040	\$ 5,933,853

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



**CITY OF MOUNT PLEASANT, TEXAS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 POLICE ESCROW FIDUCIARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Balance September 2009	Additions	Deductions	Balance September 2010
Police Escrow				
ASSETS:				
Cash and Cash Equivalents	\$ 396,672	\$ 278,279	\$ 458,889	\$ 216,062
Total Assets	<u>396,672</u>	<u>278,279</u>	<u>458,889</u>	<u>216,062</u>
LIABILITIES:				
Other Accrued Liabilities	396,672	278,279	458,889	216,062
Total Liabilities	<u>\$ 396,672</u>	<u>\$ 278,279</u>	<u>\$ 458,889</u>	<u>\$ 216,062</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

	IDC Operating Fund
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 1,961,088
Receivables (net of allowance for uncollectibles)	<u>175,822</u>
Total Assets	<u><u>2,136,910</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	2,259
Accrued Expenses	<u>2,305</u>
Total Liabilities	<u>4,564</u>
Fund Balances	
Unreserved-Undesignated	<u>2,132,346</u>
Total Fund Balances	<u>2,132,346</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,136,910</u></u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet	\$ 2,132,346
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,827,644
Accumulated depreciation has not been included in the governmental fund financial statements.	(443,749)
Notes Payable have not been included in the governmental fund financial statements.	(3,571,769)
Accrued liabilities for net OPEB obligation have not been included in the fund financial statements.	(4,158)
Accrued liabilities for unfunded pension liability have not been included in the fund financial statements.	(107,052)
Accrued liabilities for unfunded OPEB liability have not been included in the fund financial statements.	(28,832)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(9,500)</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 3,794,930</u></u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	IDC Operating Fund
REVENUE	
Sales Taxes	\$ 1,132,904
Investment Income	2,914
Total Revenues	<u>1,135,818</u>
EXPENDITURES	
Current:	
Economic Development	302,419
Debt Service:	
Principal Retirement	361,536
Interest and Fiscal Agent Fees	177,851
Capital Outlays:	75,944
Total Expenditures	<u>917,750</u>
Excess (deficiency) of revenues over (under) expenditures	218,068
Other Revenues and Financing Sources (uses)	
Intragovernmental	(25,000)
Total Other Financing Sources (uses)	<u>(25,000)</u>
Net Change in Fund Balance	193,068
Fund Balance, October 1	1,844,552
Prior Period Adjustments	94,726
Fund Balance, September 30	<u>\$ 2,132,346</u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 193,068
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2010 capital outlays is to increase net assets.	75,944
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.	(132,688)
Current year long-term debt principal payments on certificates of obligation are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements.	361,536
Changes to unfunded pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	(7,457)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	<u>(2,140)</u>
Change in net assets - statement of activities	<u><u>\$ 488,263</u></u>

The notes to the financial statements are an integral part of these financial statements



**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 1,248,000	\$ 1,248,000	\$ 1,132,904	\$ (115,096)
Investment Income	11,800	11,800	2,914	(8,886)
Total Revenues	<u>1,259,800</u>	<u>1,259,800</u>	<u>1,135,818</u>	<u>(123,982)</u>
EXPENDITURES				
Current:				
Economic Development	425,259	461,259	302,419	158,840
Capital Outlays	75,000	88,000	75,944	12,056
Debt Service:				
Principal Retirement	361,614	361,614	361,536	78
Interest and Fiscal Agent Fees	179,095	179,095	177,851	1,244
Total Expenditures	<u>1,040,968</u>	<u>1,089,968</u>	<u>917,750</u>	<u>172,218</u>
Excess (deficiency) of revenues (under) expenditures	218,832	169,832	218,068	48,236
Other Revenues and Financing Sources (Uses)				
Intragovernmental	(25,000)	(25,000)	(25,000)	-
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net Change in Fund Balance	193,832	144,832	193,068	48,236
Fund Balance, October 1	1,844,552	1,844,552	1,844,552	
Prior Period Adjustments	-	-	94,726	
Fund Balance, September 30	<u>\$ 2,038,384</u>	<u>\$ 1,989,384</u>	<u>\$ 2,132,346</u>	

The notes to the financial statements are an integral part of these financial statements



STATISTICAL SECTION (UNAUDITED)



STATISTICAL SECTION (unaudited)

This part of the City of Mount Pleasant's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1,2,3,4,5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources; property and sales taxes.	6,7,8,9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10,11,12,13,14
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15,16
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	17,18,19

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning that year. Information will continue to be added until 10 years of data is available.



