

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

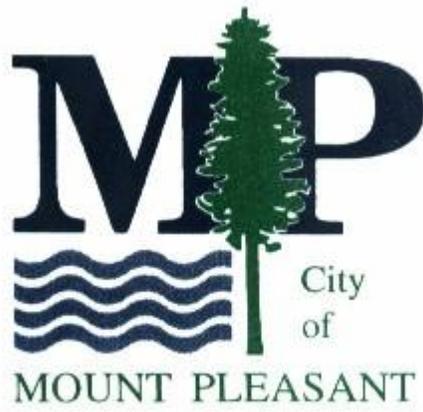
City of Mount Pleasant, Texas

City Manager

Mike Ahrens

Director of Finance and City Secretary

Brenda Reynolds



**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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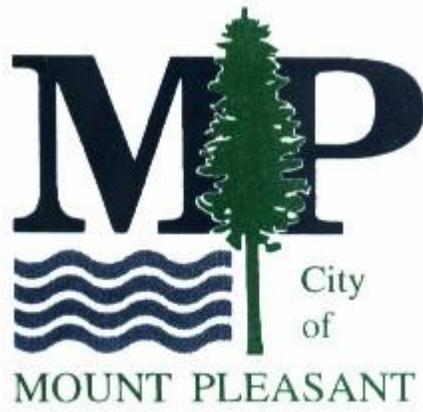
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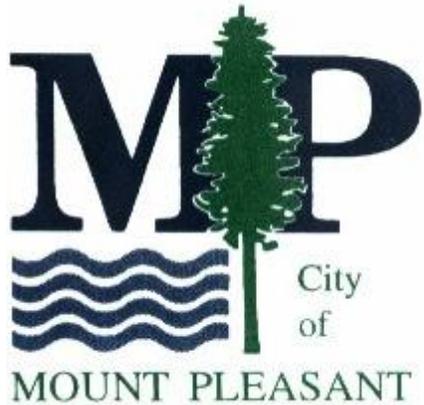
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INTRODUCTORY SECTION





501 N. Madison
Mount Pleasant, Texas 75455

January 20, 2015

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, 2014, 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, 2014. 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 2010 census, the City's population is 15,564.

The economy is once again in a growth mode as the area recovers from the recession. Sales tax receipts are showing significant improvement in the local economy. The City expects continued growth as the economy continues to strengthen.

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

MAJOR INITIATIVES

The following are the activities and accomplishments of the City over the past year:

- City Council approved a bid of \$270,280 to Williams Painting and Sandblasting for painting of the Edwards Street Elevated Water Storage.
- Council awarded bid for the annual street improvement project to NeTex Construction, Ltd. for \$437,147. Project was completed last summer.
- Council awarded a bid for \$189,705 to the Parkson Corporation to supply a new aeration system - materials only – for the Southside Wastewater Treatment Plant. The system was installed by city personnel.
- Council accepted a bid from Insituform Technologies for \$142,300 for a slip-lining rehabilitation project for wastewater collection lines on East 3rd Street.
- The City completed its payment of \$3.66 million to Titus County to fulfill its share of the Titus County Loop Project (US 271).
- City Council awarded a bid of \$149,955 to East Texas Bridge for a drainage improvement project on Old Paris Road. Project has been completed.
- Council awarded a bid recommended by the Industrial Development Corporation for \$1,645,682 to LeeTex Construction for the construction of a 40,000 square feet industrial spec building in the Mount Pleasant Business Park.
- Council awarded a bid of \$141,800 to Crawford Electric Supply for the installation of sports field lighting at Old Sam Parker Field.
- Council approved the annexation of 300 acres on East 16th Street, County Road 3010 and I-30 East.
- City completed installation of an Automated Meter Reading (AMR) System for all water meters less than 2 inches in line diameter. The installation of the AMR's for the city's

remaining water meters (over 2" meters) has been budgeted and will be completed in fiscal 2014-15.

- Council accepted final completion of the Lake Bob Sandlin Water Treatment Plant. This new plant, at a cost of \$15.9 million, is now in operation and producing drinking water for the citizens of Mount Pleasant. The new plant, with a 5 MGD capacity, increases the City's treated water supply availability by 50%.

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>
2010-2011	\$0.3100
2011-2012	\$0.3165
2012-2014	\$0.3165
2014-2014	\$0.3433
2014-2015	\$0.3437

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.

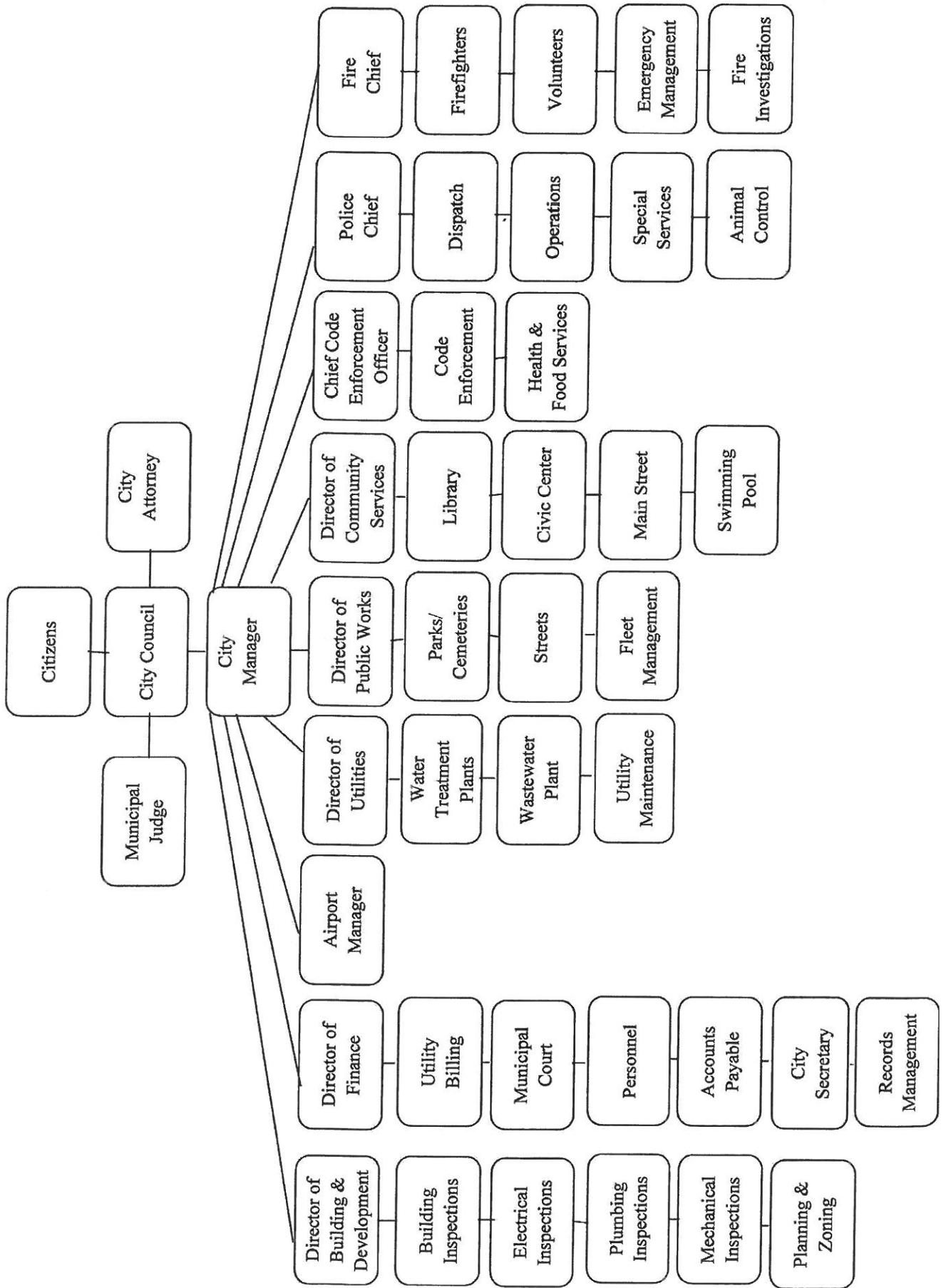
Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Mike Ahrens
CITY MANAGER

Brenda Reynolds
DIRECTOR OF FINANCE

ORGANIZATION CHART



**CITY OF MOUNT PLEASANT, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

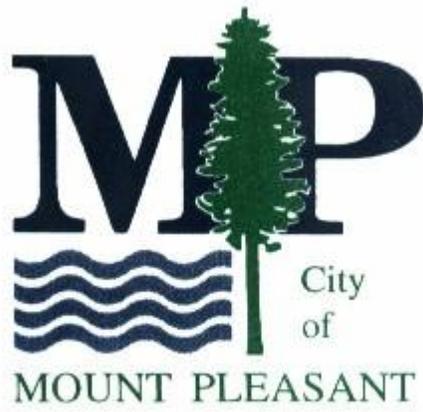
City Council

**Dr. Paul O. Meriwether, Mayor
Robert Nance, Mayor Pro-Tem
Erman Hensel, Council Member, Place 2
David Huffman, Council Member, Place 3
Tim Dale, Council Member, Place 4
Dr. Sue Hawkins, Council Member, Place 5**

Administrative Staff

**Mike Ahrens, City Manager
Brenda Reynolds, Director of Finance and City Secretary**

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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Metro (903) 450-1200

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

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Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

January 20, 2015

Independent Auditor's Report

Mayor and 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 ("City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

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

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

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603 South Goliad Street
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Office (972) 771-1065
Fax (972) 771-1022

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, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the TMRS Funding Progress and Contributions and Other Post-Employment Benefits Plan on pages 7 – 18 and 61 - 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Pleasant, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 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 financial statements 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.

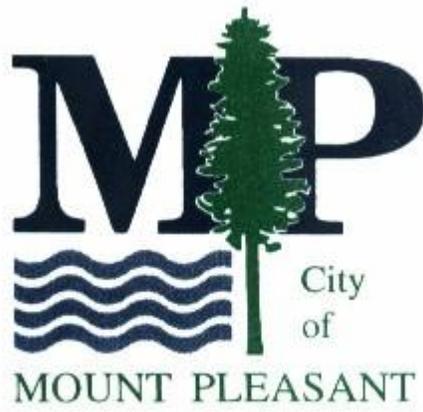
Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2015, on our consideration of the City of Mount Pleasant, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Pleasant, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.



CITY OF MOUNT PLEASANT, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

As management of the City of Mount Pleasant ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. 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 exceeded its liabilities at the close of the fiscal year by \$69,137,744 (net position). Of this amount, \$2,778,987 is restricted for certain purposes. The remaining balance (unrestricted net position) of \$5,095,920 may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal practices.
- The City's total net position decreased by (\$1,986,459). This is due to the City's portion of street improvement expenditures for the State loop project in the governmental funds.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,665,382, a decrease of (\$4,600,732), or 35%, in comparison with the prior year. \$2,029,761, or 23% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$2,164,685 was 26% of total General Fund expenditures for the fiscal year.
- The City's total long-term debt decreased by (\$1,598,718), or (4%), during the current fiscal year due to principal payments of debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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. 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.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Basic Financial Statements

The first two statements (pages 21-23) 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 24-32) 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 fund statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes** (pages 33-58). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 61-62) is provided to show details about the City's pension plan and post-employment benefits.

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 Statement of Net Position presents information on all of the City of Mount Pleasant's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, if material value). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, airport, and civic center activity are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Mount Pleasant Industrial Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 21 - 23 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. 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. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

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 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mount Pleasant adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budgets are 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 and Debt Service 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 schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 24-27 of this report. The General Fund Budgetary Comparison Schedule can be found on page 28.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City of Mount Pleasant maintains three individual proprietary funds: the Utility Fund, the Airport Fund, and the Civic Center Fund.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds – The City is the trustee, or fiduciary, for its police seizure funds. All funds acquired from seizures must be held until such time as the courts release the funds to the Mount Pleasant Police Department or until they are returned to the individual which funds were seized from. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. Activities of this fund are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

The basic fiduciary fund financial statement can be found on page 32 of this report.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

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 start on page 33 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and post-employment benefits to its employees. This information is on pages 61-62 of this report.

Other Information

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 64–67 in this report. Budgetary comparison schedules for the Debt Service Fund and Street Fund can be found on pages 68–69 in this report and the Fiduciary Fund Statement of Changes in Assets and Liabilities can be found on page 70.

New GASB pronouncements

GASB Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62", was implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financial activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was implemented as required by GASB for period beginning after June 15, 2013. The implementation of this statement did not result in any changes to the financial statements.

The GASB issued the following statements which will be effective in future years as described below:

GASB Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25", will be implemented as required by GASB during the fiscal year ending September 30, 2015. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement will be implemented as required by GASB for period beginning after December 15, 2013. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" (an amendment to GASB Statement No. 68) requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,584,729	\$ 14,235,516	\$ 10,729,134	\$ 14,226,240	\$ 20,313,863	\$ 28,461,756
Capital assets	26,717,588	25,742,565	65,479,973	61,698,215	92,197,561	87,440,780
Total assets	<u>36,302,317</u>	<u>39,978,081</u>	<u>76,209,107</u>	<u>75,924,455</u>	<u>112,511,424</u>	<u>115,902,536</u>
Long-term liabilities	12,696,730	13,142,998	29,037,655	30,180,168	41,734,385	43,323,166
Other liabilities	769,476	933,463	869,819	521,703	1,639,295	1,455,166
Total liabilities	<u>13,466,206</u>	<u>14,076,461</u>	<u>29,907,474</u>	<u>30,701,871</u>	<u>43,373,680</u>	<u>44,778,332</u>
Net position:						
Investment in capital assets	18,381,690	21,729,842	42,881,147	39,616,390	61,262,837	61,346,232
Restricted	851,230	1,476,577	1,927,757	2,027,783	2,778,987	3,504,360
Unrestricted	3,603,191	2,695,201	1,492,729	3,578,410	5,095,920	6,273,611
Total net position	<u>\$ 22,836,111</u>	<u>\$ 25,901,620</u>	<u>\$ 46,301,633</u>	<u>\$ 45,222,583</u>	<u>\$ 69,137,744</u>	<u>\$ 71,124,203</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$69,137,744 as of September 30, 2014. The City's net position decreased by (\$1,986,459) for the fiscal year ended September 30, 2014.

Net invested in capital assets:

The largest portion, 89%, reflects the City's investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of 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.

Restricted net position:

The restricted net position of \$2,778,987, or 4.02%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation. Restricted net position is comprised of state and contractually imposed restrictions which are: \$2,096,277, or 75%, for debt service requirements, \$115,753, or 4%, for court use, \$187,686, or 7%, for tourism use, \$221,994, or 8%, for business incentives, and \$157,277, or 6%, for capital projects.

Unrestricted net position:

Unrestricted net position of \$5,095,920, or 7%, is available to fund City programs to citizens and debt to creditors. The significant decrease in unrestricted net position is due, in part, to the City's portion of the street improvements for the State's loop project in governmental activities.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

	CHANGES IN NET POSITION					
	Governmental Activities		Business Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 1,134,196	\$ 877,711	\$ 10,909,988	\$ 12,268,144	\$ 12,044,184	\$ 13,145,855
Operating grants and contributions	551,299	455,778	15,432	2,497	566,731	458,275
Capital grants and contributions	35,000	115,798	1,264,583	670,989	1,299,583	786,787
General Revenues:						
Property taxes	2,825,580	2,521,965	-	-	2,825,580	2,521,965
Sales taxes	3,751,025	3,506,284	-	-	3,751,025	3,506,284
Franchise taxes	1,269,554	1,229,627	-	-	1,269,554	1,229,627
Other taxes	574,896	520,940	-	-	574,896	520,940
Investment income	8,892	22,489	8,058	13,394	16,950	35,883
Royalties	380,154	382,347	-	-	380,154	382,347
Miscellaneous	137,542	128,022	285,030	77,738	422,572	205,760
Total revenues	<u>10,668,138</u>	<u>9,760,961</u>	<u>12,483,091</u>	<u>13,032,762</u>	<u>23,151,229</u>	<u>22,793,723</u>
Expenses:						
General government	1,035,616	1,005,623	-	-	1,035,616	1,005,623
Public safety	5,918,178	5,949,251	-	-	5,918,178	5,949,251
Library	562,332	789,171	-	-	562,332	789,171
Public services and operations	711,463	644,860	-	-	711,463	644,860
Parks and recreation	699,388	635,751	-	-	699,388	635,751
Public works	5,366,980	1,986,283	-	-	5,366,980	1,986,283
Interest on long-term debt	278,887	193,767	-	-	278,887	193,767
Utility	-	-	8,637,099	7,967,467	8,637,099	7,967,467
Airport	-	-	1,426,482	1,448,971	1,426,482	1,448,971
Civic center	-	-	501,263	390,400	501,263	390,400
Total expenses	<u>14,572,844</u>	<u>11,204,706</u>	<u>10,564,844</u>	<u>9,806,838</u>	<u>25,137,688</u>	<u>21,011,544</u>
Change in net position before transfers	(3,904,706)	(1,443,745)	1,918,247	3,225,924	(1,986,459)	1,782,179
Transfers	839,197	843,608	(839,197)	(843,608)	-	-
Change in net position	(3,065,509)	(600,137)	1,079,050	2,382,316	(1,986,459)	1,782,179
Net position - beginning of year	25,901,620	22,599,118	45,222,583	43,552,499	71,124,203	66,151,617
Prior period adjustments	-	3,902,639	-	(712,232)	-	3,190,407
Net position - end of year	<u>\$ 22,836,111</u>	<u>\$ 25,901,620</u>	<u>\$ 46,301,633</u>	<u>\$ 45,222,583</u>	<u>\$ 69,137,744</u>	<u>\$ 71,124,203</u>

Governmental activities decreased net position by (\$3,065,509). This is due in large part to the City's portion of the State's Loop project. The City's cost of \$3,660,910 is not capitalized since this is the State's infrastructure. This cost is offset by an increase in collection of property taxes, sales taxes, and franchise taxes of \$588,283, or 7%.

