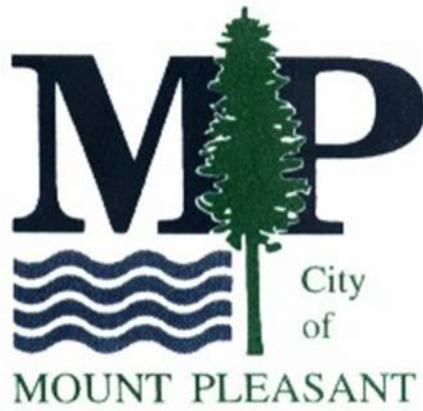


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

City of Mount Pleasant, Texas

City Manager
Mike Ahrens



**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

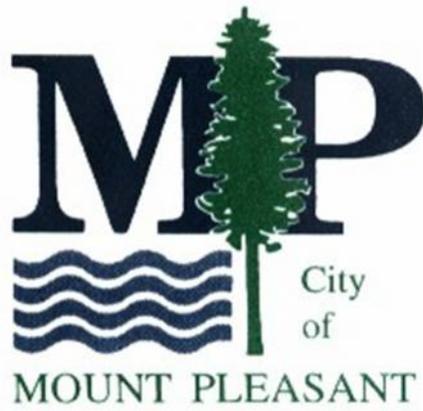
	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organization Chart.....	iv
Elected Officials and Administrative Officers.....	v
II. FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements.....	3
A. Management Discussion and Analysis (Unaudited).....	7
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities.....	22
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet.....	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund.....	28
Proprietary Fund Financial Statements	
Statement of Net Position.....	29
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	30
Statement of Cash Flows.....	31
Notes to the Financial Statements	32
C. Required Supplementary Information (Unaudited)	
TMRS Funding Progress and Schedule of Contributions.....	63
Schedule of Changes in Net Pension Liability.....	64
Other Post-Employment Benefits Plan - Analysis of Funding Progress.....	65
D. Combining Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	70
Budgetary Comparison Schedules	
Debt Service Fund.....	72
Street Fund.....	73

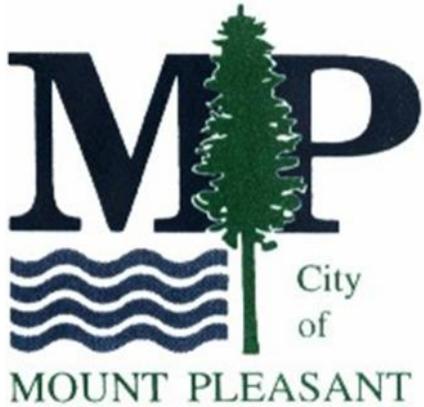
**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
D. Combining Financial Statements (continued)	
Discretely Presented Component Unit	
Balance Sheet - Mount Pleasant Industrial Development Corporation.....	74
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position - Mount Pleasant Industrial Development Corporation.....	75
Statement of Revenues, Expenditures, and Changes in Fund Balances - Mount Pleasant Industrial Development Corporation.....	76
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Mount Pleasant Industrial Development Corporation.....	77
Budgetary Comparison Schedule - Mount Pleasant Industrial Development Corporation.....	78
 III. STATISTICAL SECTION (UNAUDITED)	
Statistical Section Table of Contents.....	81
Table	
1 Net Position by Component.....	83
2 Changes in Net Position.....	84
3 Governmental Activities Tax Revenues by Source.....	88
4 Fund Balances, Governmental Funds.....	89
5 Changes in Fund Balances of Governmental Funds.....	90
6 Assessed Value and Estimated Actual Value of Taxable Property.....	92
7 Direct and Overlapping Property Tax Rates.....	93
8 Principal Taxpayers.....	94
9 Property Tax Levies and Collections.....	95
10 Ratio of Outstanding Debt by Type.....	96
11 Ratios of Net General Bonded Debt Outstanding.....	97
12 Direct and Overlapping Governmental Activities Debt.....	98
13 Legal Debt Margin Information.....	99
14 Pledged-Revenue Coverage.....	100
15 Demographic and Economic Statistics.....	101
16 Principal Employers.....	102
17 Full-Time Equivalent City Government Employees by Function/Program.....	103
18 Operating Indicators by Function.....	104
19 Capital Asset Statistics by Function.....	105
 IV. SINGLE AUDIT	
A. Auditor's Reports	
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.....	109
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	111
 B. Schedules	
Schedule of Findings and Questioned Costs.....	114
Summary Schedule of Prior Year Audit Findings.....	115
Schedule of Expenditures of Federal Awards.....	116
Notes to the Schedule of Expenditures of Federal Awards.....	117

INTRODUCTORY SECTION





501 N. Madison
Mount Pleasant, Texas 75455

April 4, 2016

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, 2015, 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 unmodified (“clean”) opinion on the City of Mount Pleasant’s financial statements for the year ended September 30, 2015. 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:

- A new full-time Parks Department employee was budgeted and employed.
- Three new fulltime firefighter positions were added with Titus County paying one-half of the cost.
- The City purchased a new Type 1 Engine for the Fire Department for \$400,000. One-half of the cost was paid by Titus County.
- Upgrade work was completed at the I-30 Water Treatment Plant.
- Edwards Street elevated water tower standpipe was replace.
- Construction was started on a \$500,000 project to replace the grit chamber at the Wastewater Treatment Plant.
- 4100 feet of 8" water line was replaced on East 3rd Street.
- A new LED digital sign was installed at the Civic Center marquee.

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>	
2011-2012	\$0.3165
2012-2013	\$0.3165
2013-2014	\$0.3433
2014-2015	\$0.3437
2015-2016	\$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,