CITY OF MT PLEASANT, TEXAS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Accrual basis of accounting)
(Amounts express in thousands)

Table 1

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	\$ 22,758	\$ 13,176	\$ 15,346	\$ 17,881	\$ 18,876	\$ 19,226	\$ 20,682
Restricted	1,033	607	163	179	180	145	496
Unrestricted	3,066	8,127	8,924	8,934	8,877	1,722	83
Total governmental activities net assets	<u>26,857</u>	<u>21,910</u>	<u>24,433</u>	<u>26,994</u>	<u>27,933</u>	<u>21,093</u>	<u>21,261</u>
Business-type activities							
Invested in capital assets, net of related debt	14,168	23,288	24,488	19,811	22,735	31,122	31,779
Restricted	-	-	273	818	4,677	4,001	566
Unrestricted	1,805	2,389	3,416	10,813	8,234	173	5,194
Total business-type activities net assets	<u>15,973</u>	<u>25,677</u>	<u>28,177</u>	<u>31,442</u>	<u>35,646</u>	<u>35,296</u>	<u>37,539</u>
Primary government							
Invested in capital assets, net of related debt	36,926	36,464	39,834	37,692	41,611	50,348	52,461
Restricted	1,033	607	436	997	4,857	4,146	1,062
Unrestricted	4,871	10,516	12,340	19,747	17,111	1,895	5,277
Total primary government net assets	<u>\$ 42,830</u>	<u>\$ 47,587</u>	<u>\$ 52,610</u>	<u>\$ 58,436</u>	<u>\$ 63,579</u>	<u>\$ 56,389</u>	<u>\$ 58,800</u>

Note: Net assets and accrual-basis financial information for the City as a whole is only available back to 2003. GASB Statement 34 was implemented in 2003. Additional amounts will be added each year until ten years are reported.

**CITY OF MT PLEASANT, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual basis of accounting)**

	2004	2005	2006	2007	2008	2009	2010
EXPENSES							
Governmental activities:							
General government	\$ -	\$ 1,070,976	\$ 1,090,369	\$ 1,283,198	\$ 1,280,245	\$ 1,281,141	\$ 1,419,361
Public Safety	2,993,966	3,505,585	3,685,427	4,052,324	4,424,296	5,154,158	5,528,736
Development	1,724	387,642	600,734	388,354	858,365	448,156	-
Public Services	2,629,012	2,591,928	2,673,993	2,661,479	2,817,683	400,319	550,832
Parks and Recreation	-	327,547	369,974	736,348	600,649	661,703	645,176
Public Works	2,255,383	1,454,588	1,396,038	1,466,573	2,398,964	1,684,733	1,888,613
Library	-	190,904	227,497	300,073	276,983	318,521	317,184
Other	-	(4,700)	-	18,010	53,199	-	-
Interest and Agent Fees	62,401	44,523	37,798	31,259	26,815	214,731	14,278
Unallocated Depreciation	995,936	822,344	782,878	-	-	-	-
Total governmental activities expenses	8,938,422	10,391,337	10,864,708	10,937,618	12,737,199	10,163,462	10,364,180
Business-type activities:							
Water and Sewer	5,005,137	4,888,451	5,172,294	5,307,797	5,949,711	7,406,928	7,712,928
Airport Fund	-	853,401	992,446	1,178,710	1,329,657	923,612	1,058,856
Civic Center	-	279,268	200,967	263,134	298,228	302,773	332,033
Economic Development	194,600	-	-	-	-	-	-
Total business-type activities expenses	5,199,737	6,021,120	6,365,707	6,749,641	7,577,596	8,633,313	9,103,817
Total primary government expenses	14,138,159	16,412,457	17,230,415	17,687,259	20,314,795	18,796,775	19,467,997
PROGRAM REVENUES							
Governmental activities:							
Charge for services:							
General government	755,415	-	-	-	-	-	-
Public Safety	-	-	-	-	-	1,073,001	1,096,930
Public Services	1,868,770	1,275,845	1,174,394	839,664	358,054	18,507	21,799
Public Works	-	2,126,317	2,154,773	2,285,018	2,439,669	124,595	111,243
Parks and Recreation	-	37,574	34,512	36,781	48,378	39,970	46,975
Library	-	5,424	4,865	5,361	7,434	7,418	6,380
Other	508,824	332,051	329,141	345,214	320,988	-	-
Capital grants and contributions	169,772	123,441	50,415	982,291	-	17,709	90,680
Operating grants and contributions	113,302	106,841	28,769	38,551	35,986	20,434	11,434
Total governmental activities program revenues	3,416,083	4,007,493	3,776,869	4,532,880	3,210,509	1,301,634	1,385,441
Business-type activities:							
Charge for services:							
Water and Sewer	6,885,345	7,180,938	7,153,561	7,504,058	7,633,306	9,529,053	10,920,944
Airport Fund	-	828,909	945,575	1,027,580	1,128,997	573,912	738,353
Civic Center	-	56,349	66,210	72,162	81,239	72,089	67,397
Economic Development	929,545	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	12,419	5,134
Capital grants and contributions	-	-	29,860	324,814	3,192,494	-	79,516
Total business-type activities program services	7,814,890	8,066,196	8,195,206	8,928,614	12,036,036	10,187,473	11,811,344
Total primary government program revenues	11,230,973	12,073,689	11,972,075	13,461,494	15,246,545	11,489,107	13,196,785
NET (EXPENSE)/REVENUE							
Governmental activities	(5,522,339)	(6,383,844)	(7,087,839)	(6,404,738)	(9,526,690)	(8,861,828)	(8,978,739)
Business-type activities	2,615,153	2,045,076	1,829,499	2,178,973	4,458,440	1,554,160	2,707,527
Total primary government program net expenses	\$ (2,907,186)	\$ (4,338,768)	\$ (5,258,340)	\$ (4,225,765)	\$ (5,068,250)	\$ (7,307,668)	\$ (6,271,212)