Business-type activities increased net position by \$1,079,050. This is due to total expenditures being significantly less than total revenues including capital grants and contributions.

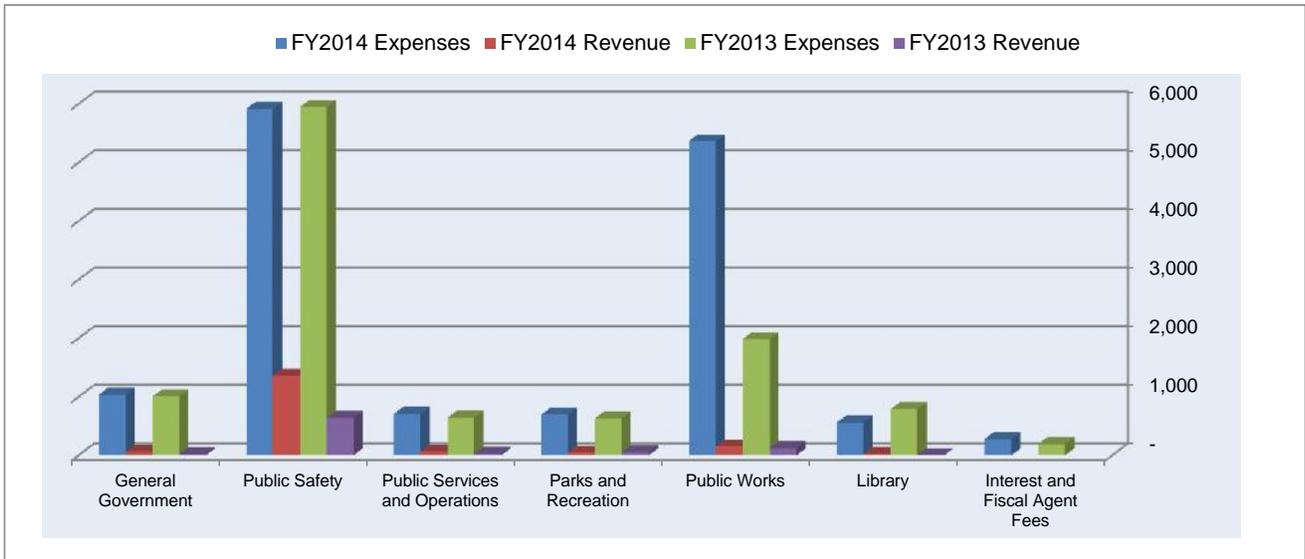
**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Governmental-type activities - Governmental-type activities decreased the City's net position by (\$3,065,509). Key elements of this decrease are as follows:

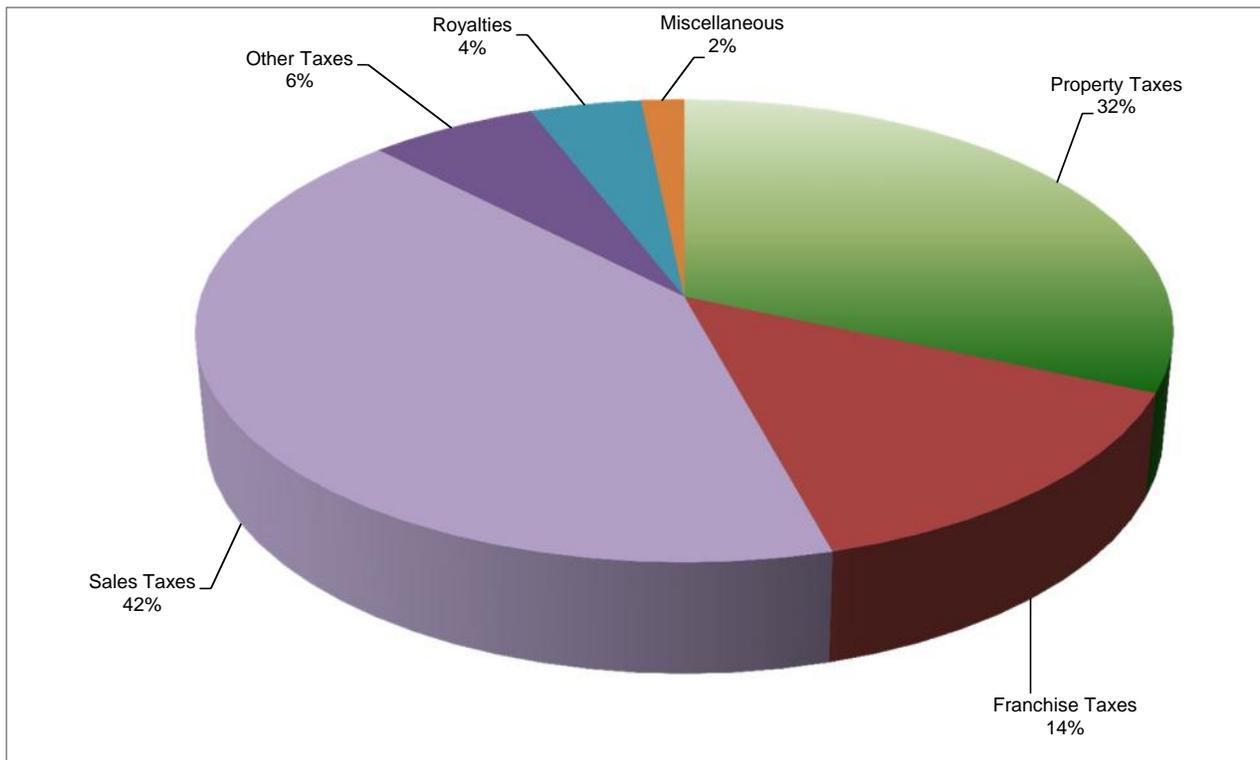
The City's portion of the State's Loop project was \$3,660,910 which is offset with an increase in property tax, sales tax and franchise tax revenues of \$588,283, or 7%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



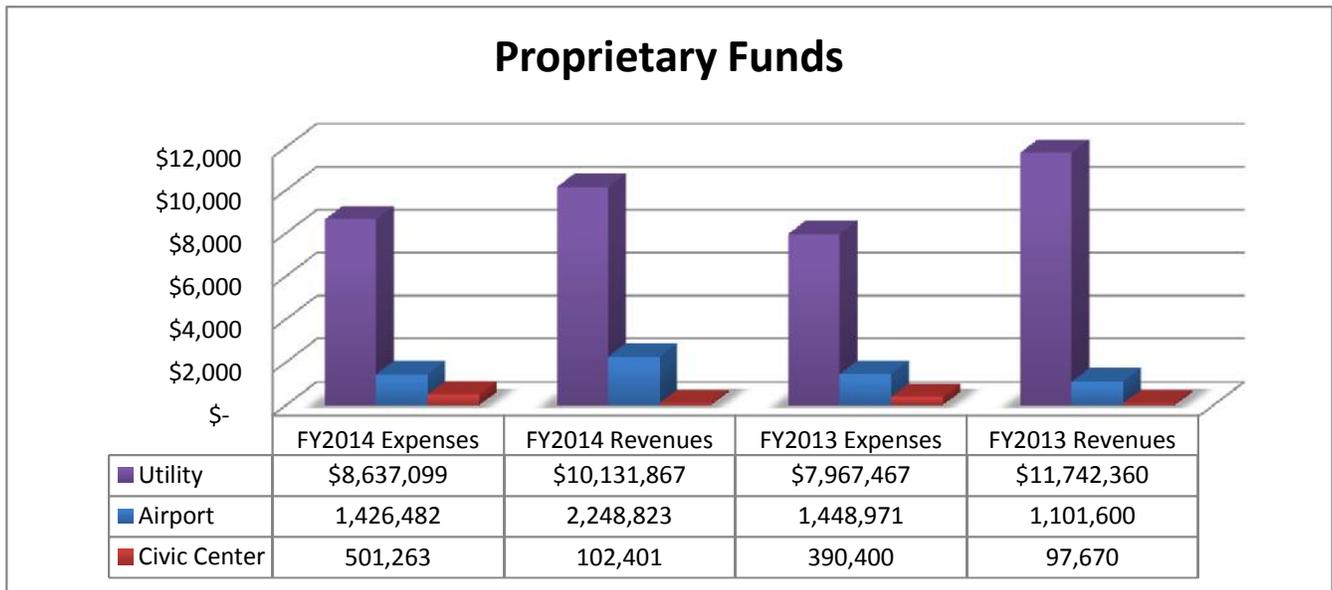
**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Business-type Activities - Business-type activities increased the City's net position by \$1,079,050. A key element for this increase is as follows:

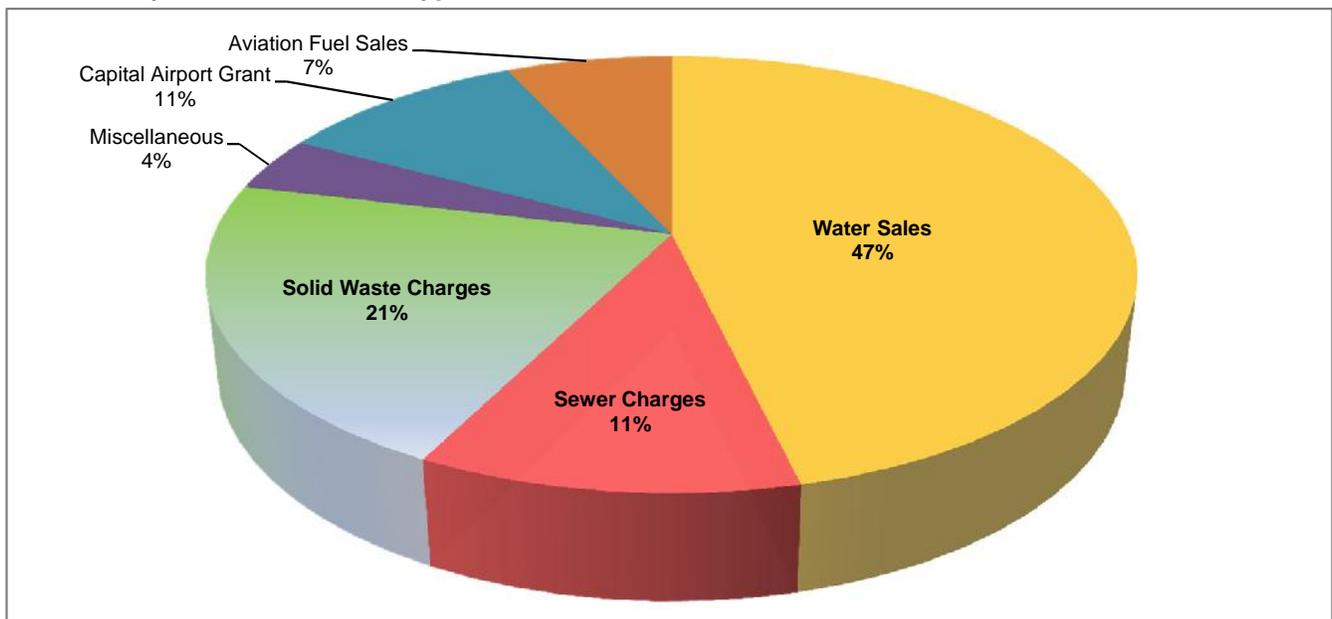
Although revenues decreased (\$549,671), or (4%), expenditures are significantly less than revenues which resulted in an increase in net position.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2014, the City's governmental funds reported total fund balances of \$8,665,382, a (35%) decrease in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Nonspendable fund balance, \$7,202, consists of amounts that are not spendable in form and are contractually required to be maintained intact. These are prepaid expenses for worker's compensation insurance.
- Restricted fund balances totalling, \$2,972,443, consists of amounts restricted by external laws or contractual obligations as follows: \$221,994, or 7.5%, for business development, \$2,278,490, or 76.7%, for capital improvement projects, \$115,753, or 3.8%, for court use, \$187,686, or 6.3%, for tourism, and \$168,520, or 5.7%, for debt requirements.
- Assigned fund balances totalling, \$3,655,976, represents fund balances intended for use by special revenue funds including: \$67,380, or 1.8%, for public safety use, \$3,251,938, or 88.9%, for capital improvement projects, \$109,447, or 3%, for community improvement projects, \$2,560, or 0.2%, for cemetery, \$202,787, or 5.5%, for park projects, and \$21,864, or 0.6%, for library use.
- Unassigned fund balance, \$2,029,761, represents residual available fund balances that have not been restricted, committed or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,164,685, compared to \$2,412,482 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 26% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (43%), or (\$4,640,210), to \$6,209,222 with the following significant changes:

- The fund balance of the Street Fund decreased (48%), or (\$4,713,874), primarily as a result of the City's portion of the State's loop project.
- The fund balance of the Other Governmental Funds increased 7%, or \$73,664, primarily as a result of increased collections in hotel tax revenues.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,492,729, a (58%) decrease from the prior year. This is due to total charge for services decreasing (11%) in comparison to the prior year along with concurrent expenditure increases.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$92,197,561 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total increase in capital assets for the current fiscal year was approximately 5.44%.

Major capital asset events during the current fiscal year included the following:

- Construction is in progress for hangars at the airport.
- Construction continued for phase 1 of the NW 12 street construction.
- Project for the purchase and installation of radio read meters began
- Leftwich lift station project completed.

**Capital Assets
(net of accumulated depreciation)
September 30,**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,436,233	\$ 1,436,233	\$ 8,772,848	\$ 8,772,848	\$ 10,209,081	\$ 10,209,081
Construction in Progress	1,937,156	822,347	22,165,505	18,021,359	24,102,661	18,843,706
Buildings & Improvements	7,154,874	7,326,392	15,661,467	16,027,563	22,816,341	23,353,955
Infrastructure	14,390,194	14,197,599	18,043,940	18,032,400	32,434,134	32,229,999
Machinery & Equipment	1,799,131	1,959,994	836,213	844,045	2,635,344	2,804,039
Total	<u>\$ 26,717,588</u>	<u>\$ 25,742,565</u>	<u>\$ 65,479,973</u>	<u>\$ 61,698,215</u>	<u>\$ 92,197,561</u>	<u>\$ 87,440,780</u>

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, 2014, the City had \$39,233,176 in revenue bonds and certificates of obligation. This represents a decrease of (\$1,598,718), or (4%), in comparison with the prior year. This is due to the normal activity of principal payments applied to long-term debt.

**Outstanding Debt
General Obligation Bonds, Revenue Bonds and Certificates of Obligation
September 30,**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ -	\$ -	\$ 28,346,065	\$ 29,528,277	\$ 28,346,065	\$ 29,528,277
Certificates of Obligation	10,887,111	11,303,617	-	-	10,887,111	11,303,617
	<u>\$ 10,887,111</u>	<u>\$ 11,303,617</u>	<u>\$ 28,346,065</u>	<u>\$ 29,528,277</u>	<u>\$ 39,233,176</u>	<u>\$ 40,831,894</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Budgetary Highlights

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget for several items. 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.

General Fund revenues collected were significantly more than budget projections. General Fund expenditures were 0.7% more than budgeted.

Economic Factors and Next Year's Budgets and Rates

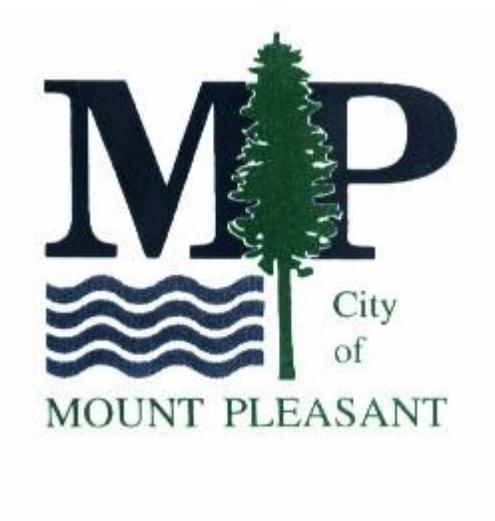
The following known factors were considered in preparing the City's operating budget for FY 2014-2015:

- The budget for all funds totals \$33,016,435 and includes remaining funds for the completion of construction on the new water plant, completion of the rehabilitation of the I-30 water treatment plant, continuation of Phase II of NW 12 roadway and completion of the automated meter reading system throughout the City.
- The adopted property tax rate for FY2014-2015 increased to \$0.3437 per \$100 valuation.
- Property tax, sales tax, and franchise tax collections increased \$588,283, or 7%, over the previous year. There have been no proposed increases for water/wastewater fees. An increase of 1.6%, based on CPI has been budgeted for solid waste billings per contract with Republic Waste.