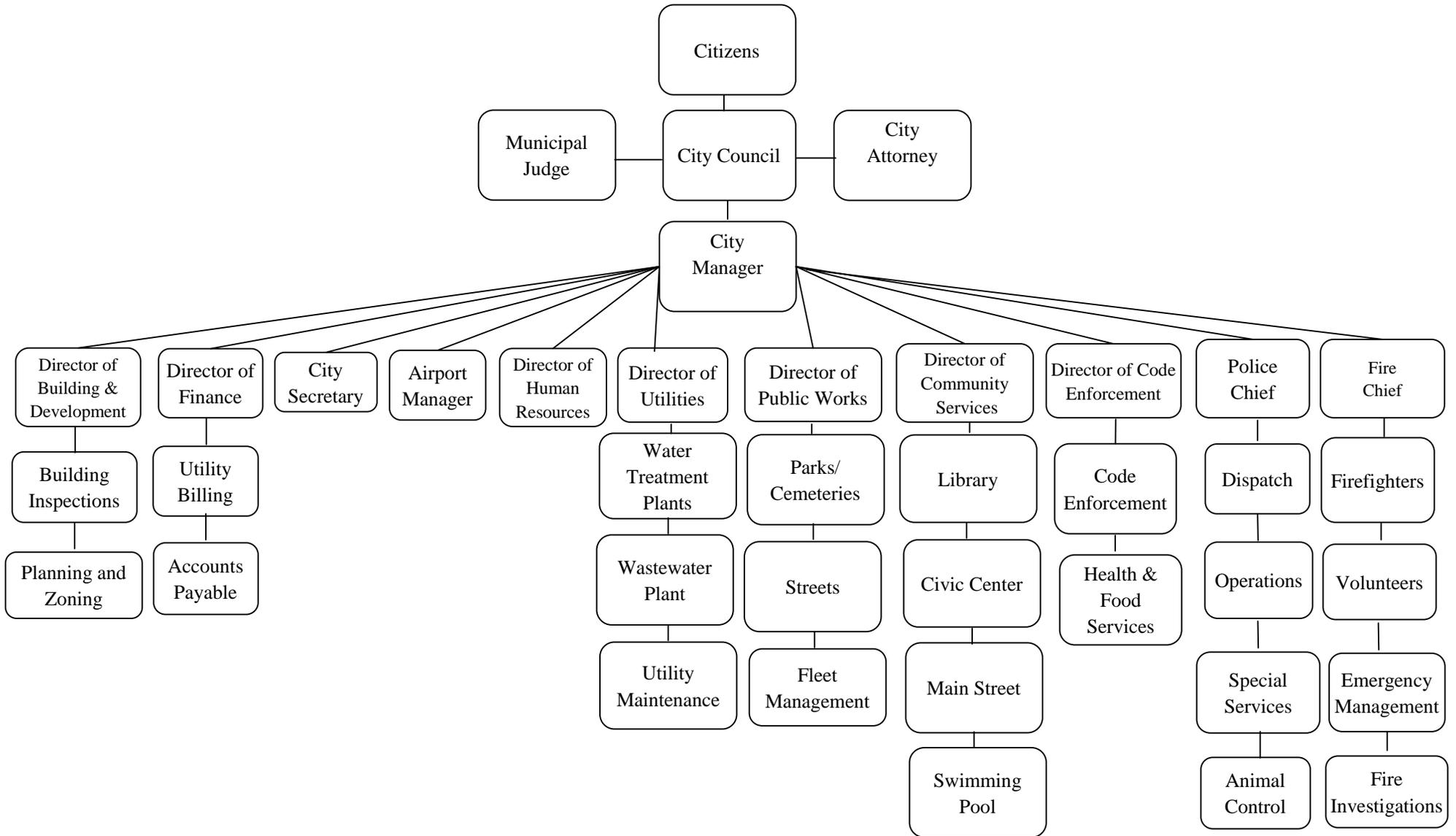


Mike Ahrens
CITY MANAGER



Scott Walters
DIRECTOR OF FINANCE

ORGANIZATION CHART



**CITY OF MOUNT PLEASANT, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

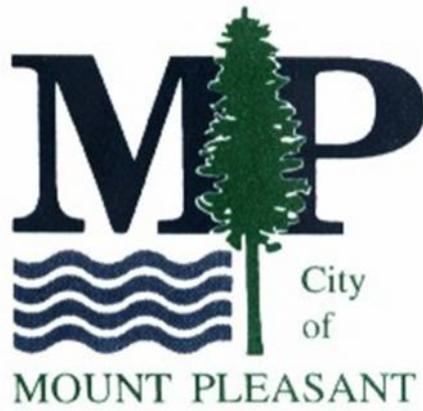
City Council

**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
Scott Walters, Director of Finance**

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

Toll Free (800) 594-7951
Metro (903) 450-1200

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

March 28, 2016

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, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, 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.

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

603 South Goliad Street
Rockwall, Texas 75087
Office (972) 771-1065
Fax (972) 771-1022

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2015, 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, Schedule of Changes in Net Pension Liability, and Other Post-Employment Benefits Plan on pages 7 – 17 and 63 - 65 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.

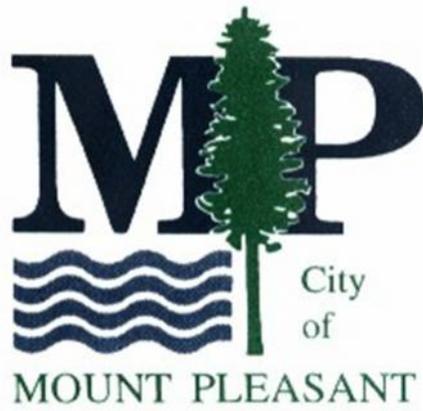
Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2016, 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, 2015

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, 2015. 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 \$67,267,854 (net position). Of this amount, \$3,678,560, or 5%, is restricted for certain purposes. The remaining balance (unrestricted net position) of \$3,347,967, or 5%, 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 increased by \$478,501, excluding prior period adjustments. This is due to the significant decrease in expenditures in the governmental activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,959,867, an increase of \$294,485, or 3%, in comparison with the prior year. \$1,797,270, or 20% 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 \$1,928,156 was 23% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations increased by \$691,381, or 2%, during the current fiscal year.

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, 2015**

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 24-31) 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 two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 32-59). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 63-65) 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, 2015**

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 and proprietary 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.

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 32 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, net pension liability and post-employment benefits to its employees. This information is on pages 63-65 of this report.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

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 68–71 in this report. Budgetary comparison schedules for the Debt Service Fund and Street Fund can be found on pages 72–73 in this report.

New GASB pronouncements

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the City's defined benefit pension plan. The significant impact of the City implementing this Statement is the reporting of the City's unfunded pension liability on the City's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required. The measurement date for the pension liabilities is as of December 31, 2014. This date reflects a one-year lag and was used so that these financial statements could be issued in an expedient manner.

In order to implement the Statement No. 68, a prior period adjustment was made to adjust unrestricted net position by \$2,009,696. See Note H for more information regarding the City's pension plan.

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 does not result in any changes to the City's financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was implemented. However, the implementation of this Statement does not result in any changes to the City's 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. . Activity (i.e., contributions made by the City) occurring during fiscal year 2014-15 are reported as deferred outflows of resources in accordance with GASB Statement No. 71.

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

GASB Statement No. 72, "Fair Value Measurement and Application", addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and, also, provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. 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, 2015**

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,816,699	\$ 9,584,729	\$ 7,739,831	\$ 10,729,134	\$ 17,556,530	\$ 20,313,863
Capital assets	26,891,762	26,717,588	66,875,704	65,479,973	93,767,466	92,197,561
Total assets	<u>36,708,461</u>	<u>36,302,317</u>	<u>74,615,535</u>	<u>76,209,107</u>	<u>111,323,996</u>	<u>112,511,424</u>
Deferred outflow - pension	2,284,197	-	895,044	-	3,179,241	-
Long-term liabilities	16,011,352	12,696,730	29,252,597	29,037,655	45,263,949	41,734,385
Other liabilities	706,961	769,476	828,137	869,819	1,535,098	1,639,295
Total liabilities	<u>16,718,313</u>	<u>13,466,206</u>	<u>30,080,734</u>	<u>29,907,474</u>	<u>46,799,047</u>	<u>43,373,680</u>
Deferred inflow - pension	316,121	-	120,215	-	436,336	-
Net position:						
Investment in capital assets	18,343,148	18,381,690	41,898,179	42,881,147	60,241,327	61,262,837
Restricted	1,553,240	851,230	2,125,320	1,927,757	3,678,560	2,778,987
Unrestricted	2,061,836	3,603,191	1,286,131	1,492,729	3,347,967	5,095,920
Total net position	<u>\$ 21,958,224</u>	<u>\$ 22,836,111</u>	<u>\$ 45,309,630</u>	<u>\$ 46,301,633</u>	<u>\$ 67,267,854</u>	<u>\$ 69,137,744</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 \$67,267,854 as of September 30, 2015. The City's net position increased by \$478,501, excluding prior period adjustments, for the fiscal year ended September 30, 2015.

Net invested in capital assets:

The largest portion, \$60,241,327, or 91%, 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 \$3,678,560, or 5%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: \$2,928,405, or 79.6%, for debt service requirements, capital improvements of \$85,443, or 2.3%, use by public safety, \$3,963, or 0.1%, library use of \$10,000, or 0.3%; court use of \$143,626, or 3.9%, use tourism of, \$185,299, or 5%, community development of \$82,868, or 2.3%; restricted for use for the cemetery of \$16,802, or 0.5%, and business development of \$222,154, or 6%.