(continued)

**CITY OF MT PLEASANT, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual basis of accounting)**

Table 2

	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental activities:							
Taxes:							
Property tax	\$ 1,835,864	\$ 2,061,432	\$ 2,081,762	\$ 2,106,528	\$ 2,329,224	\$ 2,434,536	\$ 2,599,962
Sales tax	2,554,839	3,866,290	3,871,773	4,186,940	4,246,476	4,925,639	3,377,527
Non-property tax	771,270	707,813	736,044	789,919	871,223	543,610	333,761
Franchise tax	1,220,535	1,179,472	1,312,937	1,445,317	1,337,432	1,289,741	1,324,057
Investment Income	61,480	186,169	464,326	463,537	282,970	75,320	17,323
Intragovernmental	32,385	-	136,687	46,093	120,536	-	-
Donations	-	218,650	21,000	-	-	1,950	-
Miscellaneous	-	772,330	123,648	91,443	124,488	706,811	88,359
Contractual Income	-	-	382,293	372,959	376,630	322,898	393,733
Royalties	-	-	-	-	-	-	332,918
Sale of Assets	(7,634)	(18,337)	(5,257)	12,063	136,844	11,035	35,838
Transfers	687,383	362,291	75,819	(549,075)	393,911	205,260	541,348
Total governmental activities	<u>7,156,122</u>	<u>9,336,110</u>	<u>9,201,032</u>	<u>8,965,724</u>	<u>10,219,734</u>	<u>10,516,800</u>	<u>9,044,826</u>
Business-type activities:							
Investment Income	22,784	52,119	109,053	280,799	262,560	94,341	21,041
Donations	-	1,375	1,835	1,550	1,450	-	-
Miscellaneous	-	68,706	55,252	228,754	103,212	126,610	83,327
Extraordinary Income	-	-	462,809	-	-	-	-
Intragovernmental Revenue	-	-	-	-	-	-	25,000
Sale of Assets	392	(709)	-	26,117	56,247	1,529	6,702
Transfers	(687,383)	(362,291)	(75,819)	549,075	(393,911)	(205,260)	(541,348)
Total business-type activities	<u>(664,207)</u>	<u>(240,800)</u>	<u>553,130</u>	<u>1,086,295</u>	<u>29,558</u>	<u>17,220</u>	<u>(405,278)</u>
Total primary government	<u>6,491,915</u>	<u>9,095,310</u>	<u>9,754,162</u>	<u>10,052,019</u>	<u>10,249,292</u>	<u>10,534,020</u>	<u>8,639,548</u>
CHANGE IN NET ASSETS							
Governmental activities	1,633,783	2,952,266	2,113,193	2,560,986	693,044	1,654,972	66,087
Business-type activities	1,950,946	1,804,276	2,382,629	3,265,268	4,487,998	1,571,380	2,302,249
	<u>\$ 3,584,729</u>	<u>\$ 4,756,542</u>	<u>\$ 4,495,822</u>	<u>\$ 5,826,254</u>	<u>\$ 5,181,042</u>	<u>\$ 3,226,352</u>	<u>\$ 2,368,336</u>