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, Mount Pleasant, Texas 75455-3650.

BASIC FINANCIAL STATEMENTS



**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
ASSETS				
Cash and cash equivalents	\$ 5,948,070	\$ 4,544,835	\$ 10,492,905	\$ 3,277,468
Receivables, net of allowance for uncollectibles	907,506	1,233,068	2,140,574	216,645
Prepaid expense	7,202	-	7,202	-
Restricted assets:				
Cash and cash equivalents	2,721,951	4,951,231	7,673,182	-
Capital assets not being depreciated				
Land	1,436,233	8,772,848	10,209,081	1,628,156
Construction in progress	1,937,156	22,165,505	24,102,661	375,878
Capital assets, net of accumulated depreciation:				
Buildings and improvements	7,154,874	15,661,467	22,816,341	1,124,894
Machinery and equipment	1,799,131	836,213	2,635,344	-
Infrastructure	14,390,194	18,043,940	32,434,134	2,105,826
Total Assets	<u>36,302,317</u>	<u>76,209,107</u>	<u>112,511,424</u>	<u>8,728,867</u>
LIABILITIES				
Accounts payable	405,505	644,499	1,050,004	216,788
Accrued liabilities	215,380	62,280	277,660	5,559
Accrued interest payable	101,475	14,824	116,299	-
Customer deposits	-	135,595	135,595	-
Other liabilities	47,116	12,621	59,737	36
Non-current liabilities:				
Due within one year:				
Compensated absences	26,180	8,210	34,390	-
Notes payable	-	-	-	210,459
Bonds payable	-	1,205,000	1,205,000	-
Certificates of obligation	430,000	-	430,000	-
Due in more than one year:				
Net OPEB obligation	1,387,190	519,123	1,906,313	44,388
Compensated absences	396,249	164,257	560,506	21,275
Notes payable	-	-	-	2,645,731
Bonds payable	-	27,141,065	27,141,065	-
Certificates of obligation	10,457,111	-	10,457,111	-
Total Liabilities	<u>13,466,206</u>	<u>29,907,474</u>	<u>43,373,680</u>	<u>3,144,236</u>
NET POSITION				
Net investment in capital assets	18,381,690	42,881,147	61,262,837	2,378,564
Restricted for:				
Debt service	168,520	1,927,757	2,096,277	-
Court Use	115,753	-	115,753	-
Hotel/Motel	187,686	-	187,686	-
PEG fees	157,277	-	157,277	-
Development	221,994	-	221,994	-
Unrestricted	3,603,191	1,492,729	5,095,920	3,206,067
Total Net Position	<u>\$ 22,836,111</u>	<u>\$ 46,301,633</u>	<u>\$ 69,137,744</u>	<u>\$ 5,584,631</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 1,035,616	\$ 27,081	\$ 35,745	\$ -
Public Safety	5,918,178	851,275	475,900	35,000
Library	562,332	8,492	24,277	-
Public services and operations	711,463	49,334	15,377	-
Parks and recreation	699,388	50,167	-	-
Public works	5,366,980	147,847	-	-
Interest on long-term debt	278,887	-	-	-
Total governmental activities	14,572,844	1,134,196	551,299	35,000
Business-type Activities:				
Utility	8,637,099	9,838,779	-	-
Airport	1,426,482	968,808	15,432	1,264,583
Civic center	501,263	102,401	-	-
Total business-type activities	10,564,844	10,909,988	15,432	1,264,583
Total primary government	25,137,688	12,044,184	566,731	1,299,583
Component Unit				
Industrial Development Corporation	727,866	-	10,415	-
Total component unit	\$ 727,866	\$ -	\$ 10,415	\$ -

General revenues:

Property taxes
Sales taxes
Hotel/Motel taxes
Franchise taxes
Beverage taxes
Investment income
Royalties
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

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

Primary Government			
Governmental Activities	Business Activities	Total	Component Unit
\$ (972,790)	\$ -	\$ (972,790)	\$ -
(4,556,003)	-	(4,556,003)	-
(529,563)	-	(529,563)	-
(646,752)	-	(646,752)	-
(649,221)	-	(649,221)	-
(5,219,133)	-	(5,219,133)	-
(278,887)	-	(278,887)	-
<u>(12,852,349)</u>	<u>-</u>	<u>(12,852,349)</u>	<u>-</u>
-	1,201,680	1,201,680	-
-	822,341	822,341	-
-	<u>(398,862)</u>	<u>(398,862)</u>	<u>-</u>
<u>-</u>	<u>1,625,159</u>	<u>1,625,159</u>	<u>-</u>
<u>(12,852,349)</u>	<u>1,625,159</u>	<u>(11,227,190)</u>	<u>-</u>
-	-	-	(717,451)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (717,451)</u>
\$ 2,825,580	\$ -	\$ 2,825,580	\$ -
3,751,025	-	3,751,025	1,250,342
546,141	-	546,141	-
1,269,554	-	1,269,554	-
28,755	-	28,755	-
8,892	8,058	16,950	1,600
380,154	-	380,154	-
137,542	285,030	422,572	-
839,197	<u>(839,197)</u>	<u>-</u>	<u>-</u>
<u>9,786,840</u>	<u>(546,109)</u>	<u>9,240,731</u>	<u>1,251,942</u>
<u>(3,065,509)</u>	<u>1,079,050</u>	<u>(1,986,459)</u>	<u>534,491</u>
<u>25,901,620</u>	<u>45,222,583</u>	<u>71,124,203</u>	<u>5,050,140</u>
<u>\$ 22,836,111</u>	<u>\$ 46,301,633</u>	<u>\$ 69,137,744</u>	<u>\$ 5,584,631</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Street Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,013,223	\$ 3,123,445	\$ 811,402	\$ 5,948,070
Receivables, net of allowance for uncollectibles	870,358	-	37,148	907,506
Cash and cash equivalents - restricted	118,270	2,121,213	482,468	2,721,951
Prepaid expense	7,202	-	-	7,202
Total Assets	3,009,053	5,244,658	1,331,018	9,584,729
LIABILITIES				
Accounts payable	185,086	157,614	62,805	405,505
Accrued liabilities	204,646	10,734	-	215,380
Accrued interest payable	-	-	135,301	135,301
Other liabilities	47,116	-	-	47,116
Total Liabilities	436,848	168,348	198,106	803,302
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	116,045	-	-	116,045
Total Deferred Inflows of Resources	116,045	-	-	116,045
Fund Balances				
Nonspendable:				
Prepaid items and other assets	7,202	-	-	7,202
Restricted for:				
Court use	115,753	-	-	115,753
Debt service	168,520	-	-	168,520
Hotel/Motel	-	-	187,686	187,686
Capital projects	-	2,121,213	157,277	2,278,490
Development	-	-	221,994	221,994
Assigned to:				
Public safety	-	-	67,380	67,380
Capital projects	-	2,955,097	296,841	3,251,938
Community improvements	-	-	109,447	109,447
Cemetery	-	-	2,560	2,560
Parks	-	-	202,787	202,787
Library	-	-	21,864	21,864
Unassigned	2,164,685	-	(134,924)	2,029,761
Total Fund Balance	2,456,160	5,076,310	1,132,912	8,665,382
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,009,053	\$ 5,244,658	\$ 1,331,018	\$ 9,584,729

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

**CITY OF MOUNT PLEASANT, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 8,665,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,095,657
Accumulated depreciation has not been included in the governmental fund financial statements.	(19,378,069)
Certificates of Obligation have not been included in the governmental fund financial statements.	(10,887,111)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(422,429)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(1,387,190)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	116,045
The portion of accrued interest payable that do not require current financial resources are not reported as expenditures in the government-wide financial statements.	<u>33,826</u>
Net position of governmental activities - statement of net position	<u><u>\$ 22,836,111</u></u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,489,112	\$ -	\$ 256,360	\$ 2,745,472
Sales	3,751,025	-	-	3,751,025
Hotel	-	-	546,141	546,141
Beverage	28,755	-	-	28,755
Franchise	-	1,269,554	27,081	1,296,635
Fines and forfeitures	752,660	-	-	752,660
Licenses and permits	74,102	-	-	74,102
Charge for services	157,189	1,658	14,400	173,247
Donations	11,627	-	28,261	39,888
Grant	32,706	-	2,516	35,222
Intergovernmental revenue	448,789	-	27,400	476,189
Royalties	-	380,154	-	380,154
Investment income	2,785	5,502	605	8,892
Miscellaneous	147,291	9,808	25,116	182,215
Total revenues	<u>7,896,041</u>	<u>1,666,676</u>	<u>927,880</u>	<u>10,490,597</u>
EXPENDITURES				
Current:				
General government	747,066	-	204,424	951,490
Public safety	5,638,881	-	43,579	5,682,460
Library	303,852	-	9,707	313,559
Public works	128,571	4,675,161	-	4,803,732
Public services and operations	649,337	-	36,869	686,206
Parks and recreation	588,805	-	8,159	596,964
Capital outlays:				
General government	7,600	-	90,553	98,153
Public safety	132,707	-	24,717	157,424
Library	51,165	-	11,294	62,459
Public works	20,492	1,856,075	-	1,876,567
Parks and recreation	19,730	-	28,986	48,716
Debt service:				
Principal retirement	-	305,000	105,000	410,000
Interest	-	149,013	163,700	312,713
Total expenditures	<u>8,288,206</u>	<u>6,985,249</u>	<u>726,988</u>	<u>16,000,443</u>
Excess (deficiency) of revenues over expenditures	(392,165)	(5,318,573)	200,892	(5,509,846)
OTHER FINANCING SOURCES (USES)				
Transfers	361,726	604,699	(127,228)	839,197
Sale of assets	69,917	-	-	69,917
Total other financing sources (uses)	<u>431,643</u>	<u>604,699</u>	<u>(127,228)</u>	<u>909,114</u>
Net change in fund balances	39,478	(4,713,874)	73,664	(4,600,732)
Fund balances, beginning	2,416,682	9,790,184	1,059,248	13,266,114
Fund balances, ending	<u>\$ 2,456,160</u>	<u>\$ 5,076,310</u>	<u>\$ 1,132,912</u>	<u>\$ 8,665,382</u>

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

**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, 2014**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (4,600,732)
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	2,263,811
Donated capital is shown as an increase in capital assets in the government-wide financial statements.	35,000
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,316,304)
Current year long-term debt principal payments on contractual obligations and bonds are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	410,000
Premium and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in government-wide financial statements	6,506
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	8,487
In governmental fund financial statements, the proceeds from 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.	(7,484)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	80,108
Expenditures in the statements of revenues, expenditures and changes in fund balance that do not require current financial resources are not reported as expenditures in the statement of activities.	<u>55,099</u>
Change in net position - statement of activities	<u><u>\$ (3,065,509)</u></u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,584,956	\$ 2,584,956	\$ 2,489,112	\$ (95,844)
Sales	3,469,571	3,469,571	3,751,025	281,454
Other	27,000	27,000	28,755	1,755
Fines and Forfeitures	756,500	756,500	752,660	(3,840)
Licenses and Permits	58,400	58,400	74,102	15,702
Charge for Services	156,400	156,400	157,189	789
Donations	1,000	1,000	11,627	10,627
Intergovernmental Revenue	-	-	448,789	448,789
Grant Income	-	-	32,706	32,706
Investment Income	3,300	3,300	2,785	(515)
Miscellaneous	117,000	117,000	147,291	30,291
Total Revenues	7,174,127	7,174,127	7,896,041	721,914
EXPENDITURES				
Current:				
General Government	733,051	733,051	747,066	(14,015)
Public Safety:				
Police	3,442,826	3,442,826	3,592,715	(149,889)
Fire	2,068,345	2,068,345	2,046,166	22,179
Total Public Safety	5,511,171	5,511,171	5,638,881	(127,710)
Library	294,953	294,953	303,852	(8,899)
Public Works	133,362	133,362	128,571	4,791
Public Services and Operations	614,654	614,654	649,337	(34,683)
Parks and Recreation	616,354	616,354	588,805	27,549
Capital Outlays	305,540	305,540	231,694	73,846
Total Expenditures	8,209,085	8,209,085	8,288,206	(79,121)
Excess (deficiency) of revenues over (under) expenditures	(1,034,958)	(1,034,958)	(392,165)	642,793
Other Financing Sources (Uses)				
Transfers	415,510	415,510	361,726	(53,784)
Sale of Assets	-	-	69,917	69,917
Total Other Financing Sources (uses)	415,510	415,510	431,643	16,133
Net Change in Fund Balance	(619,448)	(619,448)	39,478	658,926
Fund Balance, October 1	2,416,682	2,416,682	2,416,682	
Fund Balance, September 30	\$ 1,797,234	\$ 1,797,234	\$ 2,456,160	

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,173,932	\$ 60,224	\$ 310,679	\$ 4,544,835
Receivables, net of uncollectibles	915,874	316,764	430	1,233,068
Restricted assets:				
Cash and cash equivalents	4,951,231	-	-	4,951,231
Total current assets	<u>10,041,037</u>	<u>376,988</u>	<u>311,109</u>	<u>10,729,134</u>
Noncurrent assets:				
Capital Assets:				
Land	6,953,503	1,819,345	-	8,772,848
Buildings	10,444,296	2,169,221	1,343,800	13,957,317
Improvements	6,173,088	7,223,892	273,221	13,670,201
Infrastructure	25,412,490	2,012,104	-	27,424,594
Vehicles	786,012	222,855	15,723	1,024,590
Machinery & equipment	5,004,168	121,517	265,350	5,391,035
Construction in progress	20,673,285	1,492,220	-	22,165,505
Less: accumulated depreciation	<u>(22,284,846)</u>	<u>(3,803,968)</u>	<u>(837,303)</u>	<u>(26,926,117)</u>
Total noncurrent assets	<u>53,161,996</u>	<u>11,257,186</u>	<u>1,060,791</u>	<u>65,479,973</u>
Total assets	<u><u>63,203,033</u></u>	<u><u>11,634,174</u></u>	<u><u>1,371,900</u></u>	<u><u>76,209,107</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	307,603	324,702	12,194	644,499
Accrued liabilities	48,693	5,589	7,998	62,280
Other liabilities	12,621	-	-	12,621
Compensated absences - current	6,532	-	1,678	8,210
Liabilities payable from restricted assets:				
Accrued interest payable	14,651	-	173	14,824
Customer deposits	135,595	-	-	135,595
Bonds payable - current	<u>1,205,000</u>	<u>-</u>	<u>-</u>	<u>1,205,000</u>
Total current liabilities payable from restricted assets:	<u>1,355,246</u>	<u>-</u>	<u>173</u>	<u>1,355,419</u>
Total current liabilities	<u>1,730,695</u>	<u>330,291</u>	<u>22,043</u>	<u>2,083,029</u>
Noncurrent liabilities:				
Net OPEB obligation	427,810	45,318	45,995	519,123
Compensated absences	122,877	25,901	15,479	164,257
Bonds payable	<u>27,141,065</u>	<u>-</u>	<u>-</u>	<u>27,141,065</u>
Total noncurrent liabilities	<u>27,691,752</u>	<u>71,219</u>	<u>61,474</u>	<u>27,824,445</u>
Total liabilities	<u>29,422,447</u>	<u>401,510</u>	<u>83,517</u>	<u>29,907,474</u>
NET POSITION				
Net invested in capital assets	30,563,170	11,257,186	1,060,791	42,881,147
Restricted for:				
Debt Service	1,927,757	-	-	1,927,757
Unrestricted	<u>1,289,659</u>	<u>(24,522)</u>	<u>227,592</u>	<u>1,492,729</u>
Total Net Position	<u><u>\$ 33,780,586</u></u>	<u><u>\$ 11,232,664</u></u>	<u><u>\$ 1,288,383</u></u>	<u><u>\$ 46,301,633</u></u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Utility Fund</u>	<u>Airport Fund</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES:				
Charges for services	\$ 9,817,678	\$ 966,972	\$ 102,402	\$ 10,887,052
Operating grant revenue	-	15,432	-	15,432
Capital grant revenue	-	1,264,583	-	1,264,583
Miscellaneous	279,922	653	4,455	285,030
Total operating revenues	<u>10,097,600</u>	<u>2,247,640</u>	<u>106,857</u>	<u>12,452,097</u>
OPERATING EXPENSES:				
Personal services	2,038,072	199,677	253,107	2,490,856
Supplies and materials	452,745	624,885	55,090	1,132,720
Maintenance and repair	606,107	34,964	15,027	656,098
Contractual services	3,752,656	55,475	111,889	3,920,020
Depreciation	1,471,815	511,481	66,152	2,049,448
Total operating expenses	<u>8,321,395</u>	<u>1,426,482</u>	<u>501,265</u>	<u>10,249,142</u>
Operating income (loss)	<u>1,776,205</u>	<u>821,158</u>	<u>(394,408)</u>	<u>2,202,955</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on sale of assets	21,100	1,836	-	22,936
Interest revenue	7,795	-	263	8,058
Interest expense	(315,702)	-	-	(315,702)
Total nonoperating revenues (expenses)	<u>(286,807)</u>	<u>1,836</u>	<u>263</u>	<u>(284,708)</u>
Income (loss) before transfers and capital contributions	1,489,398	822,994	(394,145)	1,918,247
Transfers	<u>(1,299,754)</u>	<u>125,710</u>	<u>334,847</u>	<u>(839,197)</u>
Change in net position	189,644	948,704	(59,298)	1,079,050
Net Position, October 1	33,549,951	10,309,646	1,362,986	45,222,583
Prior Period Adjustments	40,991	(25,686)	(15,305)	-
Net Position, September 30	<u>\$ 33,780,586</u>	<u>\$ 11,232,664</u>	<u>\$ 1,288,383</u>	<u>\$ 46,301,633</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,827,284	\$ 966,973	\$ 102,401	\$ 10,896,658
Cash received from other sources	279,921	963,904	4,455	1,248,280
Cash paid to employees	(1,989,821)	(198,165)	(246,714)	(2,434,700)
Cash paid to suppliers	(4,779,841)	(421,542)	(175,541)	(5,376,924)
Net cash provided (used) by operating activities	<u>3,337,543</u>	<u>1,311,170</u>	<u>(315,399)</u>	<u>4,333,314</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,299,754)	125,710	334,847	(839,197)
Net cash provided (used) by non-capital financing activities	<u>(1,299,754)</u>	<u>125,710</u>	<u>334,847</u>	<u>(839,197)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(4,303,155)	(1,465,299)	(65,207)	(5,833,661)
Gain(Loss) on sale of capital assets	21,100	1,836	-	22,936
Principal paid on long-term debt	(1,185,000)	-	-	(1,185,000)
Interest paid on long-term debt	(312,915)	-	-	(312,915)
Net cash (used for) capital & related financing activities	<u>(5,779,970)</u>	<u>(1,463,463)</u>	<u>(65,207)</u>	<u>(7,308,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	7,795	-	263	8,058
Net cash provided by investing activities	<u>7,795</u>	<u>-</u>	<u>263</u>	<u>8,058</u>
Net increase (decrease) in cash and cash equivalents	(3,734,386)	(26,583)	(45,496)	(3,806,465)
Cash and cash equivalents at beginning of year	<u>12,859,549</u>	<u>86,807</u>	<u>356,175</u>	<u>13,302,531</u>
Cash and cash equivalents at end of year	<u>\$ 9,125,163</u>	<u>\$ 60,224</u>	<u>\$ 310,679</u>	<u>\$ 9,496,066</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,776,205	\$ 821,158	\$ (394,408)	\$ 2,202,955
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,471,815	511,481	66,152	2,049,448
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	7,406	(316,764)	-	(309,358)
Increase (decrease) in liabilities:				
Accounts payable	30,794	293,782	6,466	331,042
Accrued expenses	51,610	1,513	6,391	59,514
Customer deposits	2,200	-	-	2,200
Compensated absences	(3,360)	-	-	(3,360)
Other liabilities	873	-	-	873
Total adjustments	<u>1,561,338</u>	<u>490,012</u>	<u>79,009</u>	<u>2,130,359</u>
Net cash provided (used) by operating activities	<u>\$ 3,337,543</u>	<u>\$ 1,311,170</u>	<u>\$ (315,399)</u>	<u>\$ 4,333,314</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
 STATEMENT OF AGENCY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 SEPTEMBER 30, 2014**