Unrestricted net position:

Unrestricted net position of \$3,347,967, or 5%, 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, 2015**

CHANGES IN NET POSITION

	Governmental Activities		Business Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 1,297,926	\$ 1,134,196	\$ 10,983,062	\$ 10,909,988	\$ 12,280,988	\$ 12,044,184
Operating grants and contributions	578,337	551,299	22,336	15,432	600,673	566,731
Capital grants and contributions	173,136	35,000	-	1,264,583	173,136	1,299,583
General Revenues:						
Property taxes	2,960,832	2,825,580	-	-	2,960,832	2,825,580
Sales taxes	3,926,335	3,751,025	-	-	3,926,335	3,751,025
Franchise taxes	1,255,336	1,269,554	-	-	1,255,336	1,269,554
Other taxes	568,608	574,896	-	-	568,608	574,896
Investment income	8,286	8,892	6,514	8,058	14,800	16,950
Royalties	388,322	380,154	-	-	388,322	380,154
Miscellaneous	157,458	137,542	145,916	285,030	303,374	422,572
Total revenues	<u>11,314,576</u>	<u>10,668,138</u>	<u>11,157,828</u>	<u>12,483,091</u>	<u>22,472,404</u>	<u>23,151,229</u>
Expenses:						
General government	1,710,938	1,035,616	-	-	1,710,938	1,035,616
Public safety	5,883,502	5,918,178	-	-	5,883,502	5,918,178
Library	564,061	562,332	-	-	564,061	562,332
Public services and operations	562,802	711,463	-	-	562,802	711,463
Parks and recreation	648,588	699,388	-	-	648,588	699,388
Public works	1,740,343	5,366,980	-	-	1,740,343	5,366,980
Interest on long-term debt	277,200	278,887	-	-	277,200	278,887
Utility	-	-	8,687,052	8,637,099	8,687,052	8,637,099
Airport	-	-	1,392,013	1,426,482	1,392,013	1,426,482
Civic center	-	-	527,404	501,263	527,404	501,263
Total expenses	<u>11,387,434</u>	<u>14,572,844</u>	<u>10,606,469</u>	<u>10,564,844</u>	<u>21,993,903</u>	<u>25,137,688</u>
Change in net position before transfers	(72,858)	(3,904,706)	551,359	1,918,247	478,501	(1,986,459)
Transfers	650,975	839,197	(650,975)	(839,197)	-	-
Change in net position	578,117	(3,065,509)	(99,616)	1,079,050	478,501	(1,986,459)
Net position - beginning of year	22,836,111	25,901,620	46,301,633	45,222,583	69,137,744	71,124,203
Prior period adjustments	(1,456,004)	-	(892,387)	-	(2,348,391)	-
Net position - end of year	<u>\$ 21,958,224</u>	<u>\$ 22,836,111</u>	<u>\$ 45,309,630</u>	<u>\$ 46,301,633</u>	<u>\$ 67,267,854</u>	<u>\$ 69,137,744</u>

Governmental activities increased net position by \$578,117, excluding prior period adjustment. This is due in large part of the decrease in expenditures. The prior year included expenditures for the Loop project with Texas Department of Transportation that was completed.

Business-type activities decreased net position by (\$99,616), excluding prior period adjustments. This is due to a decrease in revenues in the Airport Fund and Civic Center Fund.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

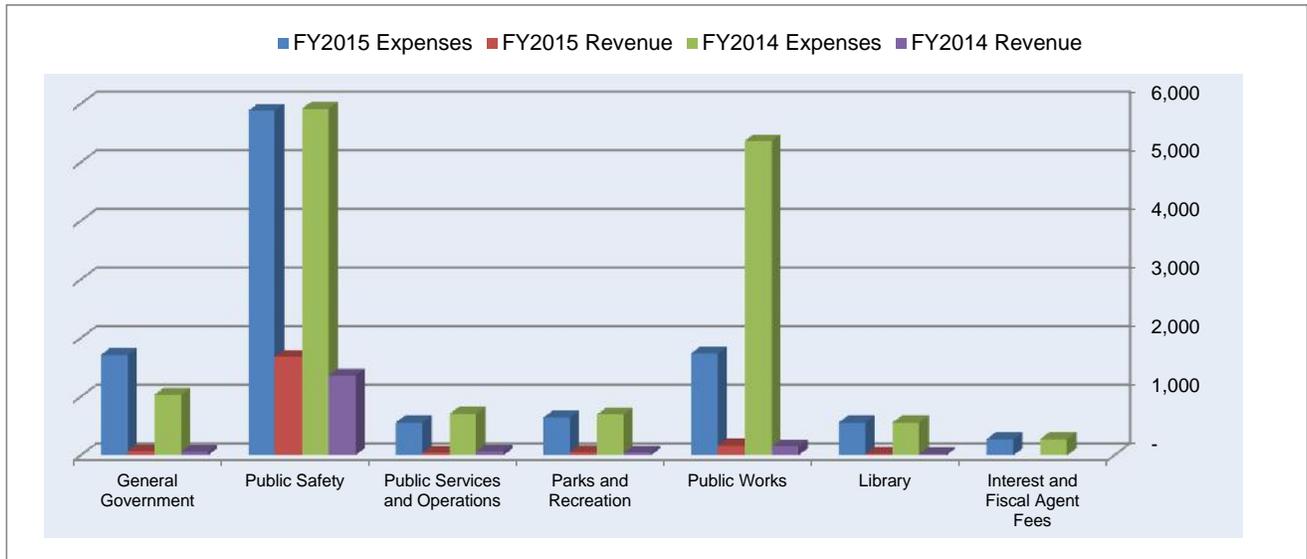
Governmental-type activities - Governmental-type activities increased the City's net position by \$578,117, excluding prior period adjustments. Key elements of this increase are as follows:

The collection of property, sales, and franchise taxes increased \$296,344, or 4%.

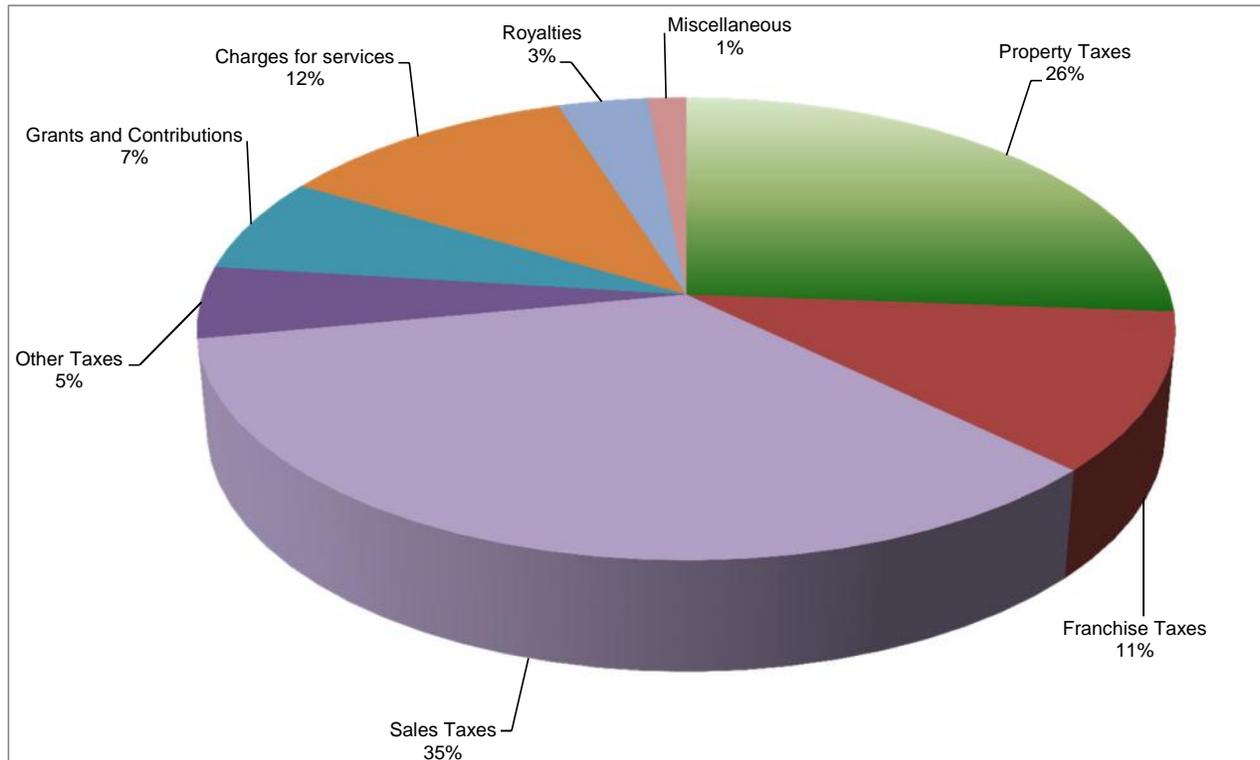
Charges for services increased \$163,730, or 14%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