Note: Net assets and accrual-basis financial information for the City as a whole is only available back to 2003. GASB Statement 34 was implemented in 2003. Additional amounts will be added each year until ten years are reported.

CITY OF MT PLEASANT, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST SEVEN FISCAL YEARS
(Accrual basis of accounting)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2004	\$ 1,835,864	\$ 2,554,839	\$ 1,220,535	\$ 5,611,238
2005	\$ 2,061,342	\$ 3,866,290	\$ 1,179,472	\$ 7,107,104
2006	\$ 2,081,762	\$ 3,871,773	\$ 1,312,937	\$ 7,266,472
2007	\$ 2,106,528	\$ 4,186,940	\$ 1,445,317	\$ 7,738,785
2008	\$ 2,329,224	\$ 4,246,476	\$ 1,337,432	\$ 7,913,132
2009	\$ 2,434,536	\$ 4,925,639	\$ 1,289,741	\$ 8,649,916
2010	\$ 2,599,962	\$ 3,377,527	\$ 1,324,057	\$ 7,301,546

CITY OF MT PLEASANT, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified accrual basis of accounting)

Table 4

	2004	2005	2006	Fiscal Year 2007	2008	2009	2010
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,778	\$ 247,592
Unreserved	2,988,092	3,769,085	3,903,590	3,929,646	3,331,839	2,921,056	2,299,481
Total General Fund	<u>2,988,092</u>	<u>3,769,085</u>	<u>3,903,590</u>	<u>3,929,646</u>	<u>3,331,839</u>	<u>3,022,834</u>	<u>2,547,073</u>
All other governmental funds							
Reserved	549,516	614,917	2,723,792	1,039,065	-	42,958	4,486,829
Unreserved, designated							
Street Fund	1,043,398	576,909	1,144,960	2,874,441	3,503,803	3,127,983	-
Airport Fund	18,609	-	-	-	-	-	-
Other	466,966	-	-	-	434,084	670,556	897,707
Unreserved, undesignated	-	4,519,510	1,665,486	1,076,849	2,048,894	2,356,786	3,181,482
Total all other governmental funds	<u>\$ 2,078,489</u>	<u>\$ 5,711,336</u>	<u>\$ 5,534,238</u>	<u>\$ 4,990,355</u>	<u>\$ 5,986,781</u>	<u>\$ 6,198,283</u>	<u>\$ 8,566,018</u>

Note: Airport fund was included in other governmental funds in previous years. It was reclassified to a proprietary fund in 2005.

CITY OF MT PLEASANT, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified accrual basis of accounting)