**Police
 Escrow Fund**

ASSETS

Cash and cash equivalents - restricted	\$ 88,422
Total assets	88,422

LIABILITIES

Other accrued liabilities	88,422
Total liabilities	\$ 88,422

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

The City of Mount Pleasant, Texas ("City") was incorporated in 1900 and has a Council/Manager form of government with a City Council comprised of Mayor and five council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles ("GAAP") for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units".

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.

The financial statement of the following component unit has been discretely presented in the accompanying report because (a) their governing boards are not substantially the same as the governing body of the City, or (b) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely Presented Component Unit - 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 incomplete. There are no separate financial statements issued for the IDC.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP 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 position and statement of activities. Significantly, the City's statement of net position 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.

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.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

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. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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 position and the statement of net activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are separated from business-type activities, which rely on fees and charges for services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment 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, and 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. The net cost (by function or business-type activity) is normally covered by general revenue (property and sales tax, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the funds financial statements. The major governmental funds are the General Fund and Street Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

- 2. Basis of Presentation, Basis of Accounting**
a. Basis of Presentation (continued)

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

The City's Fiduciary Fund is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's Fiduciary Fund consists of a fund that accounts for police escrow funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- b. Measurement Focus, Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increase (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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 needed.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the 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. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purpose. The following is a description of the proprietary funds:

The *Utility 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.

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 a separate Statement of Fiduciary Net Position. The activities of this fund is 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 City has the following fiduciary fund:

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.

3. 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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

b. Receivable and Payable Balances

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

c. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

d. 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 proprietary 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.

e. 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 cost 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-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2014, \$88,200 of such interest costs were capitalized in the proprietary funds.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

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

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

f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City does not have any deferred outflows of resources that qualify for reporting in this category.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

f. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In 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 as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making (the Council), or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

i. Fund Equity (continued)

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 16.67% of expenditures, with 8.34% or less being cause for concern. As the end of fiscal year 2014, the City is in compliance with this minimum fund balance policy.

Additional detailed information, along with the complete fund balance policy, can be obtained from the Director of Finance, City of Mount Pleasant, 501 North Madison, Mount Pleasant, Texas 75455.

j. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, including the Environmental Protection Agency and the Department of Transportation , and are accounted for in both the governmental and proprietary funds.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

m. 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, 2014, the City had a tax rate of \$0.3433 per \$100 assessed valuation based upon the maximum rates described above.

n. 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.

o. 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 Position.

p. Use of Estimates

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

q. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

r. 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>
General Fund	\$ (58,629) Overage covered by more than expected revenues
Debt Service Fund	(28,212) Overage covered by General Fund fund balance

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service Fund	\$ (134,924)	Expenditures exceed revenues

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 28 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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

B. Compliance and Accountability

3. Budgets and Budgetary Accounting (continued)

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.

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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,166,087 and the bank balance was \$20,036,724. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, 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 \$1,971,255.

At September 30, 2014, the City's investments in TexPool and LOGIC were \$17,565,469 for investment balance and book balance. Detail of these investments is described below in the 'Investment' section.

Cash and investments as of September 30, 2014 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government

Cash and Cash Equivalents	\$ 10,492,905
Restricted cash and cash equivalents	<u>7,673,182</u>
Total cash and cash equivalents	<u>\$ 18,166,087</u>

Governmental - Restricted Cash

Municipal Court	\$ 115,753
PEG funds	157,278
Tobacco enforcement program	2,516
Library grant	4,102
Debt Service	377
Unspent Bond Proceeds	2,121,213
Hotel tax use	98,718
Rural Development	<u>221,994</u>
Total cash and cash equivalents	<u>\$ 2,721,951</u>

Business-type- Restricted Cash

Customer Deposits	\$ 135,595
Debt Service	790,051
Capital projects	2,361,809
Unspent TWDB loan	<u>1,663,776</u>
Total cash and cash equivalents	<u>\$ 4,951,231</u>

Total Restricted Cash	<u>\$ 7,673,182</u>
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**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Deposits and Investments (continued)

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor 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. TexPool financial statements can be found at www.texpool.com and LOGIC Investments financial statements can be found at www.logic.org.

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 position 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 is 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 cooperation 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, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 4,872,658	48	N/A	AAA-m
LOGIC	12,692,811	59	N/A	AAA-m
	<u>\$ 17,565,469</u>			

As of September 30, 2014 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, 2014**

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 above 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.

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.

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:

	Other					Total
	General	Governmental	Utility	Airport	Civic	
Receivables:						
Taxes	\$ 776,688	\$ 37,148	\$ -	\$ -	\$ -	\$ 813,836
Fees and Charges	<u>1,464,920</u>	<u>-</u>	<u>946,331</u>	<u>316,764</u>	<u>430</u>	<u>2,728,445</u>
Gross Receivables	2,241,608	37,148	946,331	316,764	430	3,542,281
Less: allowance for uncollectibles	<u>(1,371,250)</u>	<u>-</u>	<u>(30,457)</u>	<u>-</u>	<u>-</u>	<u>(1,401,707)</u>
Net Total Receivables	<u>\$ 870,358</u>	<u>\$ 37,148</u>	<u>\$ 915,874</u>	<u>\$ 316,764</u>	<u>\$ 430</u>	<u>\$ 2,140,574</u>

The Proprietary Fund accounts receivable includes unbilled charges for services of \$635,783 rendered as of fiscal year end.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

E. Capital Assets

Capital asset activity for the period ended September 30, 2014 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	\$ 1,436,233	\$ -	\$ -	\$ -	\$ 1,436,233
Construction in Progress	822,346	(184,759)	1,299,569	-	1,937,156
Total capital assets, not being depreciated	<u>2,258,579</u>	<u>(184,759)</u>	<u>1,299,569</u>	<u>-</u>	<u>3,373,389</u>
Capital assets, being depreciated:					
Buildings	7,758,079	-	-	-	7,758,079
Improvements	4,321,583	-	90,553	-	4,412,136
Infrastructure	23,478,580	184,759	442,948	-	24,106,287
Machinery	3,483,688	-	370,608	(51,366)	3,802,930
Vehicles	2,836,839	(62,433)	95,136	(226,706)	2,642,836
Total capital assets being depreciated	<u>41,878,769</u>	<u>122,326</u>	<u>999,245</u>	<u>(278,072)</u>	<u>42,722,268</u>
Less accumulated depreciation for:					
Buildings	(1,650,845)	-	(184,845)	-	(1,835,690)
Improvements	(3,102,425)	-	(77,226)	-	(3,179,651)
Infrastructure	(9,280,982)	-	(435,111)	-	(9,716,093)
Machinery	(2,154,563)	-	(389,866)	-	(2,544,429)
Vehicles	(2,205,970)	62,433	(229,256)	270,587	(2,102,206)
Total accumulated depreciation	<u>(18,394,785)</u>	<u>62,433</u>	<u>(1,316,304)</u>	<u>270,587</u>	<u>(19,378,069)</u>
Total capital assets, being depreciated, net	<u>23,483,984</u>	<u>184,759</u>	<u>(317,059)</u>	<u>(7,485)</u>	<u>23,344,199</u>
Governmental activities capital assets, net	<u>\$ 25,742,563</u>	<u>\$ -</u>	<u>\$ 982,510</u>	<u>\$ (7,485)</u>	<u>\$ 26,717,588</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

E. *Capital Assets* (continued)

Business-type Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 8,772,848	\$ -	\$ -	\$ -	\$ 8,772,848
Construction in Progress	18,021,361	(945,521)	5,089,665	-	22,165,505
Total capital assets, not being depreciated	26,794,209	(945,521)	5,089,665	-	30,938,353
Capital assets, being depreciated:					
Buildings	13,939,078	-	18,235	-	13,957,313
Improvements	13,142,145	221,339	306,714	-	13,670,198
Infrastructure	26,903,385	491,495	29,713	-	27,424,593
Machinery	4,906,381	232,687	283,459	(31,489)	5,391,038
Vehicles	1,046,328	62,433	40,983	(125,154)	1,024,590
Total capital assets being depreciated	59,937,317	1,007,954	679,104	(156,643)	61,467,732
Less accumulated depreciation for:					
Buildings	(7,269,351)	-	(304,585)	-	(7,573,936)
Improvements	(3,784,302)	-	(607,806)	-	(4,392,108)
Infrastructure	(8,870,987)	-	(509,666)	-	(9,380,653)
Machinery	(4,230,526)	-	(517,423)	31,489	(4,716,460)
Vehicles	(878,141)	-	(109,968)	125,154	(862,955)
Total accumulated depreciation	(25,033,307)	-	(2,049,448)	156,643	(26,926,112)
Total capital assets, being depreciated, net	34,904,010	1,007,954	(1,370,344)	-	34,541,620
Business-type activities capital asset, net	<u>\$ 61,698,219</u>	<u>\$ 62,433</u>	<u>\$ 3,719,321</u>	<u>\$ -</u>	<u>\$ 65,479,973</u>

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

Governmental activities:	
Administration	\$ 102,578
Municipal Court	35,767
Public Services	27,295
Library	248,773
Police Department	139,905
Fire Department	89,809
Parks & Recreation	102,423
Streets	569,754
Total depreciation expense - governmental activities	<u>\$ 1,316,304</u>
Business-type activities:	
Utility	\$ 1,471,815
Airport	511,481
Civic Center	66,152
Total depreciation expense - business-type activities	<u>\$ 2,049,448</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

E. Capital Assets (continued)

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2014. The projects include water system improvements, water plant and line construction, street projects, and airport hangar projects.

Commitments for construction in progress are composed of the following:

	Project Budget		Remaining
	Appropriation	Spent to Date	Commitment
New water plant and lines	\$ 24,785,000	\$ 19,611,741	\$ 5,173,259
Radio read meters	1,200,000	1,061,514	138,486
Airport hangars	1,772,201	1,492,250	279,951
Old Sam Parker field	150,000	28,986	121,014
Street/road improvements	<u>5,403,825</u>	<u>1,908,170</u>	<u>3,495,655</u>
	<u>\$ 33,311,026</u>	<u>\$ 24,102,661</u>	<u>\$ 9,208,365</u>

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	<u>\$ 11,180,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ 10,770,000</u>	<u>\$ 430,000</u>
	11,180,000	-	(410,000)	10,770,000	430,000
Add deferred amounts:					
For Bond Issuance Premium	-	(47,920)	2,522	(45,398)	(2,522)
For Bond Issuance Discount	-	171,537	(9,028)	162,509	9,028
Total Bonds Payable	11,180,000	123,617	(416,506)	10,887,111	436,506
Compensated absences	452,191	401,027	(430,789)	422,429	26,180
Other postemployment benefit obligation	1,387,190	-	-	1,387,190	-
Governmental activity Long-term Debt	<u>\$ 13,019,381</u>	<u>\$ 524,644</u>	<u>\$ (847,295)</u>	<u>\$ 12,696,730</u>	<u>\$ 462,686</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bonds	\$ 24,095,000	\$ -	\$ (595,000)	\$ 23,500,000	\$ 610,000
Revenue Refunding Bonds	<u>5,450,000</u>	-	<u>(590,000)</u>	<u>4,860,000</u>	<u>595,000</u>
Total Bonds Payable	29,545,000	-	(1,185,000)	28,360,000	1,205,000
Add deferred amounts:					
For Bond Issuance Premium	5,997	-	(1,000)	4,997	(1,000)
For Bond Issuance Discount	<u>(22,720)</u>	-	<u>3,787</u>	<u>(18,933)</u>	<u>3,787</u>
Total Bonds Payable	29,528,277	-	(1,182,213)	28,346,064	1,207,787
Compensated absences	132,768	103,068	(63,368)	172,468	8,210
Other postemployment benefit obligation	519,123	-	-	519,123	-
Business-type activity Long-term Debt	<u>\$ 30,180,168</u>	<u>\$ 103,068</u>	<u>\$ (1,245,581)</u>	<u>\$ 29,037,655</u>	<u>\$ 1,215,997</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. Long-Term Obligations (continued)

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issue	Amounts	Issued	Retired	Amounts	Due Within One Year
			Outstanding September 30, 2013			Outstanding September 30, 2014	
2010 Lib C.O.'s	2.000%	\$ 4,500,000	\$ 4,210,000	\$ -	\$ (105,000)	\$ 4,105,000	\$ 120,000
2012 Comb Tax & Rev	2%-2.75%	7,115,000	6,970,000	-	(305,000)	6,665,000	310,000
Total Bonds Payable		11,615,000	11,180,000	-	(410,000)	10,770,000	430,000
Compensated absences		-	452,191	401,027	(430,789)	422,429	26,180
Totals		<u>\$ 11,615,000</u>	<u>\$ 11,632,191</u>	<u>\$ 401,027</u>	<u>\$ (840,789)</u>	<u>\$ 11,192,429</u>	<u>\$ 456,180</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2015	\$ 430,000	\$ 273,700	\$ 703,700
2016	455,000	265,000	720,000
2017	470,000	255,850	725,850
2018	490,000	245,675	735,675
2019	515,000	234,825	749,825
2020-2024	2,960,000	979,535	3,939,535
2025-2029	3,725,000	555,798	4,280,798
2029-2032	1,725,000	68,745	1,793,745
Totals	<u>\$ 10,770,000</u>	<u>\$ 2,879,128</u>	<u>\$ 13,649,128</u>

\$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.

\$7,115,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012 were issued for the purpose of constructing and improving streets & roads including related drainage, utility relocation, signalization, landscaping, lighting, and signage and to pay the costs of issuance.