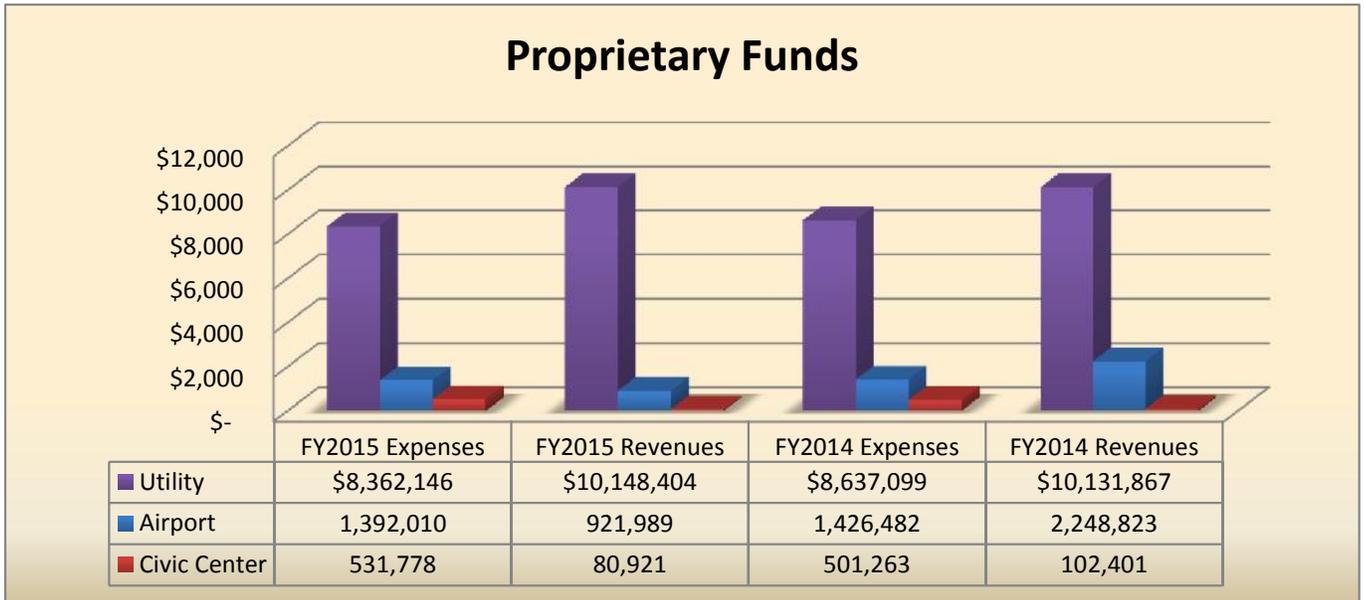


**CITY OF MOUNT PLEASANT, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2015**

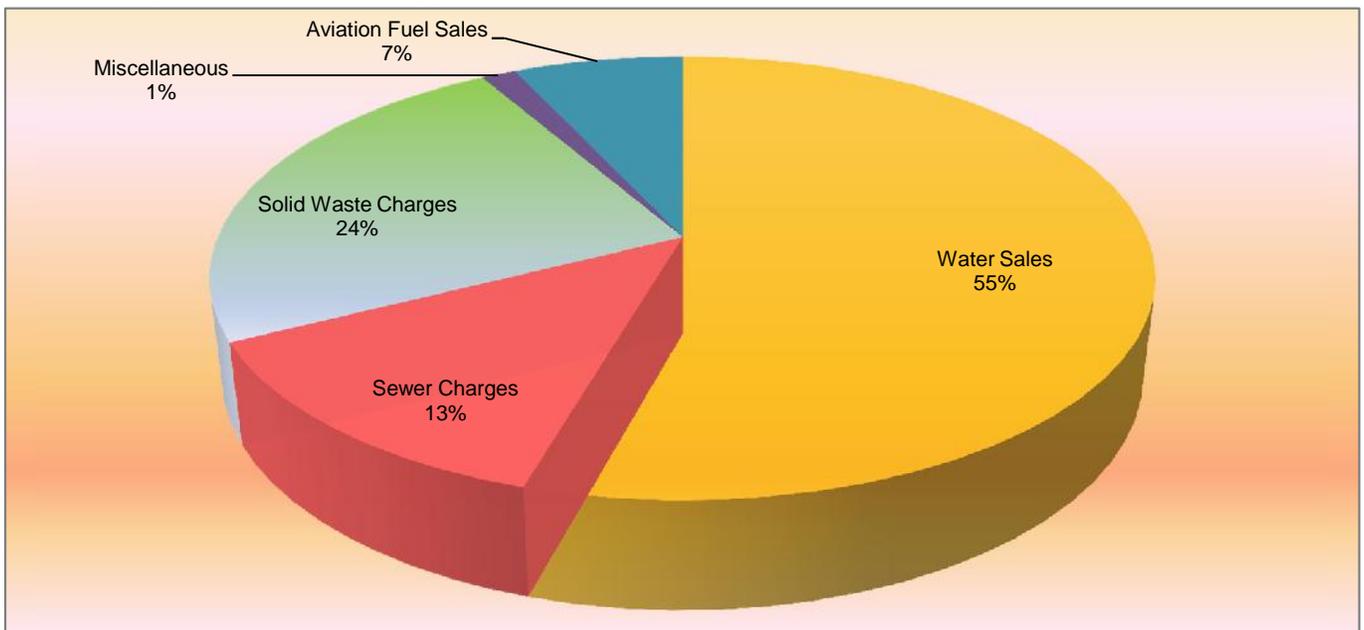
Business-type Activities - Business-type activities decreased the City's net position by (\$99,616), excluding prior period adjustments. A key element for this decrease is as follows:

Total revenues decreased (\$60,680), or (1%).

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, 2015**

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, 2015, the City's governmental funds reported total fund balances of \$8,959,867, a 3% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Nonspendable fund balance of \$23,253, or 0.3%, of total fund balance 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 of \$1,463,834, or 16.3%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$143,626, or 9.8%, for court use;
 - \$803,085, or 54.8%, for debt service requirements;
 - \$82,868, or 5.7%, for community development;
 - \$16,802, or 1.1%, for cemetery;
 - \$185,299, or 12.7%, for tourism;
 - \$222,154, or 15.2%, for business development, and;
 - \$10,000, or 0.7%, for the library.
- Committed fund balance of \$16,551, or 0.2%, of total fund balance is for public safety. This was approved by the City Council to recover costs for expenditures incurred by the volunteer fire department attending to the scene of an accident.
- Assigned fund balance of \$5,658,959, or 63.2%, of total fund balance consists of the following:
 - \$5,105,879, or 90.1%, is for capital projects;
 - \$396,346, or 7.0%, is for community development;
 - \$49,776, or 1.0%, is for public safety;
 - \$91,356, or 1.6%, is for park improvements, and;
 - \$15,602, or 0.3%, is for the library.
- Unassigned fund balance of \$1,797,270, or 20%, of total fund balance, 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 \$1,928,156, compared to \$2,164,685 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 23% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (3%), or (\$157,206), to \$6,045,196 with the following significant changes:

- The fund balance of the Street Fund decreased (10%), or (\$519,630), primarily as a result of less monies transferred to the Street Fund than the prior year.
- The fund balance of the Other Governmental Funds increased 32%, or \$362,424, primarily as a result of more monies transferred into other funds.