Table 5

	2004	2005	2006	2007	2008	2009	2010
REVENUES							
Property taxes	\$ 1,835,864	\$ 2,061,342	\$ 2,081,762	\$ 2,106,528	\$ 2,329,225	\$ 2,235,914	\$ 2,645,678
Non-Property taxes	329,609	707,813	736,044	789,919	871,223	543,610	333,761
Sales tax	2,554,839	3,866,290	3,871,773	4,186,941	4,246,475	4,925,639	3,377,527
Franchise Fees	1,220,535	1,179,472	1,312,937	1,445,317	1,337,432	1,289,741	1,324,057
Fines and Forfeitures	24,736	7,424	5,915	7,911	8,934	780,959	1,103,310
Licenses and Permits	126,889	88,830	106,295	99,811	115,768	55,387	41,225
Charge for Services	4,524,855	3,350,906	3,191,433	3,057,660	2,689,823	127,685	138,792
Grants	-	230,282	215,871	1,020,842	35,986	38,143	93,156
Donations	-	-	21,000	-	-	1,950	8,957
Contractual Income	-	-	382,293	372,959	376,630	322,898	393,733
Royalties	-	-	-	-	-	-	332,918
Intragovernmental	307,385	-	-	-	120,536	299,460	-
Investment Income	61,480	186,169	464,326	463,537	279,327	72,272	14,886
Miscellaneous	481,479	5,402,292	517,689	520,736	507,665	729,986	123,744
Total Revenues	11,467,671	17,080,820	12,907,338	14,072,161	12,919,024	11,423,644	9,931,744
EXPENDITURES							
General government	723,288	1,037,075	1,187,012	1,090,496	1,192,567	1,220,006	1,003,716
Public Safety	2,985,892	3,580,669	3,827,132	3,836,416	4,156,469	4,888,084	5,227,464
Public Works	3,371,309	3,663,879	2,263,354	1,538,019	2,049,886	2,658,388	1,370,795
Public Services and Operations	3,460,443	3,241,157	3,520,307	3,406,353	3,537,461	400,319	550,832
Parks and Recreation	-	-	77,561	-	260	577,867	570,569
Library	-	-	-	-	-	264,823	260,577
Economic Development	-	1,596,317	1,469,039	1,896,700	504,754	324,005	-
Other	-	7,477	-	-	-	-	-
Depreciation	1,724	-	-	-	-	-	-
Capital Outlay	1,238,226	-	30,000	1,585,423	815,497	601,649	2,428,539
Debt Service							
Principal Retirement	267,455	732,487	572,178	475,009	556,896	590,909	190,000
Interest and other charges	76,997	156,188	288,402	270,652	243,600	216,257	8,764
Total Expenditures	12,125,334	14,015,249	13,234,985	14,099,068	13,057,390	11,742,307	11,611,256
OTHER FINANCING SOURCES (USES):							
Transfers	687,385	354,589	92,606	(502,983)	247,606	205,260	541,348
Debt Proceeds	-	-	-	-	-	-	4,500,000
Debt Issuance Costs	-	-	-	-	-	-	(42,210)
Sale of Assets	30,362	3,630	3,600	12,063	174,468	17,069	132,721
Total other financing sources (uses)	717,747	358,219	96,206	(490,920)	422,074	222,329	5,131,859
NET CHANGE IN FUND BALANCES	\$ 60,084	\$ 3,423,790	\$ (231,441)	\$ (517,827)	\$ 283,708	\$ (96,334)	\$ 3,452,347
Debt service as a percentage of noncapital expenditures	3.27%	6.77%	6.97%	6.34%	7.00%	7.81%	2.21%

**CITY OF MT PLEASANT, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 SEPTEMBER 30, 2010
 (unaudited)**

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential Property	Commercial Property						
2008	\$ 344,979,828	\$ 372,361,440	\$ 216,962,284	\$ 193,715,363	\$ 740,588,189	\$ 0.309927	\$ 2,295,283	79.27%
2009	\$ 383,894,230	\$ 404,783,387	\$ 235,590,065	\$ 219,299,308	\$ 804,970,374	\$ 0.310000	\$ 2,495,408	78.59%
2010	\$ 400,602,235	\$ 453,232,169	\$ 236,708,994	\$ 248,789,262	\$ 841,754,136	\$ 0.310000	\$ 2,519,968	77.19%

Source: Titus County Appraisal District

Note: Tax rates are per \$100 of assessed value.

¹ Includes tax-exempt property

CITY OF MT PLEASANT, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
SEPTEMBER 30, 2010
(PER \$100 OF ASSESSED VALUE)
(UNAUDITED)

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates *				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Mt Pleasant Independent School District	Titus County	Northeast Texas Community College	Titus County Regional Medical Hospital	
2008	\$ 0.291394	\$ 0.01853	\$ 0.309927	\$ 1.195	\$ 0.33928	\$ 0.091582	\$ 0.1308	
2009	\$ 0.285000	\$ 0.02500	\$ 0.310000	\$ 1.184	\$ 0.33900	\$ 0.097119	\$ 0.1287	
2010	\$ 0.285000	\$ 0.02500	\$ 0.310000	\$ 1.174	\$ 0.35020	\$ 0.100000	\$ 0.1287	

Source: Titus County Appraisal District

Additional amounts will be added each year until ten years are reported.

Note: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

*Overlapping rates are those of local and county governments that apply to property owners within the City of Mt Pleasant.