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts	Issued	Retired	Amounts	Due Within One Year
			Outstanding September 30, 2013			Outstanding September 30, 2014	
2006 Utility Refund	4.88%	\$ 3,320,000	\$ 2,890,000	\$ -	\$ (190,000)	\$ 2,700,000	\$ 190,000
2008 Utility Revenue	1.00%	24,785,000	24,095,000	-	(595,000)	23,500,000	610,000
2010 Rev Refunding	1.00%	3,295,000	2,560,000	-	(400,000)	2,160,000	405,000
Total Bonds Payable		31,400,000	29,545,000	-	(1,185,000)	28,360,000	1,205,000
Compensated Absences			132,768	103,068	(63,368)	172,468	8,210
Totals		<u>\$ 31,400,000</u>	<u>\$ 29,677,768</u>	<u>\$ 103,068</u>	<u>\$ (1,248,368)</u>	<u>\$ 28,532,468</u>	<u>\$ 1,213,210</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2015	\$ 1,205,000	\$ 368,329	\$ 1,573,329
2016	1,235,000	342,428	1,577,428
2017	1,260,000	314,483	1,574,483
2018	1,285,000	285,818	1,570,818
2019	1,320,000	256,464	1,576,464
2020-2024	7,080,000	930,163	8,010,163
2025-2029	7,805,000	393,025	8,198,025
2029-2033	<u>7,170,000</u>	<u>35,075</u>	<u>7,205,075</u>
Totals	<u>\$ 28,360,000</u>	<u>\$ 2,925,785</u>	<u>\$ 31,285,785</u>

\$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.

\$24,875,000 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.

\$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.

G. Operating Lease

The City leases a building for administrative offices. Total cost for the lease for the current fiscal year was \$18,900. The lease is a month-to-month basis with monthly rental of \$1,575.

The other operating lease for the City is under contract obligations for office equipment. The future minimum lease payments for this lease is \$1,950 a month. This lease was signed in April 2012 for a period of 12 months. The lease automatically extended on a month-to-month basis in May 2013.

H. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.org.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. Pension Plan

1. Plan Description (continued)

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:

	Plan Year	
	2013	2014
Employee deposit rate	7%	7%
Matching Ratio (City to Employee):	2-1	2-1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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.

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

City of Mount Pleasant Schedule of Actuarial Liabilities and Funding Progress				
		12/31/11	12/31/12	12/31/13
Actuarial Valuation Date				
Actuarial Value of Assets		\$ 17,973,410	\$ 19,936,069	\$ 22,071,339
Actuarial Accrued Liability		23,469,909	24,895,767	28,183,367
Percentage Funded		76.6%	80.1%	78.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		5,496,499	4,959,697	6,112,228
Annual Covered Payroll		5,665,505	5,756,105	6,133,792
UAAL as a Percentage of Covered Payroll		97.0%	86.2%	99.6%
Net Pension Obligation (NPO) at the Beginning of Period		\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	Plus	935,936	964,840	1,042,565
Contributions Made	Less	(935,936)	(964,840)	(1,042,565)
NPO at the end of the period		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. Pension Plan

2. Contributions (continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, as follows:

	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization period	26.0 years; closed period	25.0 years; closed period	26.0 years; closed period
Asset Valuation Method	10 yr Smoothed Market	10 yr Smoothed Market	10 yr Smoothed Market
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

3. Funding Status and Funding Progress

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

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

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

4. 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.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. Pension Plan

4. Group-term Life Insurance (continued)

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 2014, 2013, and 2012 were \$1,985, \$1,897, and \$1,704, respectively, which equaled the required contributions each year.

I. 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 health plan. The benefit levels are the same as those afforded to active employees.

As of September 30, 2014, group plan membership consisted of:

Retirees receiving benefits paid by the City	3
Retirees receiving benefits paid by themselves	2
Active employees	<u>145</u>
Total	<u><u>150</u></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 \$389 per month for retirees between the ages of 62 and 65 for retiree-only coverage. Participants retiring prior to age 62 are required to pay the full cost of 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, 2014**

I. Other Post-Employment Benefits (continued)

4. Annual OPEB Cost and Net OPEB Obligation

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 as of September 30, 2014:

	Plan Year	
	2013	2014
Normal Cost at fiscal year end	\$ 239,753	\$ 239,753
Amortization of UAAL	<u>160,912</u>	<u>160,912</u>
Annual Required Contribution	400,665	400,665
Interest on prior year Net OPEB obligation	66,251	66,251
Adjustment to annual required contribution	<u>(97,468)</u>	<u>(97,468)</u>
Annual OPEB cost	369,448	369,448
Contributions made	<u>(75,027)</u>	<u>(75,027)</u>
Increase in net OPEB obligation	294,421	294,421
Net Obligation - beginning of year	<u>1,656,280</u>	<u>1,656,280</u>
Net Obligation - end of year	<u>\$ 1,950,701</u>	<u>\$ 1,950,701</u>

No changes in cost in current fiscal year. The actuarial for this plan is done every three years. The annual costs will be updated in FY2016.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Discount rate	4.0%	4.0%	4.0%
Annual OPEB Cost	\$ 595,852	\$ 369,448	\$ 369,448
Percentage of Annual OPEB Cost Contributed	1.94%	20.31%	20.31%
Net OPEB Obligation	\$ 1,656,280	\$ 1,950,701	\$ 1,950,701

5. Funding Status and Funding Progress

As of September 30, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2.7 million, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$5.9 million, and the ratio of the UAAL to the covered payroll was 46.64%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, present as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. Other Post-Employment Benefits (continued)

6. 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, 2013 actuarial valuation, the projected credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate for valuing liabilities and a level healthcare cost trend rate of 6%. Both rates include a 3% inflating assumption. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2014 was 28 years.

J. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health and dental insurance plan. The City contributed \$394 per month per employee for employee coverage and \$319 (50% of the cost) for dependent's health insurance. The City contributed \$26 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 Blue Cross Blue Shield, while dental insurance is provided by Lincoln Financial.

K. 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 coverage and policies for fiscal year 2013-2014.

L. Litigation

Currently, management is unaware of significant pending litigation against the City of Mount Pleasant, Texas.

M. 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	2,454,048,000
Gallons Billed	2,340,302,000

The City purchases its water from the Titus County Fresh Water Supply District and Franklin County Water District. The cost for water purchases is calculated based upon the previous year's usage. The City's total cost for water purchases for this current year was \$519,551. There was a slight decrease in cost of water purchased of (\$24,279), or (5%), over the previous year.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

N. Interfund Transactions

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ -	\$ 835,104
Street Fund	-	110,004
Other Governmental Funds	105,911	-
Utility	1,282,766	-
Airport	-	125,710
Civic Center	-	317,859
Total Major Funds	<u>\$ 1,388,677</u>	<u>\$ 1,388,677</u>

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

O. Prior Period Adjustments

Prior period adjustments were recorded to correct recording of compensated absences accrual in prior years.

Business-type:

To record prior years compensated absence liability	\$ (15,305)	Civic Center
To record prior years compensated absence liability	(25,686)	Airport
To correct prior years' compensated absence liability	<u>40,991</u>	Utility
	<u>\$ -</u>	

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through January 20, 2015, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

Q. 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, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 3,277,468</u>
Savings and checking accounts	455,525
Investment Pools	<u>2,821,943</u>
Total cash and cash equivalents	<u>\$ 3,277,468</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Q. Mount Pleasant Industrial Development Corporation

1. Deposits and Investments (continued)

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 TexPool and LOGIC Investments, both 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, 2014, the IDC had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 1,404,202	48	N/A	AAA-m
LOGIC	1,417,741	59	N/A	AAA-m
	<u>\$ 2,821,943</u>			

As of September 30, 2014, 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 above 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:

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.

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, 2014, the IDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Q. Mount Pleasant Industrial Development Corporation (continued)

2. Receivables

The IDC had only one account receivable at the end of the fiscal year end. No allowance for uncollectible is recorded for the sales tax receivable accrued.

	<u>IDC</u>
Receivables: Sales tax	<u>\$ 216,645</u>

3. Capital Assets

Capital asset activity for the period ended September 30, 2014 was as follows:

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,628,156	\$ -	\$ -	\$ 1,628,156
Construction in progress		375,878	-	375,878
Total capital assets, not being depreciated:	<u>1,628,156</u>	<u>375,878</u>	<u>-</u>	<u>2,004,034</u>
Capital assets, being depreciated:				
Improvements	1,718,691	-	-	1,718,691
Infrastructure	<u>2,499,327</u>	<u>-</u>	<u>-</u>	<u>2,499,327</u>
Total capital assets being depreciated:	<u>4,218,018</u>	<u>-</u>	<u>-</u>	<u>4,218,018</u>
Less accumulated depreciation for:				
Improvements	(507,863)	(85,934)	-	(593,797)
Infrastructure	<u>(343,515)</u>	<u>(49,986)</u>	<u>-</u>	<u>(393,501)</u>
Total accumulated depreciation	<u>(851,378)</u>	<u>(135,920)</u>	<u>-</u>	<u>(987,298)</u>
Total capital assets, being depreciated, net	<u>3,366,640</u>	<u>(135,920)</u>	<u>-</u>	<u>3,230,720</u>
Governmental activities capital assets, net	<u>\$ 4,994,796</u>	<u>\$ 239,958</u>	<u>\$ -</u>	<u>\$ 5,234,754</u>

Capital Improvement Program Commitments

The IDC has one active construction project as of September 30, 2014. The project is the construction of a spec building in the industrial park.

Commitments for construction in progress are composed of the following:

	Project Budget <u>Appropriation</u>	<u>Spent to Date</u>	Remaining <u>Commitment</u>
Spec building	<u>\$ 1,775,000</u>	<u>\$ 375,878</u>	<u>\$ 1,399,122</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Q. 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, 2014, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2013	Issued	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2012 IDC Taxable	5.2%	\$ 1,175,500	\$ 1,110,499	\$ -	\$ (68,487)	\$ 1,042,012	\$ 72,109
2012 IDC NonTaxable	3.4%	2,076,835	1,947,567	-	(133,389)	1,814,178	138,350
Total Notes Payable		3,252,335	3,058,066	-	(201,876)	2,856,190	210,459
Compensated Absence		-	19,991	8,454	(7,170)	21,275	-
Other postemployment oblig		-	44,388	-	-	44,388	-
		<u>\$ 3,252,335</u>	<u>\$ 3,122,445</u>	<u>\$ 8,454</u>	<u>\$ (209,046)</u>	<u>\$ 2,921,853</u>	<u>\$ 210,459</u>

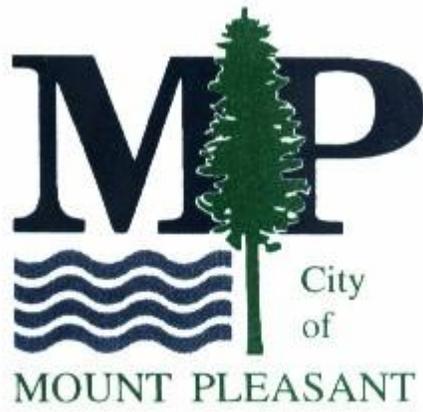
Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2015	\$ 210,459	\$ 112,011	\$ 322,470
2016	219,077	103,393	322,470
2017	228,065	94,405	322,470
2018	237,438	85,031	322,469
2019	247,216	75,254	322,470
2020-2024	816,624	301,016	1,117,640
2025-2029	897,311	200,016	1,097,327
Totals	<u>\$ 2,856,190</u>	<u>\$ 971,126</u>	<u>\$ 3,827,316</u>

\$1,175,500 IDC Taxable Loan issued to refinance the 2005 Taxable Loan that was issued for the exclusive purpose of providing funds to the Industrial Development Corporation to pay the costs of a land acquisition for a new business park.

\$2,076,835 Tax-Exempt Loan was issued to refinance the 2005 NonTaxable loan 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.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST EIGHT FISCAL YEARS (UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) -Unit Credit	(3) Unfunded Actuarial 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)
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%
2011	12/31/2010	16,191,463	21,750,986	5,559,523	74.4%	5,738,115	96.9%	964,294	964,294	100%
2012	12/31/2011	17,973,410	23,469,909	5,496,499	76.6%	5,665,505	97.0%	935,936	935,936	100%
2013	12/31/2012	19,936,069	24,895,766	4,959,697	80.1%	5,756,105	86.2%	964,840	964,840	100%
2014	12/31/2013	22,071,339	28,183,567	6,112,228	78.3%	6,112,228	100.0%	1,042,565	1,042,565	100%

See accompanying notes to these financial statements for more detail.

**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**OTHER POST-EMPLOYMENT BENEFITS PLAN - ANALYSIS OF FUNDING PROGRESS
 LAST EIGHT 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) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2-1)/5
2007	10/1/2006	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
2009	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 5,265,395 *	31.9%
2010	10/1/2008	-	1,680,130	1,680,130	0.0%	5,853,728 *	28.7%
2011	10/1/2010	-	2,828,456	2,828,456	0.0%	5,738,115 *	49.3%
2012	10/1/2010	-	2,828,456	2,828,456	0.0%	5,665,505 *	49.9%
2013	10/1/2012	-	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%
2014	10/1/2012	-	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%

* Payroll information is as of December 31 for each year shown above.

Note: Actuarial information updated every three years.

SUPPLEMENTARY INFORMATION

**CITY OF MOUNT PLEASANT, TEXAS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Fund</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>DWI Fund</u>
ASSETS								
Cash and investments:								
Unrestricted	\$ 296,841	\$ -	\$ 5,360	\$ 65,480	\$ -	\$ 8,528	\$ 92,416	\$ 2,391
Restricted	-	377	-	-	221,994	-	98,718	-
Receivables, net of allowance for uncollectibles:	-	-	-	-	-	-	37,148	-
Total assets	<u>296,841</u>	<u>377</u>	<u>5,360</u>	<u>65,480</u>	<u>221,994</u>	<u>8,528</u>	<u>228,282</u>	<u>2,391</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	2,800	406	-	2,212	40,596	402
Accrued interest payable	-	135,301	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>135,301</u>	<u>2,800</u>	<u>406</u>	<u>-</u>	<u>2,212</u>	<u>40,596</u>	<u>402</u>
FUND BALANCES								
Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Hotel/Motel Development	-	-	-	-	-	-	187,686	-
Development	-	-	-	-	221,994	-	-	-
Assigned to:								
Capital projects	296,841	-	-	-	-	-	-	-
Community improvements	-	-	-	-	-	-	-	-
Cemetery	-	-	2,560	-	-	-	-	-
Public safety	-	-	-	65,074	-	-	-	1,989
Parks	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	6,316	-	-
Unassigned	-	(134,924)	-	-	-	-	-	-
Total Fund Balances	<u>296,841</u>	<u>(134,924)</u>	<u>2,560</u>	<u>65,074</u>	<u>221,994</u>	<u>6,316</u>	<u>187,686</u>	<u>1,989</u>
Total Liabilities and Fund Balances	<u>\$ 296,841</u>	<u>\$ 377</u>	<u>\$ 5,360</u>	<u>\$ 65,480</u>	<u>\$ 221,994</u>	<u>\$ 8,528</u>	<u>\$ 228,282</u>	<u>\$ 2,391</u>

(continued)

**CITY OF MOUNT PLEASANT, TEXAS
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 SEPTEMBER 30, 2014**

<u>Law Enforcement Education Fund</u>	<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Drug & Crime Prevention Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
\$ 317	\$ 202,787	\$ 11,581	\$ -	\$ 2,320	\$ -	\$ 123,381	\$ -	\$ 811,402
-	-	4,102	-	-	-	-	157,277	482,468
-	-	-	-	-	-	-	-	37,148
<u>317</u>	<u>202,787</u>	<u>15,683</u>	<u>-</u>	<u>2,320</u>	<u>-</u>	<u>123,381</u>	<u>157,277</u>	<u>1,331,018</u>
-	-	135	-	2,320	-	13,934	-	62,805
-	-	-	-	-	-	-	-	135,301
-	-	<u>135</u>	<u>-</u>	<u>2,320</u>	<u>-</u>	<u>13,934</u>	<u>-</u>	<u>198,106</u>
-	-	-	-	-	-	-	157,277	157,277
-	-	-	-	-	-	-	-	187,686
-	-	-	-	-	-	-	-	221,994
-	-	-	-	-	-	-	-	296,841
-	-	-	-	-	-	109,447	-	109,447
-	-	-	-	-	-	-	-	2,560
317	-	-	-	-	-	-	-	67,380
-	202,787	-	-	-	-	-	-	202,787
-	-	15,548	-	-	-	-	-	21,864
-	-	-	-	-	-	-	-	(134,924)
<u>317</u>	<u>202,787</u>	<u>15,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,447</u>	<u>157,277</u>	<u>1,132,912</u>
<u>\$ 317</u>	<u>\$ 202,787</u>	<u>\$ 15,683</u>	<u>\$ -</u>	<u>\$ 2,320</u>	<u>\$ -</u>	<u>\$ 123,381</u>	<u>\$ 157,277</u>	<u>\$ 1,331,018</u>