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 \$1,286,131, a (14%) decrease from the prior year. This is due to slightly less revenues collected in charge for services.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

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, 2015, totals \$93,767,466 (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 1.7%.

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

- Phase I of the NW 12 street completed
- Phase II of the NW 12 continues
- Ongoing water and sewer infrastructure improvements
- Park improvements continue

**Capital Assets
(net of accumulated depreciation)
September 30, 2015**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,436,233	\$ 1,436,233	\$ 8,772,848	\$ 8,772,848	\$ 10,209,081	\$ 10,209,081
Construction in Progress	230,285	1,937,156	3,396,939	22,165,505	3,627,224	24,102,661
Machinery & Equipment	1,686,049	1,799,131	2,321,222	836,213	4,007,271	2,635,344
Buildings & Improvements	8,820,373	7,154,874	34,282,951	15,661,467	43,103,324	22,816,341
Infrastructure	14,718,822	14,390,194	18,101,744	18,043,940	32,820,566	32,434,134
Total	<u>\$ 26,891,762</u>	<u>\$ 26,717,588</u>	<u>\$ 66,875,704</u>	<u>\$ 65,479,973</u>	<u>\$ 93,767,466</u>	<u>\$ 92,197,561</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, 2015, the City had \$44,601,054 in long-term obligations. This represents an increase of \$691,381, or 2%, in comparison with the prior year.

**Outstanding Debt
General Obligation Bonds, Revenue Bonds and Certificates of Obligation
September 30, 2015**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue Bonds	\$ -	\$ -	\$ 27,144,548	\$ 28,346,065	\$ 27,144,548	\$ 28,346,065
Certificates of Obligation	10,448,100	10,887,111	-	-	10,448,100	10,887,111
Capital Lease	24,005	-	24,005	-	48,010	-
OPEB Obligation	1,649,622	1,387,190	618,924	519,123	2,268,546	1,906,313
Net Pension Liability	3,399,197	2,006,970	1,292,653	763,214	4,691,850	2,770,184
Total	<u>\$ 15,520,924</u>	<u>\$ 14,281,271</u>	<u>\$ 29,080,130</u>	<u>\$ 29,628,402</u>	<u>\$ 44,601,054</u>	<u>\$ 43,909,673</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, 2015**

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 0.5% more than budgeted.

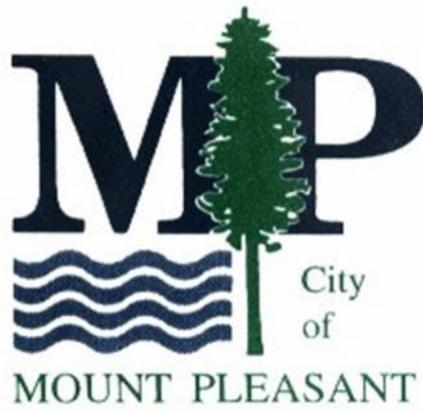
Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2015-2016:

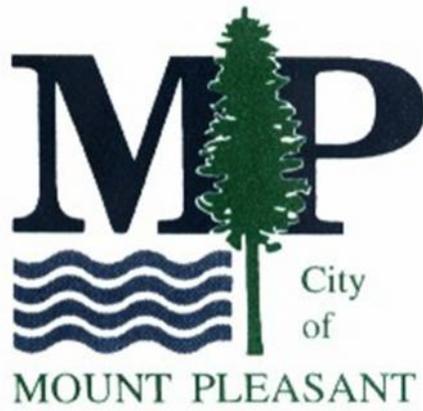
- The budget for all funds totals \$28,742,311 and completion of the rehabilitation of the I-30 water treatment plant and continuation of Phase II of NW 12 roadway.
- The adopted property tax rate for FY2015-2016 remains at \$0.3437 per \$100 valuation.
- Property tax, sales tax, and franchise tax collections increased \$367,218, or 6%, over the previous year. There have been no proposed increases for water/wastewater fees.

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, 2015**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	\$ 6,205,055	\$ 4,154,417	\$ 10,359,472	\$ 2,298,316
Receivables, net of allowance for uncollectibles	984,667	1,065,381	2,050,048	216,645
Internal balances	11,688	(11,688)	-	-
Prepaid expense	19,610	-	19,610	-
Restricted assets:				
Cash and cash equivalents	2,595,679	2,531,721	5,127,400	-
Capital assets not being depreciated:				
Land	1,436,233	8,772,848	10,209,081	1,628,156
Construction in progress	230,285	3,396,939	3,627,224	-
Capital assets, net of accumulated depreciation:				
Machinery and equipment	1,686,049	2,321,222	4,007,271	-
Buildings and improvements	8,820,373	34,282,951	43,103,324	2,671,176
Infrastructure	14,718,822	18,101,744	32,820,566	2,055,839
Total Assets	36,708,461	74,615,535	111,323,996	8,870,132
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources-pension	2,284,197	895,044	3,179,241	68,456
LIABILITIES				
Accounts payable	344,537	586,287	930,824	7,506
Accrued liabilities	213,757	61,822	275,579	5,559
Accrued interest payable	101,475	14,824	116,299	-
Customer deposits	-	152,495	152,495	-
Other liabilities	47,192	12,709	59,901	-
Non-current liabilities:				
Due within one year:				
Compensated absences	26,180	8,210	34,390	-
Capital lease payable	12,366	12,366	24,732	-
Notes payable	-	-	-	219,077
Bonds payable	-	1,235,000	1,235,000	-
Certificates of obligation	455,000	-	455,000	-
Due in more than one year:				
Net OPEB obligation	1,649,622	618,924	2,268,546	51,780
Net pension liability	3,399,197	1,292,653	4,691,850	95,752
Compensated absences	464,248	164,257	628,505	21,275
Capital lease payable	11,639	11,639	23,278	-
Notes payable	-	-	-	2,420,558
Bonds payable	-	25,909,548	25,909,548	-
Certificates of obligation	9,993,100	-	9,993,100	-
Total Liabilities	16,718,313	30,080,734	46,799,047	2,821,507
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-pension	316,121	120,215	436,336	8,905
NET POSITION				
Net investment in capital assets	18,343,148	41,898,179	60,241,327	3,715,536
Restricted for:				
Debt service	803,085	2,125,320	2,928,405	-
Capital improvements	85,443	-	85,443	-
Public safety	3,963	-	3,963	-
Library	10,000	-	10,000	-
Court Use	143,626	-	143,626	-
Hotel/Motel	185,299	-	185,299	-
PEG fees	82,868	-	82,868	-
Cemetery	16,802	-	16,802	-
Development	222,154	-	222,154	-
Unrestricted	2,061,836	1,286,131	3,347,967	2,392,640
Total Net Position	\$ 21,958,224	\$ 45,309,630	\$ 67,267,854	\$ 6,108,176

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, 2015**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 1,710,938	\$ 25,770	\$ 49,917	\$ -
Public Safety	5,883,502	1,007,322	504,041	173,136
Library	564,061	6,604	17,966	-
Public services and operations	562,802	37,142	6,413	-
Parks and recreation	648,588	54,339	-	-
Public works	1,740,343	166,749	-	-
Interest on long-term debt	277,200	-	-	-
Total governmental activities	11,387,434	1,297,926	578,337	173,136
Business-type Activities:				
Utility	8,687,052	10,004,701	-	-
Airport	1,392,013	898,846	22,336	-
Civic center	527,404	79,515	-	-
Total business-type activities	10,606,469	10,983,062	22,336	-
Total primary government	21,993,903	12,280,988	600,673	173,136
Component Unit				
Industrial Development Corporation	746,619	-	-	-
Total component unit	\$ 746,619	\$ -	\$ -	\$ -