**CITY OF MT PLEASANT, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2010
 (unaudited)**

Table 8

Taxpayer	Total Assessed Taxable Value 2010 Fiscal Year
Pilgrim's Pride Corp.	\$ 79,758,641
Priefert Manufacturing	25,302,840
Lonnie A. Pilgrim	9,836,000
Lowe's Home Center	9,285,125
Wal-Mart	9,269,237
AEP Swepco	9,203,460
CA New Plan	8,256,862
Wal-Mart Stores East	8,208,939
NIF's Enterprises	8,069,733
Pilgrim's Bank	6,545,874

Source: Titus County Appraisal District

**CITY OF MT PLEASANT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
SEPTEMBER 30, 2010
(unaudited)**

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	% of Levy
2008	\$ 2,303,544	\$ 2,240,007	97.24%
2009	\$ 2,409,604	\$ 2,313,054	95.99%
2010	\$ 2,592,967	\$ 2,467,744	95.17%

Source: Titus County Appraisal District

CITY OF MT PLEASANT, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
SEPTEMBER 30, 2010
(unaudited)

Table 10

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds			
2008	\$ -	\$ 370,000	\$ 4,344,214	\$ -	\$ 4,550,000	\$ 175,000	\$ -	\$ 8,370,000	\$ 17,809,214	55084%	1,186
2009	\$ -	\$ 190,000	\$ 3,933,305	\$ -	\$ 3,550,000	\$ 120,000	\$ -	\$ 8,100,000	\$ 15,893,305	49158%	1,045
2010	\$ -	\$ 4,500,000	\$ -	\$ -	\$ 2,535,000	\$ 60,000	\$ -	\$ 12,838,987	\$ 19,933,987	61656%	1,311

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 15 for personal income and population data.

CITY OF MT PLEASANT, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
SEPTEMBER 30, 2010
(unaudited)

Table 11

Fiscal Year	Estimated Population ¹	Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Funds ⁴	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008	15,011	\$ 740,588,189	\$ 12,920,000	\$ 1,505,000	\$ 11,415,000	1.54%	\$ 760
2009	15,202	\$ 804,970,374	\$ 11,650,000	\$ 1,568,601	\$ 10,081,399	1.25%	\$ 663
2010	15,202	\$ 841,754,136	\$ 19,933,987	\$ 1,608,598	\$ 18,325,389	2.18%	\$ 1,205

Source:

- ¹ State of Texas
- ² Titus County Appraisal District
- ³ Schedule of Bonds Payable and Total Bonds for Fiscal Year
- ⁴ Budgetary Comparison Statement for Debt Service

CITY OF MT PLEASANT, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010
(unaudited)

Table 12

Governmental Subdivision	Net Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Titus County	\$ 66,554,316	29.39%	\$ 19,560,313
Titus County Hospital District	4,390,000 *	29.39%	1,290,221
Northeast Texas Community College	9,886,863 *	17.34%	1,714,382
Mt Pleasant Independent School District	<u>47,956,157 *</u>	37.33%	<u>17,902,033</u>
	<u>\$128,787,336</u>		40,466,950
City of Mt Pleasant			<u>190,000</u>
			<u>\$ 40,656,950</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			4.96%
Per capita overlapping bonded debt			<u>\$ 2,674</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2010, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mount Pleasant. This process recognizes that, when considering the City of Mount Pleasant's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Mount Pleasant's boundaries and dividing it by the overlapping government's total taxable assessed value.

**CITY OF MT PLEASANT, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST SEVEN FISCAL YEARS
(unaudited)**

Table 13

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.34950	0.35600	0.32432	0.309927	0.309927	0.310000	0.310000
Available Tax Rate	<u>\$ 2.15050</u>	<u>\$ 2.14400</u>	<u>\$ 2.17568</u>	<u>\$ 2.19007</u>	<u>\$ 2.19007</u>	<u>\$ 2.19000</u>	<u>\$ 2.19000</u>

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 841,754,136
Add back exempt real property	248,789,262
Total assessed value	<u>\$ 1,090,543,398</u>
Debt limit (10% of total assessed value)	\$ 109,054,340
Debt applicable to limit:	
General obligation bonds	2,535,000
Less: Amount set aside for repayment of general obligation debt	<u>28,040</u>
Total net debt applicable to limit	<u>2,506,960</u>
Legal debt margin	<u>\$ 106,547,380</u>