**CITY OF MOUNT PLEASANT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Fund	Rural Development Fund	Hobbs Fund	Hotel/Tourism Funds	DWI Fund	Law Enforcement Education Fund
REVENUE									
Taxes:									
Property	\$ -	\$ 231,074	\$ 25,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	546,141	-	-
Franchise	-	-	-	-	-	-	-	-	-
Charge for services	-	-	14,400	-	-	-	-	-	-
Donations	-	-	-	-	-	-	16,700	-	-
Intergovernmental revenues	-	-	-	17,790	-	-	-	9,609	2,516
Investment income	276	51	-	28	143	12	-	-	-
Miscellaneous	-	1,717	141	3,830	-	-	3,980	-	-
Total revenues	276	232,842	39,828	21,648	143	12	566,821	9,609	2,516
EXPENDITURES									
Current:									
General government	1,100	750	-	-	-	-	202,574	-	-
Police	-	-	-	25,844	-	-	-	12,416	2,199
Fire	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	6,597	-	-	-
Public services and operations	-	-	36,869	-	-	-	-	-	-
Debt service:									
Principal retirement	-	105,000	-	-	-	-	-	-	-
Interest	-	163,700	-	-	-	-	-	-	-
Capital outlays	-	-	-	18,167	-	-	-	-	-
Total expenditures	1,100	269,450	36,869	44,011	-	6,597	202,574	12,416	2,199
Excess (deficiency) of revenues over (under) expenditures	(824)	(36,608)	2,959	(22,363)	143	(6,585)	364,247	(2,807)	317
Other Revenues and Financing Sources (Uses)									
Transfers	-	8,000	-	(8,400)	-	(3,586)	(327,628)	-	-
Total Other Financing Sources (Uses)	-	8,000	-	(8,400)	-	(3,586)	(327,628)	-	-
Net Change in Fund Balances	(824)	(28,608)	2,959	(30,763)	143	(10,171)	36,619	(2,807)	317
Fund Balances, October 1	297,665	(106,316)	(399)	95,837	221,851	16,487	151,067	4,796	-
Fund Balances, September 30	\$ 296,841	\$ (134,924)	\$ 2,560	\$ 65,074	\$ 221,994	\$ 6,316	\$ 187,686	\$ 1,989	\$ 317

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**CITY OF MOUNT PLEASANT, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Drug & Crime Prevention Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
REVENUE								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,361
Hotel	-	-	-	-	-	-	-	546,141
Franchise	-	-	-	-	-	-	27,081	27,081
Charge for services	-	-	-	-	-	-	-	14,400
Donations	-	5,061	-	6,500	-	-	-	28,261
Intergovernmental revenues	-	-	-	-	-	-	-	29,915
Investment income	-	-	-	-	-	-	95	605
Miscellaneous	4,046	11,402	-	-	-	-	-	25,116
Total revenues	<u>4,046</u>	<u>16,463</u>	<u>-</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>27,176</u>	<u>927,880</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	204,424
Police	-	-	-	2,320	-	-	-	42,779
Fire	-	-	800	-	-	-	-	800
Parks and recreation	8,159	-	-	-	-	-	-	8,159
Libraries	-	3,110	-	-	-	-	-	9,707
Public services and operations	-	-	-	-	-	-	-	36,869
Debt service:								
Principal retirement	-	-	-	-	-	-	-	105,000
Interest	-	-	-	-	-	-	-	163,700
Capital outlays	28,986	11,294	-	6,550	-	90,553	-	155,550
Total expenditures	<u>37,145</u>	<u>14,404</u>	<u>800</u>	<u>8,870</u>	<u>-</u>	<u>90,553</u>	<u>-</u>	<u>726,988</u>
Excess (deficiency) of revenues over (under) expenditures	(33,099)	2,059	(800)	(2,370)	-	(90,553)	27,176	200,892
Other Revenues and Financing Sources (Uses)								
Transfers	-	3,586	800	-	-	200,000	-	(127,228)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,586</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>(127,228)</u>
Net Change in Fund Balances	(33,099)	5,645	-	(2,370)	-	109,447	27,176	73,664
Fund Balances, October 1	235,886	9,903	-	2,370	-	-	130,101	1,059,248
Fund Balances, September 30	<u>\$ 202,787</u>	<u>\$ 15,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,447</u>	<u>\$ 157,277</u>	<u>\$ 1,132,912</u>

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	\$ 239,698	\$ 239,698	\$ 231,075	\$ (8,623)
Miscellaneous	1,540	1,540	1,767	227
Total Revenues	<u>241,238</u>	<u>241,238</u>	<u>232,842</u>	<u>(8,396)</u>
EXPENDITURES				
General Government	250	250	750	(500)
Debt service:				
Principal retirement	105,000	105,000	105,000	-
Interest	135,988	135,988	163,700	(27,712)
Total Expenditures	<u>241,238</u>	<u>241,238</u>	<u>269,450</u>	<u>(28,212)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(36,608)	(36,608)
Other Financing Sources (Uses)				
Transfers	-	-	8,000	8,000
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net Change in Fund Balances	-	-	(28,608)	(28,608)
Fund Balance, October 1	(106,316)	(106,316)	(106,316)	
Fund Balance, September 30	<u>\$ (106,316)</u>	<u>\$ (106,316)</u>	<u>\$ (134,924)</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - STREET FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Franchise	\$ 1,240,000	\$ 1,240,000	\$ 1,269,554	\$ 29,554
Royalties	378,000	378,000	380,154	2,154
Investment income	10,500	10,500	5,502	(4,998)
Miscellaneous	10,000	10,000	4,373	(5,627)
Total Revenues	<u>1,638,500</u>	<u>1,638,500</u>	<u>1,659,583</u>	<u>21,083</u>
EXPENDITURES				
Current:				
Public works	5,251,549	5,251,549	4,675,161	576,388
Capital outlays	2,926,200	2,926,200	1,856,075	1,070,125
Debt service:				
Principal retirement	305,000	305,000	305,000	-
Interest	149,013	149,013	149,013	-
Total Expenditures	<u>8,631,762</u>	<u>8,631,762</u>	<u>6,985,249</u>	<u>1,646,513</u>
Excess (deficiency) of revenues (under) expenditures	(6,993,262)	(6,993,262)	(5,325,666)	1,667,596
Other Financing Sources (uses)				
Transfers	691,000	691,000	604,699	(86,301)
Sale of Assets	-	-	7,093	7,093
Total Other Financing Sources (uses)	<u>691,000</u>	<u>691,000</u>	<u>611,792</u>	<u>(79,208)</u>
Net Change in Fund Balances	(6,302,262)	(6,302,262)	(4,713,874)	1,588,388
Fund Balance, October 1	9,790,184	9,790,184	9,790,184	
Fund Balance, September 30	<u><u>\$ 3,487,922</u></u>	<u><u>\$ 3,487,922</u></u>	<u><u>\$ 5,076,310</u></u>	

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
POLICE ESCROW FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Balance September 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 2014</u>
Police Escrow				
ASSETS:				
Cash and cash equivalents	\$ 87,545	\$ 34,382	\$ 33,505	\$ 88,422
Total Assets	<u>87,545</u>	<u>34,382</u>	<u>33,505</u>	<u>88,422</u>
LIABILITIES:				
Other accrued liabilities	87,545	34,382	33,505	88,422
Total Liabilities	<u>\$ 87,545</u>	<u>\$ 34,382</u>	<u>\$ 33,505</u>	<u>\$ 88,422</u>

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

	IDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 3,277,468
Receivables, net of allowance for uncollectibles	<u>216,645</u>
Total Assets	<u><u>3,494,113</u></u>
Liabilities	
Accounts payable	216,788
Accrued expenses	5,559
Other liabilities	<u>36</u>
Total Liabilities	<u>222,383</u>
Fund Balances	
Unassigned	<u>3,271,730</u>
Total Fund Balances	<u>3,271,730</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,494,113</u></u>

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 3,271,730
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,222,052
Accumulated depreciation has not been included in the governmental fund financial statements.	(987,298)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(44,388)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(21,275)
Notes Payable have not been included in the governmental fund financial statements.	<u>(2,856,190)</u>
Net assets of governmental activities - statement of net position	<u>\$ 5,584,631</u>

**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, 2014**

	IDC Operating Fund
REVENUE	
Sales taxes	\$ 1,250,342
Intergovernmental revenue	10,415
Investment income	1,600
Total Revenues	<u>1,262,357</u>
EXPENDITURES	
Current:	
Economic development	450,079
Capital outlay	375,878
Debt service:	
Principal retirement	201,876
Interest	120,594
Total Expenditures	<u>1,148,427</u>
Net change in fund balance	113,930
Fund Balance, October 1	<u>3,157,800</u>
Fund Balance, September 30	<u><u>\$ 3,271,730</u></u>

**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, 2014**

**Net change in fund balance - statement of revenues, expenditures and
changes in fund balance - governmental funds** \$ 113,930

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

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. (135,920)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period. 375,878

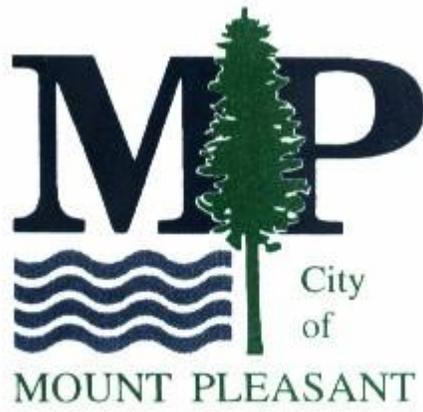
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (21,273)

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. 201,876

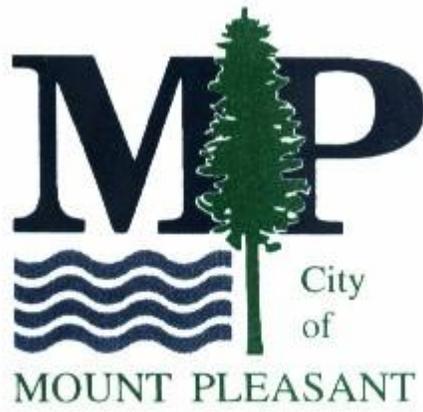
Change in net position - statement of activities \$ 534,491

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Sales Taxes	\$ 1,156,524	\$ 1,156,524	\$ 1,250,342	\$ 93,818
Intergovernmental Revenue	-	-	10,415	10,415
Investment Income	2,200	2,200	1,600	(600)
Total Revenues	<u>1,158,724</u>	<u>1,158,724</u>	<u>1,262,357</u>	<u>103,633</u>
EXPENDITURES				
Current:				
Economic Development	557,669	557,669	450,079	107,590
Capital Outlays	-	-	375,878	(375,878)
Debt Service:				
Principal Retirement	202,194	202,194	201,876	318
Interest	120,276	120,276	120,594	(318)
Total Expenditures	<u>880,139</u>	<u>880,139</u>	<u>1,148,427</u>	<u>(268,288)</u>
Net Change in Fund Balance	278,585	278,585	113,930	(164,655)
Fund Balance, October 1	<u>3,157,800</u>	<u>3,157,800</u>	<u>3,157,800</u>	
Fund Balance, September 30	<u>\$ 3,436,385</u>	<u>\$ 3,436,385</u>	<u>\$ 3,271,730</u>	



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.

CITY OF MOUNT PLEASANT, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (Accrual basis of accounting)
 (Amounts express in thousands)

	FISCAL YEAR				
	2005	2006	2007	2008	2009
Governmental activities:					
Net investment in capital assets	\$ 13,176	\$ 15,346	\$ 17,881	\$ 18,876	\$ 19,226
Restricted	607	163	179	180	145
Unrestricted	<u>8,127</u>	<u>8,924</u>	<u>8,934</u>	<u>8,877</u>	<u>1,722</u>
Total governmental activities net position	<u>21,910</u>	<u>24,433</u>	<u>26,994</u>	<u>27,933</u>	<u>21,093</u>
Business-type activities:					
Net investment in capital assets	23,288	24,488	19,811	22,735	31,122
Restricted	-	273	818	4,677	4,001
Unrestricted	<u>2,389</u>	<u>3,416</u>	<u>10,813</u>	<u>8,234</u>	<u>173</u>
Total business-type activities net position	<u>25,677</u>	<u>28,177</u>	<u>31,442</u>	<u>35,646</u>	<u>35,296</u>
Primary government:					
Net investment in capital assets	36,464	39,834	37,692	41,611	50,348
Restricted	607	436	997	4,857	4,146
Unrestricted	<u>10,516</u>	<u>12,340</u>	<u>19,747</u>	<u>17,111</u>	<u>1,895</u>
Total primary government net position	<u>\$ 47,587</u>	<u>\$ 52,610</u>	<u>\$ 58,436</u>	<u>\$ 63,579</u>	<u>\$ 56,389</u>

Table 1

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 20,682	\$ 21,209	\$ 19,274	\$ 21,730	\$ 18,382
496	442	543	1,477	851
83	(888)	2,782	2,695	3,603
<u>21,261</u>	<u>20,763</u>	<u>22,599</u>	<u>25,902</u>	<u>22,836</u>
31,779	37,381	38,655	39,616	42,881
566	1,375	1,375	2,028	1,928
5,194	2,156	3,523	3,578	1,493
<u>37,539</u>	<u>40,912</u>	<u>43,553</u>	<u>45,222</u>	<u>46,302</u>
52,461	58,590	57,929	61,346	61,263
1,062	1,817	1,918	3,505	2,779
5,277	1,268	6,305	6,273	5,096
<u>\$ 58,800</u>	<u>\$ 61,675</u>	<u>\$ 66,152</u>	<u>\$ 71,124</u>	<u>\$ 69,138</u>

**CITY OF MOUNT PLEASANT, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	FISCAL YEAR				
	2005	2006	2007	2008	2009
EXPENSES					
Governmental activities:					
General government	\$ 1,070,976	\$ 1,090,369	\$ 1,283,198	\$ 1,280,245	\$ 1,346,187
Public Safety	3,505,585	3,685,427	4,052,324	4,424,296	5,154,158
Development	387,642	600,734	388,354	858,365	449,828
Public Services	2,591,928	2,673,993	2,661,479	2,817,683	400,319
Parks and Recreation	327,547	369,974	736,348	600,649	661,703
Public Works	1,454,588	1,396,038	1,466,573	2,398,964	1,690,435
Library	190,904	227,497	300,073	276,983	318,521
Other	(4,700)	-	18,010	53,199	-
Interest and Agent Fees	44,523	37,798	31,259	26,815	214,731
Unallocated Depreciation	822,344	782,878	-	-	-
Total governmental activities expenses	<u>10,391,337</u>	<u>10,864,708</u>	<u>10,937,618</u>	<u>12,737,199</u>	<u>10,235,882</u>
Business-type activities:					
Water and Sewer	4,888,451	5,172,294	5,307,797	5,949,711	7,427,555
Airport Fund	853,401	992,446	1,178,710	1,329,657	925,797
Civic Center	279,268	200,967	263,134	298,228	304,972
Total business-type activities expenses	<u>6,021,120</u>	<u>6,365,707</u>	<u>6,749,641</u>	<u>7,577,596</u>	<u>8,658,324</u>
Total primary government expenses	<u>16,412,457</u>	<u>17,230,415</u>	<u>17,687,259</u>	<u>20,314,795</u>	<u>18,894,206</u>
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	-	-	-	-	-
Public Safety	-	-	-	-	773,541
Public Services	1,275,845	1,174,394	839,664	358,054	18,507
Public Works	2,126,317	2,154,773	2,285,018	2,439,669	124,595
Parks and Recreation	37,574	34,512	36,781	48,378	39,970
Library	5,424	4,865	5,361	7,434	7,418
Other	332,051	329,141	345,214	320,988	-
Capital grants and contributions	123,441	50,415	982,291	-	17,709
Operating grants and contributions	106,841	28,769	38,551	35,986	20,434
Total governmental activities program revenues	<u>4,007,493</u>	<u>3,776,869</u>	<u>4,532,880</u>	<u>3,210,509</u>	<u>1,002,174</u>
Business-type activities:					
Charge for services:					
Water and Sewer	7,180,938	7,153,561	7,504,058	7,633,306	9,529,053
Airport Fund	828,909	945,575	1,027,580	1,128,997	573,912
Civic Center	56,349	66,210	72,162	81,239	72,089
Operating grants and contributions	-	-	-	-	12,419
Capital grants and contributions	-	29,860	324,814	3,192,494	-
Total business-type activities program services	<u>8,066,196</u>	<u>8,195,206</u>	<u>8,928,614</u>	<u>12,036,036</u>	<u>10,187,473</u>
Total primary government program revenues	<u>12,073,689</u>	<u>11,972,075</u>	<u>13,461,494</u>	<u>15,246,545</u>	<u>11,189,647</u>
NET (EXPENSE)/REVENUE					
Governmental activities	(6,383,844)	(7,087,839)	(6,404,738)	(9,526,690)	(9,233,708)
Business-type activities	2,045,076	1,829,499	2,178,973	4,458,440	1,529,149
Total primary government program net expenses	<u>\$ (4,338,768)</u>	<u>\$ (5,258,340)</u>	<u>\$ (4,225,765)</u>	<u>\$ (5,068,250)</u>	<u>\$ (7,704,559)</u>