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
Prior period adjustment
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			Component Unit
Governmental Activities	Business Activities	Total	
\$ (1,635,251)	-	\$ (1,635,251)	\$ -
(4,199,003)	-	(4,199,003)	-
(539,491)	-	(539,491)	-
(519,247)	-	(519,247)	-
(594,249)	-	(594,249)	-
(1,573,594)	-	(1,573,594)	-
(277,200)	-	(277,200)	-
<u>(9,338,035)</u>	<u>-</u>	<u>(9,338,035)</u>	<u>-</u>
-	1,317,649	1,317,649	-
-	(470,831)	(470,831)	-
-	(447,889)	(447,889)	-
<u>-</u>	<u>398,929</u>	<u>398,929</u>	<u>-</u>
<u>(9,338,035)</u>	<u>398,929</u>	<u>(8,939,106)</u>	<u>-</u>
-	-	-	(746,619)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (746,619)</u>
\$ 2,960,832	\$ -	\$ 2,960,832	\$ -
3,926,335	-	3,926,335	1,308,778
534,656	-	534,656	-
1,255,336	-	1,255,336	-
33,952	-	33,952	-
8,286	6,514	14,800	2,217
388,322	-	388,322	-
157,458	145,916	303,374	183
650,975	(650,975)	-	-
<u>9,916,152</u>	<u>(498,545)</u>	<u>9,417,607</u>	<u>1,311,178</u>
578,117	(99,616)	478,501	564,559
22,836,111	46,301,633	69,137,744	5,584,631
(1,456,004)	(892,387)	(2,348,391)	(41,014)
<u>\$ 21,958,224</u>	<u>\$ 45,309,630</u>	<u>\$ 67,267,854</u>	<u>\$ 6,108,176</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, 2015**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,302,634	\$ 2,696,466	\$ 1,205,955	\$ 6,205,055
Receivables, net of allowance for uncollectibles	947,519	-	37,148	984,667
Cash and cash equivalents - restricted	143,625	1,923,491	528,563	2,595,679
Prepaid expense	23,253	-	-	23,253
Total Assets	<u>3,417,031</u>	<u>4,619,957</u>	<u>1,771,666</u>	<u>9,808,654</u>
LIABILITIES				
Accounts payable	125,366	63,277	147,849	336,492
Accrued liabilities	213,757	-	-	213,757
Accrued interest payable	-	-	135,301	135,301
Other liabilities	47,192	-	-	47,192
Total Liabilities	<u>386,315</u>	<u>63,277</u>	<u>283,150</u>	<u>732,742</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	116,045	-	-	116,045
Total Deferred Inflows of Resources	<u>116,045</u>	<u>-</u>	<u>-</u>	<u>116,045</u>
Fund Balances				
Nonspendable:				
Prepaid items	23,253	-	-	23,253
Restricted for:				
Court use	143,626	-	-	143,626
Debt service	803,085	-	-	803,085
Community development	-	-	82,868	82,868
Cemetery	-	-	16,802	16,802
Hotel/Motel	-	-	185,299	185,299
Development	-	-	222,154	222,154
Library	-	-	10,000	10,000
Committed to:				
Public safety	16,551	-	-	16,551
Assigned to:				
Capital projects	-	4,556,680	549,199	5,105,879
Community development	-	-	396,346	396,346
Public safety	-	-	49,776	49,776
Parks	-	-	91,356	91,356
Library	-	-	15,602	15,602
Unassigned	1,928,156	-	(130,886)	1,797,270
Total Fund Balance	<u>2,914,671</u>	<u>4,556,680</u>	<u>1,488,516</u>	<u>8,959,867</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,417,031</u>	<u>\$ 4,619,957</u>	<u>\$ 1,771,666</u>	<u>\$ 9,808,654</u>

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, 2015**

Total fund balances - governmental funds balance sheet	\$ 8,959,867
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.	47,331,862
Accumulated depreciation has not been included in the governmental fund financial statements.	(20,440,100)
Long-term debt, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(10,364,005)
Premiums and discounts on issuance of debt are not recognized in the balance sheet for governmental funds.	(108,100)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(490,428)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(1,649,622)
Deferred inflows/outflows of resources for pension are not reported in the fund financial statements.	1,968,076
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(3,399,197)
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.	33,826
Net position of governmental activities - statement of net position	<u><u>\$ 21,958,224</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, 2015**

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,677,804	\$ -	\$ 283,028	\$ 2,960,832
Sales	3,926,335	-	-	3,926,335
Hotel	-	-	534,656	534,656
Beverage	33,952	-	-	33,952
Franchise	-	1,255,336	25,770	1,281,106
Fines and forfeitures	890,505	-	-	890,505
Licenses and permits	94,035	-	-	94,035
Charge for services	164,194	-	-	164,194
Donations	7,499	-	33,276	40,775
Grant	-	-	47,730	47,730
Intergovernmental revenue	482,032	-	180,936	662,968
Royalties	-	388,322	-	388,322
Investment income	3,284	4,062	940	8,286
Miscellaneous	101,149	114,058	65,673	280,880
Total revenues	8,380,789	1,761,778	1,172,009	11,314,576
EXPENDITURES				
Current:				
General government	800,083	-	223,812	1,023,895
Public safety	5,725,807	-	92,783	5,818,590
Library	306,978	-	21,024	328,002
Public works	133,794	1,109,445	-	1,243,239
Public services and operations	548,684	-	26,152	574,836
Parks and recreation	606,059	-	15,286	621,345
Capital outlays:				
General government	28,127	-	-	28,127
Public safety	94,269	-	363,104	457,373
Library	32,414	-	1,086	33,500
Public works	-	848,933	-	848,933
Parks and recreation	13,660	-	108,502	122,162
Debt service:				
Principal retirement	4,121	310,000	120,000	434,121
Interest	-	143,313	133,887	277,200
Total expenditures	8,293,996	2,411,691	1,105,636	11,811,323
Excess (deficiency) of revenues over expenditures	86,793	(649,913)	66,373	(496,747)
OTHER FINANCING SOURCES (USES)				
Transfers	336,771	18,154	296,051	650,976
Sale of assets	-	112,129	-	112,129
Issuance of capital lease	28,127	-	-	28,127
Total other financing sources (uses)	364,898	130,283	296,051	791,232
Net change in fund balances	451,691	(519,630)	362,424	294,485
Fund balances, beginning	2,462,980	5,076,310	1,126,092	8,665,382
Fund balances, ending	\$ 2,914,671	\$ 4,556,680	\$ 1,488,516	\$ 8,959,867

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, 2015**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 294,485
 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.	1,490,095
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.	(1,203,791)
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.	434,121
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	9,011
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.	(67,999)
In governmental fund financial statements, the proceeds from capital lease are shown as an increase in financial resources. In the government-wide financial statements, this is shown as an increase in long-term liabilities.	(28,127)
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.	(112,129)
Current year changes in OPEB expense do not require the use of current resources; are not reported as revenue in the fund financial statements.	(262,432)
Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governments funds.	24,883
Change in net position - statement of activities	\$ 578,117