**CITY OF MT PLEASANT, TEXAS
 PLEDGED-REVENUE COVERAGE
 SEPTEMBER 30, 2010
 (unaudited)**

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue ^c	Debt Service Principal	Debt Service Interest	Times Coverage
2008	\$ 7,704,792	\$ 4,960,520	\$ 2,744,272	\$ 270,000	\$ 333,255	10.16
2009	\$ 9,595,035	\$ 5,982,739	\$ 3,612,296	\$ 215,000	\$ 325,055	16.80
2010	\$11,002,858	\$ 6,334,436	\$ 4,668,422	\$ 4,500,000	\$ 351,946	1.04

Note:

- ^a Total Revenues does not include non-operating revenues
- ^b Operating Expenses only-no transfers or depreciation
- ^c Includes Principal and Interest

**CITY OF MT PLEASANT, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 SEPTEMBER 30, 2010
 (unaudited)**

Table 15

<u>Fiscal Year</u>	<u>Estimated Population ¹</u>	<u>Personal Income</u>	<u>Per Capita Income ²</u>	<u>Average Age ³</u>	<u>Grade School Enrollment ⁴</u>	<u>Unemployment Rate ⁵</u>
2008	15,011	\$ 32,331	\$ 14,190	30.1	3,415	3.70%
2009	15,202	\$ 32,331	\$ 14,190	32.0	3,418	9.60%
2010	15,202	\$ 32,331	\$ 14,190	32.0	3,388	7.00%

Sources:

- 1 State of Texas
- 2 US Census
- 3 US Census
- 4 Mt. Pleasant ISD (K-8 grades)
- 5 Texas Workforce Commission

**CITY OF MT PLEASANT, TEXAS
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2010
(unaudited)**

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Pilgrim's Pride Corporation	3000
Mt Pleasant ISD	966
Titus Regional Medical Center	650
Priefert Manufacturing	485
Luminant	482
Wal-Mart Supercenter	450
Big Tex Trailers	200
City of Mt Pleasant	153
AEP Swepeco	140
Parker Trailer Sales	130

Source: Economic Development Office

CITY OF MT PLEASANT, TEXAS

Table 17

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
SEPTEMBER 30, 2010
(unaudited)**

Full-time Equivalent Employees for Fiscal Year

<u>Function / Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	5	5	5
Public Safety			
Municipal Court	4	4	4
Police	40	42	42
Fire	23	23	23
Planning/Building & Development	4	4	4
Library	4	4	4
Parks and Recreation	7	8	8
Public Works			
Streets	10	10	10
Engineering	3	2	1
Maintenance	6	6	7
Public Services			
Animal Control	3	3	3
Code Enforcement	4	4	4
Water/Wastewater			
Administration	5	5	4
Water	8	8	7
Wastewater	2	3	3
Utility Department	15	15	14
Civic Center	4	4	4
Airport	3	3	3
Economic Development	1	1	1
	<u>151</u>	<u>154</u>	<u>151</u>

Source: City of Mt Pleasant's Operating Budget

**CITY OF MT PLEASANT, TEXAS
OPERATING INDICATORS BY FUNCTION
SEPTEMBER 30, 2010
(unaudited)**

Table 18

Function/Program	2008	2009	2010
Public Safety			
Municipal Court			
Number of cases filed	7,485	6,128	7,125
Police			
Physical Arrests	1,560	1,630	1,535
Traffic Violations	5,159	4,002	4,385
Fire			
Number of calls answered	958	973	1,311
Number of inspections	569	778	472
Animal Control			
Number of calls	2,027	2,312	2,115
Public Works			
Number of streets maintained	272	264	272
Water			
New connections	26	14	25
Average daily consumption (millions of gallons)	7.3	6.7	7.1
Wastewater			
Average daily sewage treatment (millions of gallons)	1.9	2.1	1.6

Note: Indicators are not available for the general government function

Source: City departments

**CITY OF MT PLEASANT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
SEPTEMBER 30, 2010
(unaudited)**

Table 19

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety			
Police			
Stations	1	1	1
Patrol Units	12	12	12
Fire Stations	2	2	2
Streets (miles)	85	85	85
Parks and Recreation			
Parks (acreage)	187.9	187.9	187.9
Number of playgrounds	6	6	6
Number of baseball/softball fields maintained	20	20	20
Water			
Water main (miles)	200	200	200
Number of fire hydrants	650	900	900
Storage capacity (millions of gallons)	6.2	6.2	6.2
Sewer			
Sanitary sewers (miles)	185	185	185
Airport			
Runways maintained (feet)	6,000	6,000	6,000

Source: City departments