Table 2

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 1,419,361	\$ 1,580,066	\$ 710,022	\$ 1,005,623	\$ 1,035,616
5,528,736	5,542,704	5,454,951	5,949,251	5,918,178
-	-	-	-	-
550,832	560,268	589,987	644,860	711,463
645,176	589,451	636,896	635,751	699,388
1,888,613	1,712,499	2,027,932	1,986,283	5,366,980
317,184	345,792	429,421	789,171	562,332
-	-	-	-	-
14,278	140,926	191,196	193,767	278,887
-	-	-	-	-
<u>10,364,180</u>	<u>10,471,706</u>	<u>10,040,405</u>	<u>11,204,706</u>	<u>14,572,844</u>
7,712,928	7,892,475	7,814,169	7,967,467	8,637,099
1,058,856	1,254,857	1,417,079	1,448,971	1,426,482
332,033	352,766	335,127	390,400	501,263
<u>9,103,817</u>	<u>9,500,098</u>	<u>9,566,375</u>	<u>9,806,838</u>	<u>10,564,844</u>
<u>19,467,997</u>	<u>19,971,804</u>	<u>19,606,780</u>	<u>21,011,544</u>	<u>25,137,688</u>
-	5,900	96,024	20,240	27,081
1,096,930	822,194	742,336	640,974	851,275
21,799	19,086	23,164	26,731	49,334
111,243	109,390	130,850	127,103	147,847
46,975	57,973	56,012	54,941	50,167
6,380	5,858	5,856	7,722	8,492
-	-	-	-	-
90,680	42,939	-	115,798	35,000
11,434	44,016	127,092	455,778	551,299
<u>1,385,441</u>	<u>1,107,356</u>	<u>1,181,334</u>	<u>1,449,287</u>	<u>1,720,495</u>
10,920,944	10,727,984	11,352,828	11,137,004	9,838,779
738,353	805,360	890,522	1,033,470	968,808
67,397	77,367	69,904	97,670	102,401
5,134	3,451	6,799	2,497	15,432
79,516	1,521,436	259,637	670,989	1,264,583
<u>11,811,344</u>	<u>13,135,598</u>	<u>12,579,690</u>	<u>12,941,630</u>	<u>12,190,003</u>
<u>13,196,785</u>	<u>14,242,954</u>	<u>13,761,024</u>	<u>14,390,917</u>	<u>13,910,498</u>
(8,978,739)	(9,364,350)	(8,859,071)	(9,755,419)	(12,852,349)
<u>2,707,527</u>	<u>3,635,500</u>	<u>3,013,315</u>	<u>3,134,792</u>	<u>1,625,159</u>
<u>\$ (6,271,212)</u>	<u>\$ (5,728,850)</u>	<u>\$ (5,845,756)</u>	<u>\$ (6,620,627)</u>	<u>\$ (11,227,190)</u>

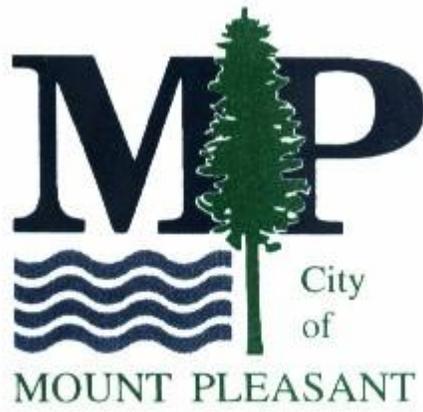
(continued)

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

	FISCAL YEAR					
	2005	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION						
Governmental activities:						
Taxes:						
Property	\$ 2,061,432	\$ 2,081,762	\$ 2,106,528	\$ 2,329,224	\$ 2,434,536	\$ 2,599,962
Sales	3,866,290	3,871,773	4,186,940	4,246,476	4,925,639	3,377,527
Non-property	707,813	736,044	789,919	871,223	543,610	333,761
Franchise	1,179,472	1,312,937	1,445,317	1,337,432	1,289,741	1,324,057
Investment Income	186,169	464,326	463,537	282,970	75,320	17,323
Intragovernmental	-	136,687	46,093	120,536	299,460	-
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	(18,337)	(5,257)	12,063	136,844	11,035	35,838
Transfers	362,291	75,819	(549,075)	393,911	205,260	541,348
Total governmental activities	<u>9,336,110</u>	<u>9,201,032</u>	<u>8,965,724</u>	<u>10,219,734</u>	<u>10,816,260</u>	<u>9,044,826</u>
Business-type activities:						
Investment Income	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	(709)	-	26,117	56,247	1,529	6,702
Transfers	(362,291)	(75,819)	549,075	(393,911)	(205,260)	(541,348)
Total business-type activities	<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>9,095,310</u>	<u>9,754,162</u>	<u>10,052,019</u>	<u>10,249,292</u>	<u>10,833,480</u>	<u>8,639,548</u>
CHANGE IN NET POSITION						
Governmental activities	2,952,266	2,113,193	2,560,986	693,044	1,582,552	66,087
Business-type activities	1,804,276	2,382,629	3,265,268	4,487,998	1,546,369	2,302,249
	<u>\$ 4,756,542</u>	<u>\$ 4,495,822</u>	<u>\$ 5,826,254</u>	<u>\$ 5,181,042</u>	<u>\$ 3,128,921</u>	<u>\$ 2,368,336</u>

Table 2
(continued)

FISCAL YEAR			
2011	2012	2013	2014
\$ 2,510,012	\$ 2,534,546	\$ 2,521,965	\$ 2,825,580
3,241,174	3,439,300	3,506,284	3,751,025
343,781	572,785	520,940	574,896
1,265,651	1,231,092	1,229,627	1,269,554
18,453	10,738	22,489	8,892
-	-	-	-
-	-	-	-
150,080	170,200	128,022	137,542
398,190	407,160	-	-
346,002	379,497	382,347	380,154
-	-	-	-
592,655	488,437	843,608	839,197
<u>8,865,998</u>	<u>9,233,755</u>	<u>9,155,282</u>	<u>9,786,840</u>
17,113	19,112	13,394	8,058
-	-	-	-
65,707	54,636	77,738	285,030
-	-	-	-
248,000	-	-	-
-	-	-	-
<u>(592,655)</u>	<u>(488,437)</u>	<u>(843,608)</u>	<u>(839,197)</u>
<u>(261,835)</u>	<u>(414,689)</u>	<u>(752,476)</u>	<u>(546,109)</u>
<u>8,604,163</u>	<u>8,819,066</u>	<u>8,402,806</u>	<u>9,240,731</u>
(498,352)	374,684	(600,137)	(3,065,509)
<u>3,373,665</u>	<u>2,598,626</u>	<u>2,382,316</u>	<u>1,079,050</u>
<u>\$ 2,875,313</u>	<u>\$ 2,973,310</u>	<u>\$ 1,782,179</u>	<u>\$ (1,986,459)</u>



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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Other Taxes	Total
2005	\$ 2,061,342	\$ 3,866,290	\$ 1,179,472	\$ 707,813	\$ 7,814,917
2006	2,081,762	3,871,773	1,312,937	736,044	8,002,516
2007	2,106,528	4,186,940	1,445,317	789,919	8,528,704
2008	2,329,224	4,246,476	1,337,432	871,223	8,784,355
2009	2,434,536	4,925,639	1,289,741	543,610	9,193,526
2010	2,599,962	3,377,527	1,324,057	333,761	7,635,307
2011	2,510,012	3,241,174	1,265,651	343,761	7,360,598
2012	2,534,546	3,439,300	1,231,092	572,785	7,777,723
2013	2,521,965	3,506,284	1,229,627	520,940	7,778,816
2014	2,825,580	3,751,025	1,269,554	574,896	8,421,055

Note 1: The Mount Pleasant Industrial Development Corporation was reclassified as a discretely presented component unit during FYE 9.30.10. As such, the sales tax revenues presented above for fiscal years subsequent to 2009 only include the sales tax revenue reported in the Governmental Funds. All years up through FYE 9.30.09 include the sales tax revenue received by the Governmental Funds and the component unit.

**CITY OF MOUNT PLEASANT, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified accrual basis of accounting)**

	FISCAL YEAR				
	2005	2006	2007	2008	2009
General Fund					
Nonspendable-prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Court use	-	-	-	-	101,778
Debt Service	-	-	-	-	-
Unassigned	<u>3,769,085</u>	<u>3,903,590</u>	<u>3,929,646</u>	<u>3,331,839</u>	<u>2,921,056</u>
Total General Fund	<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>
All other governmental funds					
Restricted for:					
Debt Service	614,917	1,746,840	604,274	-	-
Hotel/Motel	-	-	-	-	-
Business Development	-	-	-	-	-
Capital projects	-	413,584	(70,852)	-	42,958
Assigned to:					
Public Safety	-	5,231	5,231	-	-
Capital projects	576,909	1,517,896	2,874,441	3,503,803	3,641,851
Library	-	-	-	-	-
Parks	-	-	-	-	-
Other	-	185,201	260,653	434,084	156,688
Unassigned	<u>4,519,510</u>	<u>1,665,486</u>	<u>1,316,608</u>	<u>2,048,894</u>	<u>2,356,786</u>
Total all other governmental funds	<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>

Note 1: Airport fund was included in other governmental funds in previous years. It was reclassified to a proprietary fund in 2005.

Table 4

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 113,827	\$ 26,853	\$ 20,233	\$ 15,241	\$ 7,202
133,765	150,827	139,736	182,868	115,753
-	-	-	790,691	168,520
<u>2,299,481</u>	<u>2,087,125</u>	<u>2,323,844</u>	<u>1,427,882</u>	<u>2,164,685</u>
<u>2,547,073</u>	<u>2,264,805</u>	<u>2,483,813</u>	<u>2,416,682</u>	<u>2,456,160</u>
28,040	9,603	-	-	-
-	92,501	177,899	151,067	187,686
-	-	221,636	221,850	221,994
4,458,789	2,527,107	3,602	7,297,379	2,278,490
-	189,162	146,115	103,004	67,380
897,707	3,345,688	3,599,623	2,920,571	3,251,938
-	-	36,190	26,393	21,864
-	-	-	235,886	202,787
-	-	-	-	112,007
<u>3,180,482</u>	<u>226,845</u>	<u>(53,431)</u>	<u>(106,717)</u>	<u>(134,924)</u>
<u>\$ 8,565,018</u>	<u>\$ 6,390,906</u>	<u>\$ 4,131,634</u>	<u>\$ 10,849,433</u>	<u>\$ 6,209,222</u>

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

	FISCAL YEAR				
	2005	2006	2007	2008	2009
REVENUES					
Property taxes	\$ 2,061,342	\$ 2,081,762	\$ 2,106,528	\$ 2,329,225	\$ 2,235,914
Non-Property taxes	707,813	736,044	789,919	871,223	543,610
Sales tax	3,866,290	3,871,773	4,186,941	4,246,475	4,925,639
Franchise taxes	1,179,472	1,312,937	1,445,317	1,337,432	1,289,741
Fines and Forfeitures	7,424	5,915	7,911	8,934	780,959
Licenses and Permits	88,830	106,295	99,811	115,768	55,387
Charge for Services	3,350,906	3,191,433	3,057,660	2,689,823	127,685
Intergovernmental revenues-local & state	230,282	215,871	1,020,842	35,986	38,143
Grants	-	-	-	-	-
Donations	-	21,000	-	-	1,950
Contractual Income	-	382,293	372,959	376,630	322,898
Royalties	-	-	-	-	-
Intragovernmental	-	-	-	120,536	299,460
Investment Income	186,169	464,326	463,537	279,327	72,272
Miscellaneous	5,402,292	517,689	520,736	507,665	729,986
Total Revenues	17,080,820	12,907,338	14,072,161	12,919,024	11,423,644
EXPENDITURES					
General government	1,037,075	1,187,012	1,090,496	1,192,567	1,220,006
Public Safety	3,580,669	3,827,132	3,836,416	4,156,469	4,888,084
Public Works	3,663,879	2,263,354	1,538,019	2,049,886	2,658,388
Public Services and Operations	3,241,157	3,520,307	3,406,353	3,537,461	400,319
Parks and Recreation	-	77,561	-	260	577,867
Library	-	-	-	-	264,823
Economic Development	1,596,317	1,469,039	1,896,700	504,754	324,005
Other	7,477	-	-	-	-
Capital Outlay	-	30,000	1,585,423	815,497	601,649
Debt Service					
Principal Retirement	732,487	572,178	475,009	556,896	590,909
Interest and other charges	156,188	288,402	270,652	243,600	216,257
Total Expenditures	14,015,249	13,234,985	14,099,068	13,057,390	11,742,307
OTHER FINANCING SOURCES (USES):					
Transfers	354,589	92,606	(502,983)	247,606	205,260
Debt Proceeds	-	-	-	-	-
Debt Issuance Costs	-	-	-	-	-
Sale of Assets	3,630	3,600	12,063	174,468	17,069
Total other financing sources (uses)	358,219	96,206	(490,920)	422,074	222,329
NET CHANGE IN FUND BALANCES	\$ 3,423,790	\$ (231,441)	\$ (517,827)	\$ 283,708	\$ (96,334)
Debt service as a percentage of noncapital expenditures	6.77%	6.97%	6.34%	7.00%	7.81%

Table 5

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 2,645,678	\$ 2,499,765	\$ 2,549,057	\$ 2,634,672	\$ 2,745,472
333,761	343,781	572,785	520,940	574,896
3,377,527	3,241,174	3,439,300	3,506,284	3,751,025
1,324,057	1,265,651	1,231,092	1,249,867	1,296,635
1,103,310	828,052	748,191	648,697	752,660
41,225	39,300	58,924	55,023	74,102
138,792	147,149	151,102	153,752	173,247
93,156	78,575	114,148	374,681	476,189
-	-	-	68,160	35,222
8,957	8,380	12,944	12,937	39,888
393,733	398,190	407,160	-	-
332,918	346,002	379,497	382,347	380,154
-	-	-	-	-
14,886	18,453	10,738	22,489	8,892
123,744	171,448	218,758	128,020	182,215
<u>9,931,744</u>	<u>9,385,920</u>	<u>9,893,696</u>	<u>9,757,869</u>	<u>10,490,597</u>
1,003,716	889,954	819,678	935,336	951,490
5,227,464	5,236,970	5,121,102	5,430,193	5,682,460
1,370,795	1,095,753	1,291,359	1,201,706	4,803,732
550,832	560,268	589,987	632,170	686,206
570,569	581,013	570,019	562,024	596,964
260,577	285,258	289,086	301,417	313,559
-	-	-	-	-
-	-	-	-	-
2,428,539	3,571,300	3,734,979	1,750,310	2,243,319
190,000	115,000	80,000	240,000	410,000
8,764	106,341	191,196	257,064	312,713
<u>11,611,256</u>	<u>12,441,857</u>	<u>12,687,406</u>	<u>11,310,220</u>	<u>16,000,443</u>
541,348	592,656	488,437	843,608	839,197
4,500,000	-	-	7,160,000	-
(42,210)	-	-	-	-
132,721	5,900	265,009	195,211	69,917
<u>5,131,859</u>	<u>598,556</u>	<u>753,446</u>	<u>8,198,819</u>	<u>909,114</u>
<u>\$ 3,452,347</u>	<u>\$ (2,457,381)</u>	<u>\$ (2,040,264)</u>	<u>\$ 6,646,468</u>	<u>\$ (4,600,732)</u>
<u>2.21%</u>	<u>2.56%</u>	<u>3.12%</u>	<u>5.48%</u>	<u>5.54%</u>

Table 6

**CITY OF MOUNT PLEASANT, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST SEVEN FISCAL YEARS
 (unaudited)**

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	\$ 934,303,552	79.27%
2009	383,894,230	404,783,387	235,590,065	219,299,308	804,968,374	0.310000	1,073,303,703	78.59%
2010	400,602,235	453,232,169	236,708,994	248,789,262	841,754,136	0.310000	1,073,303,703	77.19%
2011	491,211,615	329,674,800	253,413,324	255,929,330	818,370,409	0.310000	1,073,303,703	76.18%
2012	372,323,968	454,511,662	218,024,227	251,304,726	793,555,131	0.316500	1,073,303,703	75.95%
2013	370,349,021	460,541,821	242,412,861	265,044,461	808,259,242	0.316500	1,073,303,703	75.31%
2014	382,278,082	505,820,208	196,777,198	268,324,956	816,550,532	0.343300	1,084,875,488	75.27%

NS

Source: Titus County Appraisal District

Note 1: Tax rates are per \$100 of assessed value.

¹ Includes tax-exempt property

Note 2: Additional amounts will be added each year until ten years are reported.

**CITY OF MOUNT PLEASANT, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST SEVEN FISCAL YEARS
(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	1.184	0.33900	0.097119	0.1287
2011	0.285000	0.02500	0.310000	1.184	0.33900	0.097119	0.1287
2012	0.290900	0.02560	0.316500	1.225	0.38720	0.099997	0.1440
2013	0.288600	0.02790	0.316500	1.203	0.39990	0.100000	0.1440
2014	0.313500	0.02980	0.343300	1.212	0.41820	0.099500	0.1590

Source: Titus County Appraisal District

Note 1: 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.