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,644,705	\$ 2,644,705	\$ 2,677,805	\$ 33,100
Sales	3,748,674	3,748,674	3,926,335	177,661
Other	28,000	28,000	33,952	5,952
Fines and Forfeitures	686,800	686,800	890,505	203,705
Licenses and Permits	62,000	62,000	94,035	32,035
Charge for Services	158,800	158,800	164,195	5,395
Donations	10,000	10,000	7,498	(2,502)
Intergovernmental Revenue	433,200	450,178	482,032	31,854
Investment Income	2,200	2,200	3,285	1,085
Miscellaneous	100,000	100,000	101,147	1,147
Total Revenues	<u>7,874,379</u>	<u>7,891,357</u>	<u>8,380,789</u>	<u>489,432</u>
EXPENDITURES				
Current:				
General Government	787,635	787,635	800,083	(12,448)
Public Safety:				
Police	3,512,749	3,529,727	3,628,894	(99,167)
Fire	2,106,223	2,106,223	2,096,913	9,310
Total Public Safety	<u>5,618,972</u>	<u>5,635,950</u>	<u>5,725,807</u>	<u>(89,857)</u>
Library	331,561	331,561	306,978	24,583
Public Works	146,033	146,733	133,794	12,939
Public Services and Operations	574,252	574,252	548,684	25,568
Parks and Recreation	649,020	650,190	606,059	44,131
Capital Outlays	211,973	211,973	168,470	43,503
Principal Payments	-	-	4,121	(4,121)
Total Expenditures	<u>8,319,446</u>	<u>8,338,294</u>	<u>8,293,996</u>	<u>44,298</u>
Excess (deficiency) of revenues over (under) expenditures	(445,067)	(446,937)	86,793	533,730
Other Financing Sources (Uses)				
Transfers	630,620	630,620	336,771	(293,849)
Issuance of capital lease	-	-	28,127	28,127
Total Other Financing Sources (uses)	<u>630,620</u>	<u>630,620</u>	<u>364,898</u>	<u>(265,722)</u>
Net Change in Fund Balance	185,553	183,683	451,691	268,008
Fund Balance, October 1	2,462,980	2,462,980	2,462,980	
Fund Balance, September 30	<u>\$ 2,648,533</u>	<u>\$ 2,646,663</u>	<u>\$ 2,914,671</u>	

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, 2015**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,880,756	\$ 76,934	\$ 196,727	\$ 4,154,417
Receivables, net of uncollectibles	1,064,951	-	430	1,065,381
Restricted assets:				
Cash and cash equivalents	2,531,721	-	-	2,531,721
Total current assets	<u>7,477,428</u>	<u>76,934</u>	<u>197,157</u>	<u>7,751,519</u>
Noncurrent assets:				
Capital Assets:				
Land	6,953,503	1,819,345	-	8,772,848
Buildings	28,338,749	3,661,441	1,343,800	33,343,990
Improvements	4,354,270	7,223,892	273,221	11,851,383
Infrastructure	28,002,041	2,012,104	-	30,014,145
Vehicles	805,685	222,855	15,723	1,044,263
Machinery & equipment	6,696,488	136,417	315,835	7,148,740
Construction in progress	3,396,939	-	-	3,396,939
Less: accumulated depreciation	(23,432,512)	(4,375,833)	(888,259)	(28,696,604)
Total noncurrent assets	<u>55,115,163</u>	<u>10,700,221</u>	<u>1,060,320</u>	<u>66,875,704</u>
Total assets	<u><u>62,592,591</u></u>	<u><u>10,777,155</u></u>	<u><u>1,257,477</u></u>	<u><u>74,627,223</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources-pension	699,570	68,660	126,814	895,044
LIABILITIES				
Current liabilities:				
Accounts payable	575,941	6,634	15,400	597,975
Accrued liabilities	48,235	5,589	7,998	61,822
Other liabilities	12,709	-	-	12,709
Liabilities payable from restricted assets:				
Accrued interest payable	14,651	-	173	14,824
Customer deposits	152,495	-	-	152,495
Compensated absences - current	6,532	-	1,678	8,210
Capital lease payable-current	12,366	-	-	12,366
Bonds payable - current	1,235,000	-	-	1,235,000
Total current liabilities payable from restricted assets:	<u>1,421,044</u>	<u>-</u>	<u>1,851</u>	<u>1,422,895</u>
Total current liabilities	<u>2,057,929</u>	<u>12,223</u>	<u>25,249</u>	<u>2,095,401</u>
Noncurrent liabilities:				
Net OPEB obligation	509,127	56,406	53,391	618,924
Net pension liability	1,005,397	95,752	191,504	1,292,653
Compensated absences	122,877	25,901	15,479	164,257
Capital lease payable	11,639	-	-	11,639
Bonds payable	25,909,548	-	-	25,909,548
Total noncurrent liabilities	<u>27,558,588</u>	<u>178,059</u>	<u>260,374</u>	<u>27,997,021</u>
Total liabilities	<u><u>29,616,517</u></u>	<u><u>190,282</u></u>	<u><u>285,623</u></u>	<u><u>30,092,422</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-pension	93,500	8,905	17,810	120,215
NET POSITION				
Net invested in capital assets	30,137,638	10,700,221	1,060,320	41,898,179
Restricted for:				
Debt Service	2,125,320	-	-	2,125,320
Unrestricted	1,319,186	(53,593)	20,538	1,286,131
Total Net Position	<u><u>\$ 33,582,144</u></u>	<u><u>\$ 10,646,628</u></u>	<u><u>\$ 1,080,858</u></u>	<u><u>\$ 45,309,630</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, 2015**

	<u>Utility Fund</u>	<u>Airport Fund</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES:				
Charges for services	\$ 10,004,700	\$ 898,846	\$ 79,516	\$ 10,983,062
Operating grant revenue	-	22,336	-	22,336
Miscellaneous	143,704	807	1,405	145,916
Total operating revenues	<u>10,148,404</u>	<u>921,989</u>	<u>80,921</u>	<u>11,151,314</u>
OPERATING EXPENSES:				
Personal services	2,002,204	206,498	336,313	2,545,015
Supplies and materials	442,669	516,078	53,678	1,012,425
Maintenance and repair	756,977	45,697	43,767	846,441
Contractual services	3,927,888	51,873	47,065	4,026,826
Depreciation	1,232,408	571,864	50,955	1,855,227
Total operating expenses	<u>8,362,146</u>	<u>1,392,010</u>	<u>531,778</u>	<u>10,285,934</u>
Operating income (loss)	<u>1,786,258</u>	<u>(470,021)</u>	<u>(450,857)</u>	<u>865,380</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	6,301	-	213	6,514
Interest expense	(320,535)	-	-	(320,535)
Total nonoperating revenues (expenses)	<u>(314,234)</u>	<u>-</u>	<u>213</u>	<u>(314,021)</u>
Income (loss) before transfers and capital contributions	1,472,024	(470,021)	(450,644)	551,359
Transfers	<u>(901,122)</u>	<u>(75,000)</u>	<u>325,147</u>	<u>(650,975)</u>
Change in net position	570,902	(545,021)	(125,497)	(99,616)
Net Position, October 1	33,780,586	11,232,664	1,288,383	46,301,633
Prior Period Adjustments	(769,344)	(41,015)	(82,028)	(892,387)
Net Position, September 30	<u>\$ 33,582,144</u>	<u>\$ 10,646,628</u>	<u>\$ 1,080,858</u>	<u>\$ 45,309,630</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, 2015**