Note 2: Additional amounts will be added each year until ten years are reported.

**CITY OF MOUNT PLEASANT, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2014
 (unaudited)**

Table 8

Taxpayer	Total Assessed Taxable Value 2014 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Pilgrim's Pride Corp	\$ 69,085,710	1	8.46%
Priefert Manufacturing Co	39,183,320	2	4.80%
Dekoron Wire & Cable Inc	11,799,450	3	1.45%
Newly Weds Foods, Inc	9,367,380	4	1.15%
Wal-Mart Real Estate Business Trust	8,811,102	5	1.08%
AEP Southwestern Elec Power co	8,075,220	6	0.99%
Wal-Mart Stores East inc	7,803,319	7	0.96%
Lowes Home Center, Inc.	6,944,921	8	0.85%
Pilgrim Bank	6,456,629	9	0.79%
NIF's Enterprise LLC	<u>6,384,871</u>	10	<u>0.78%</u>
	<u>\$ 173,911,922</u>		<u>21.30%</u>
 Total Assessed Valuation	 <u>\$ 816,550,532</u>		

Source: Titus County Appraisal District

**CITY OF MOUNT PLEASANT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST SEVEN FISCAL YEARS
(unaudited)**

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2008	\$ 2,303,544	\$ 2,240,007	97.24%	54,648	\$ 2,294,655	99.61%
2009	2,409,604	2,313,054	95.99%	51,031	2,364,085	98.11%
2010	2,592,967	2,467,744	95.17%	37,610	2,505,354	96.62%
2011	2,474,082	2,403,455	97.15%	46,703	2,450,158	99.03%
2012	2,511,602	2,424,374	96.53%	59,243	2,483,617	98.89%
2013	2,558,141	2,424,374	94.77%	73,753	2,498,127	97.65%
2014	2,803,218	2,678,998	95.57%	97,243	2,776,241	99.04%

Source: Titus County Appraisal District

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

**CITY OF MOUNT PLEASANT, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(unaudited)**

Table 10

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Obligation	Other Obligations	General Obligation Bonds	Certificates of Obligation	Revenue Bonds (2)			
2008	\$ 370,000	\$ 4,344,214	\$ 4,550,000	\$ 175,000	\$ 8,370,000	\$ 17,809,214	8.36%	1,186
2009	190,000	3,933,305	3,550,000	120,000	8,100,000	15,893,305	7.37%	1,045
2010	4,500,000	-	2,535,000	60,000	12,838,986	19,933,986	9.24%	1,311
2011	4,385,000	-	1,290,000	-	22,017,139	27,692,139	11.55%	1,797
2012	4,305,000	-	-	-	30,685,490	34,990,490	14.05%	2,248
2013	11,303,617	-	-	-	29,528,277	40,831,894	15.87%	2,539
2014	10,887,111	-	-	-	28,346,064	39,233,175	15.22%	2,435

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

(2) Revenue bonds include the related issuance premium and discount

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: Additional amounts will be added each year until ten years are reported.

**CITY OF MOUNT PLEASANT, TEXAS
RATIOS OF OUTSTANDING DEBT
LAST SEVEN FISCAL YEARS
(unaudited)**

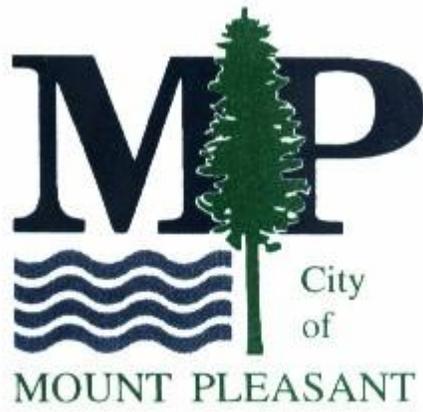
Table 11

Fiscal Year	Estimated Population	Taxable Assesse² Value²	Gross Bonded Debt³	Less Debt Service Funds	Net Outstanding Debt	% of Net Outstanding Debt to Assessed Value	Net Outstanding 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
2011	15,564	1,011,350,098	27,692,139	9,603	27,682,536	2.74%	1,779
2012	15,564	793,555,131	34,990,490	1,374,923	33,615,567	4.24%	2,160
2013	16,081	808,259,242	40,831,894	2,818,474	38,013,420	4.70%	2,364
2014	16,113	816,550,532	39,233,175	2,096,277	37,136,898	4.55%	2,305

Source:

- ¹ State of Texas
- ² Titus County Appraisal District
- ³ Schedule of Bonds Payable and Total Bonds for Fiscal Year

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



**CITY OF MOUNT PLEASANT, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2014
(unaudited)**

Table 12

Governmental Subdivision	Net Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Harts Bluff ISD	\$ -	32.12%	\$ -
Titus County	143,762,000 *	37.10%	53,335,702
Titus Co FWSD #1	-	0.85%	-
Titus Co Hosp Dist	-	34.69%	-
Northeast Texas Community College	8,770,506 *	18.75%	1,644,470
Mt Pleasant Independent School District	<u>43,687,991 *</u>	42.70%	<u>18,654,772</u>
	<u>\$196,220,497</u>		73,634,944
City of Mt Pleasant			<u>10,887,111</u>
			<u>\$ 84,522,055</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>10.35%</u>
Per capita overlapping bonded debt			<u>\$ 5,246</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2014, 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'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's boundaries and dividing it by the overlapping government's total taxable assessed value.

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

	FISCAL YEAR					
	2005	2006	2007	2008	2009	2010
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.356	0.32432	0.309927	0.309927	0.3100	0.3100
Available Tax Rate	<u>\$ 2.1440</u>	<u>\$ 2.17568</u>	<u>\$ 2.19007</u>	<u>\$ 2.19007</u>	<u>\$ 2.1900</u>	<u>\$ 2.1900</u>

Table 13

FISCAL YEAR			
2011	2012	2013	2014
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
0.3100	0.3165	0.3165	0.3437
<u>\$ 2.1900</u>	<u>\$ 2.1835</u>	<u>\$ 2.1835</u>	<u>\$ 2.1563</u>

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 816,550,532
Add back exempt real property	<u>268,324,956</u>
Total assessed value	<u>\$ 1,084,875,488</u>
Debt limit (10% of total assessed value)	\$ 108,487,549
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	<u>168,520</u>
Total net debt applicable to limit	<u>(168,520)</u>
Legal debt margin	<u>\$ 108,656,069</u>

**CITY OF MOUNT PLEASANT, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST SEVEN FISCAL YEARS
 (unaudited)**

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues ^a	Less: Operatin Expenses ^b	Net Availabl Revenue ^c	Debt Service		Times Coverage
				Principal	Interest	
2008	\$ 7,704,792	\$ 4,960,520	\$ 2,744,272	\$ 270,000	\$ 333,255	4.55
2009	9,595,035	5,982,739	3,612,296	215,000	325,055	6.69
2010	11,002,858	6,334,436	4,668,422	4,500,000	351,946	0.96
2011	11,742,128	7,942,319	3,799,809	1,530,000	405,109	1.96
2012	11,402,491	6,364,400	5,038,091	1,160,000	363,185	3.31
2013	12,402,521	7,856,676	4,545,845	1,185,000	339,910	2.98
2014	10,126,495	6,849,580	3,276,915	1,205,000	368,329	2.08

Note:

^a Total Revenues does not include non-operating revenues

^b Operating Expenses only-no transfers or depreciation

^c Includes Principal and Interest

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

**CITY OF MOUNT PLEASANT, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST SEVEN FISCAL YEARS
 (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	\$ 213,006,090	\$ 14,190	30.1	3,415	3.70%
2009	15,202	215,716,380	14,190	32.0	3,418	9.60%
2010	15,202	215,716,380	14,190	32.0	3,388	7.00%
2011	15,564	239,856,804	15,411	29.9	3,405	7.60%
2012	15,564	249,024,000	16,000	29.9	3,370	7.00%
2013	16,081	257,296,000	16,000	29.9	3,255	6.50%
2014	16,113	257,808,000	16,000	28.3	3,276	6.90%

Sources:

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 PRINCIPAL EMPLOYERS
 SEPTEMBER 30, 2014
 (unaudited)**

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Pilgrim's Pride	3,200
Mount Pleasant ISD	989
Priefert Manufacturing Co	800
Titus Regional Medical Center	643
Big Tex Trailer World, Inc	436
Luminant	398
Wal-Mark SuperCenter	390
Diamond C Trailers	200
AEP Southwest Elec Power Co	170
City of Mount Pleasant	161

Source: Economic Development Office

**CITY OF MOUNT PLEASANT, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST SEVEN FISCAL YEARS
 (unaudited)**

Table 17

Full-time Equivalent Employees for Fiscal Year

Function / Program	2008	2009	2010	2011	2012	2013	2014
General government	5	5	5	5	5	6	5
Public Safety							
<i>Municipal Court</i>	4	4	4	3	3	3	3
<i>Police</i>	40	42	42	42	42	42	40
<i>Fire</i>	23	23	23	23	23	23	23
Planning/Building & Development	4	4	4	1	1	1	1
Library	4	4	4	4	4	4	4
Parks and Recreation	7	8	8	8	7	7	7
Public Works							
<i>Streets</i>	10	10	10	10	10	10	10
<i>Engineering</i>	3	2	1	1	1	1	1
<i>Maintenance</i>	6	6	7	7	7	7	8
Public Services							
<i>Animal Control</i>	3	3	3	3	3	3	3
<i>Code Enforcement</i>	4	4	4	4	4	4	4
Water/Wastewater							
<i>Administration</i>	5	5	4	4	4	4	3
<i>Water</i>	8	8	7	7	8	8	9
<i>Wastewater</i>	2	3	3	3	3	3	3
<i>Utility Department</i>	15	15	14	14	15	15	15
Civic Center	4	4	4	4	4	4	4
Airport	3	3	3	3	3	3	3
Economic Development	1	1	1	1	1	2	2
	<u>151</u>	<u>154</u>	<u>151</u>	<u>147</u>	<u>148</u>	<u>150</u>	<u>148</u>

Source: City of Mt Pleasant's Operating Budget

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

**CITY OF MOUNT PLEASANT, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST SEVEN FISCAL YEARS
 (unaudited)**

Table 18

Function/Program	2008	2009	2010	2011	2012	2013	2014
Public Safety							
Municipal Court							
Number of cases filed	8,055	6,347	7,594	6,096	5,310	7,318	7,517
Police							
Physical Arrests	1,560	1,630	1,535	1,632	1,469	1,416	1,256
Traffic Violations	5,159	4,002	4,385	3,984	3,568	3,610	3,493
Fire							
Number of calls answered	958	973	1,311	1,360	1,351	1,380	1,166
Number of inspections	569	778	472	474	242	330	488
Animal Control							
Number of calls	2,027	2,312	2,115	1,807	938	1,015	781
Public Works							
Number of streets maintained	272	264	272	272	272	293	293
Water							
New connections	26	14	25	12	28	23	25
Average daily consumption (millions of gallons)	7.3	6.7	7.1	7.9	7.2	7.3	7.8
Wastewater							
Average daily sewage treatment (millions of gallons)	1.9	2.1	1.6	1.4	1.6	1.8	1.7

Source: City departments

Note 1: Indicators are not available for the general government function

Note 2: Additional amounts will be added each year until ten years are reported.

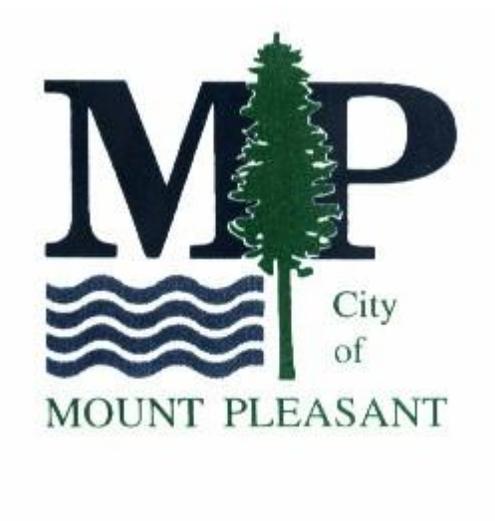
**CITY OF MOUNT PLEASANT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS
(unaudited)**

Table 19

Function/Program	2008	2009	2010	2011	2012	2013	2014
Public Safety							
Police							
Stations	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2
Streets (miles)	85	85	85	85	85	105.3	105.9
Parks and Recreation							
Parks (acreage)	187.9	187.9	187.9	187.9	187.9	188.08	188.08
Number of playgrounds	6	6	6	6	6	6	6
Number of baseball/softball fields maintained	20	20	20	20	20	20	20
Water							
Water main (miles)	200	200	200	200	200	205	205
Number of fire hydrants	650	900	900	900	900	900	900
Storage capacity (millions of gallons)	6.2	6.2	6.2	6.2	6.2	7.2	7.2
Sewer							
Sanitary sewers (miles)	185	185	185	185	185	185	185
Airport							
Runways maintained (feet)	6,000	6,000	6,000	6,000	6,000	6,000	6,000

Source: City departments

Note 1: Additional amounts will be added each year until ten years are reported.



City of Mount Pleasant, Texas

Single Audit Reports Under
OMB Circular A-133

For the year ended September 30, 2014





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January 20, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To City Council
City of Mount Pleasant
Mount Pleasant, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Texas ("City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mount Pleasant, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2014-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Mount Pleasant, Texas' Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.





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January 20, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To City Council
City of Mount Pleasant
Mount Pleasant, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mount Pleasant, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mount Pleasant, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements. We issued our report thereon dated which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

CITY OF MOUNT PLEASANT, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2014

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements Unqualified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ No
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

4. Internal controls over major program:
- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X No
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Did the audit disclose findings that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

7. Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
DWSRF Texas Water Development Board Loan	66.468
Airport Improvements	20.106

8. Dollar Threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee: _____ Yes X No

Section II. Financial Statement Findings

14-01 The activity for the TxDot Airport Improvement grant occurs off the books; therefore, we noted that the activity is not being recorded in the City's accounting system.

Section III. Federal Award Findings and Questioned Costs:

None reported

CITY OF MOUNT PLEASANT, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2014

Section II. Financial Statement Findings

2014-01 The City did not include the activity from the airport improvement grant in the City's accounting system.

Criteria: This practice causes the financial statements to be under or over stated.

Condition: The City hired a company to oversee the construction of the project and administer the grant funds.

Effect: The City's financial statements could be materially misstated.

Cause: The City did not record the airport improvement grant activity in the City's accounting system.

Recommendation: Record all activity of a financial nature in the City's accounting system.

Management Response: The City chooses not to record this activity in its accounting system.

**CITY OF MOUNT PLEASANT, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2014**

Finding/Recommendation

13-01 The activity for the TxDot Airport Improvement grant occurs off the books; therefore, we noted that the activity is not being recorded in the City's accounting system.

Current Status

The activity for the TxDot Airport Improvement grant occurred off the books again in fiscal year 2014 ; therefore, we noted that the activity was not in the City's accounting system for fiscal year 2014.

Management Explanation

If Not Implemented

The airport improvement project is ongoing. The City chooses not to record this activity in its accounting system.

CITY OF MOUNT PLEASANT, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2014

	<u>ARRA</u>	<u>CFDA Number</u>	<u>Pass Through Number</u>	<u>Program Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
<i>Pass-through program from the Texas Water Development Board</i>				
Waterworks & Sewer System Revenue Bond Series 2008A		66.468	61405	\$ 1,955,000
Total U.S. Environmental Protection Agency				<u>1,955,000</u>
<u>U.S. Department of Transportation</u>				
<i>From the Federal Aviation Administration (FAA)</i>				
<i>Administered by the Texas Department of Transportation</i>				
Airport Improvement Grant - Construction		20.106	1319MTPLS	1,264,583
Total U.S. Department of Transportation				<u>1,264,583</u>
<u>National Highway Traffic Safety Administration</u>				
<i>Through the Texas Department of Transportation</i>				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant		20.601	142117519	9,643
Total National Highway Traffic Safety Administration				<u>9,643</u>
<u>U.S. Department of Justice</u>				
<i>Through the Office of the Attorney General</i>				
Victim Coordinator		16.710	1442466	35,781
Total U.S. Department of Justice				<u>35,781</u>
<u>U.S. Department of Transportation</u>				
<i>From the Federal Aviation Administration (FAA)</i>				
<i>Administered by the Texas Department of Transportation</i>				
Airport Ramp Grant - Construction		20.106	M1419MTPL	15,432
Total U.S. Department of Transportation				<u>15,432</u>
<u>U.S. Department of Justice</u>				
<i>Through the Office of the Attorney General</i>				
Officer Protection		16.710	2711101	15,335
Total U.S. Department of Justice				<u>15,335</u>
<u>Texas State Library and Archives Commission</u>				
Library book grant		45.310		5,000
Total Texas State Library and Archives Commission				<u>5,000</u>
Total Expenditures of Federal Awards				<u>\$ 3,300,774</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2014

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mount Pleasant, Texas ("City"). The City's reporting is defined in Note A to the basic financial statements. Federal financial assistance passed through other government agencies as well as federal financial assistance administered and expended for the City by other government agencies are included in the schedule.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.