	<u>Utility Fund</u>	<u>Airport Fund</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,872,523	\$ 898,846	\$ 79,516	\$ 10,850,885
Cash received from other sources	143,704	339,906	1,405	485,015
Cash paid to employees	(2,291,363)	(200,426)	(328,444)	(2,820,233)
Cash paid to suppliers	(4,859,107)	(931,716)	(141,304)	(5,932,127)
Net cash provided (used) by operating activities	<u>2,865,757</u>	<u>106,610</u>	<u>(388,827)</u>	<u>2,583,540</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(901,122)	(75,000)	325,147	(650,975)
Net cash provided (used) by non-capital financing activities	<u>(901,122)</u>	<u>(75,000)</u>	<u>325,147</u>	<u>(650,975)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,185,575)	(14,900)	(50,485)	(3,250,960)
Issuance of debt	28,127	-	-	28,127
Principal paid on long-term debt	(1,205,639)	-	-	(1,205,639)
Interest paid on long-term debt	(320,535)	-	-	(320,535)
Net cash (used for) capital & related financing activities	<u>(4,683,622)</u>	<u>(14,900)</u>	<u>(50,485)</u>	<u>(4,749,007)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	6,301	-	213	6,514
Net cash provided by investing activities	<u>6,301</u>	<u>-</u>	<u>213</u>	<u>6,514</u>
Net increase (decrease) in cash and cash equivalents	(2,712,686)	16,710	(113,952)	(2,809,928)
Cash and cash equivalents at beginning of year	9,125,163	60,224	310,679	9,496,066
Cash and cash equivalents at end of year	<u>\$ 6,412,477</u>	<u>\$ 76,934</u>	<u>\$ 196,727</u>	<u>\$ 6,686,138</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,786,258	\$ (470,021)	\$ (450,857)	\$ 865,380
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,232,408	571,864	50,955	1,855,227
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(149,077)	316,764	-	167,687
Increase (decrease) in liabilities:				
Accounts payable	268,337	(318,069)	3,206	(46,526)
Accrued expenses	(457)	-	-	(457)
Customer deposits	16,900	-	-	16,900
Pension/OPEB liabilities	(288,700)	6,072	7,869	(274,759)
Other liabilities	88	-	-	88
Total adjustments	<u>1,079,499</u>	<u>576,631</u>	<u>62,030</u>	<u>1,718,160</u>
Net cash provided (used) by operating activities	<u>\$ 2,865,757</u>	<u>\$ 106,610</u>	<u>\$ (388,827)</u>	<u>\$ 2,583,540</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. 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, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. 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 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.

3. 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 is the proprietary fund. 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.

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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

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.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

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

b. Receivable and Payable Balances

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

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

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.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

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 2015, \$79,850 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 has two items that qualify in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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 three items that qualify in this category. One of these items arise only under a modified accrual basis of accounting. Accordingly, 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. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary Statement of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

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.

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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4. Financial Statement Amounts
 - i. Fund Equity (continued)

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 2015, the City is in compliance with this minimum fund balance policy.

- 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.

- m. Pensions

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures in the governmental fund statements which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability that represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2014. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4. Financial Statement Amounts
 - m. Pensions (continued)

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position of the City's pension plan with TMRS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows/outflows and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

- n. 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, 2015, the City had a tax rate of \$0.3437 per \$100 assessed valuation based upon the maximum rates described above.

- o. 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.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

p. 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.

q. Use of Estimates

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

r. 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.

s. Program Expenses

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

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	n/a

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	\$ (130,886)	Expenditures exceed revenues

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

B. COMPLIANCE AND ACCOUNTABILITY (continued)

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.

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, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,486,872 and the bank balance was \$17,725,176. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, 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 \$2,758,201.

At September 30, 2015, the City's investments in TexPool and LOGIC were \$15,040,216 for investment balance and book balance. Detail of these investments is described below in the 'Investment' section.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

C. DEPOSITS AND INVESTMENTS (continued)

Cash and investments as of September 30, 2015 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 10,359,472
Restricted cash and cash equivalents	5,127,400
Total cash and cash equivalents	<u>\$ 15,486,872</u>
Governmental - Restricted Cash	
Municipal Court	\$ 143,626
PEG funds	82,868
Library grant	10,000
Hotel tax - tourism	188,360
Cemetery	16,802
Rural Development	222,154
Public safety	3,963
Debt service	4,415
Capital improvement	1,923,491
Total cash and cash equivalents	<u>\$ 2,595,679</u>
Business-type- Restricted Cash	
Customer Deposits	\$ 152,495
Debt Service	188,198
Capital projects	2,063,266
TWDB funds-capital projects	127,762
Total cash and cash equivalents	<u>\$ 2,531,721</u>
Total Restricted Cash	<u>\$ 5,127,400</u>

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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

C. DEPOSITS AND INVESTMENTS

Investments (continued)

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, 2015, 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	\$ 4,739,421	41	N/A	AAA-m
LOGIC	10,300,795	46	N/A	AAA-m
	<u>\$ 15,040,216</u>			

As of September 30, 2015 the City 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 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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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:

	General	Other Governmental	Utility	Civic	Total
Receivables:					
Taxes	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Fees and Charges	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Gross Receivables	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Less: allowance for uncollectibles	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Net Total Receivables	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

The Proprietary Fund accounts receivable includes unbilled charges for services of \$738,359 rendered as of fiscal year end.

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2015 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,436,233	\$ -	\$ -	\$ -	\$ 1,436,233
Construction in Progress	1,937,155	(1,925,176)	218,306	-	230,285
Total capital assets, not being depreciated	3,373,388	(1,925,176)	218,306	-	1,666,518
Capital assets, being depreciated:					
Buildings	7,758,079	-	-	-	7,758,079
Improvements	4,412,136	1,925,176	-	-	6,337,312
Infrastructure	24,106,287	-	685,306	-	24,791,593
Machinery	3,802,930	-	544,678	(253,889)	4,093,719
Vehicles	2,642,836	-	41,805	-	2,684,641
Total capital assets being depreciated	42,722,268	1,925,176	1,271,789	(253,889)	45,665,344
Less accumulated depreciation for:					
Buildings	(1,835,691)	-	(179,123)	-	(2,014,814)
Improvements	(3,179,650)	-	(80,554)	-	(3,260,204)
Infrastructure	(9,716,093)	-	(356,678)	-	(10,072,771)
Machinery	(2,544,429)	-	(482,195)	141,760	(2,884,864)
Vehicles	(2,102,206)	-	(105,241)	-	(2,207,447)
Total accumulated depreciation	(19,378,069)	-	(1,203,791)	141,760	(20,440,100)
Total capital assets, being depreciated, net	23,344,199	1,925,176	67,998	(112,129)	25,225,244
Governmental activities capital assets, net	\$ 26,717,587	\$ -	\$ 286,304	\$ (112,129)	\$ 26,891,762

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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	21,849,974	(20,944,812)	2,491,777	-	3,396,939
Total capital assets, not being depreciated	<u>30,622,822</u>	<u>(20,944,812)</u>	<u>2,491,777</u>	<u>-</u>	<u>12,169,787</u>
Capital assets, being depreciated:					
Buildings	13,957,317	19,386,673	193,287	-	33,537,277
Improvements	13,670,201	-	-	-	13,670,201
Infrastructure	27,424,594	-	577,447	-	28,002,041
Machinery	5,356,275	1,558,139	250,049	-	7,164,463
Vehicles	1,008,867	-	104,412	(84,740)	1,028,539
Total capital assets being depreciated	<u>61,417,254</u>	<u>20,944,812</u>	<u>1,125,195</u>	<u>(84,740)</u>	<u>83,402,521</u>
Less accumulated depreciation for:					
Buildings	(7,568,280)	-	(334,752)	-	(7,903,032)
Improvements	(4,353,008)	-	(668,487)	-	(5,021,495)
Infrastructure	(9,338,131)	-	(562,166)	-	(9,900,297)
Machinery	(4,718,912)	-	(245,890)	-	(4,964,802)
Vehicles	(947,786)	-	(43,932)	84,740	(906,978)
Total accumulated depreciation	<u>(26,926,117)</u>	<u>-</u>	<u>(1,855,227)</u>	<u>84,740</u>	<u>(28,696,604)</u>
Total capital assets, being depreciated, net	<u>34,491,137</u>	<u>20,944,812</u>	<u>(730,032)</u>	<u>-</u>	<u>54,705,917</u>
Business-type activities capital asset, net	<u>\$ 65,113,959</u>	<u>\$ -</u>	<u>\$ 1,761,745</u>	<u>\$ -</u>	<u>\$ 66,875,704</u>

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

Governmental activities:	
Administration	\$ 57,809
Municipal Court	17,858
Public Services	13,722
Library	249,816
Police Department	162,867
Fire Department	156,701
Parks & Recreation	50,399
Streets	494,619
Total depreciation expense - governmental activities	<u>\$ 1,203,791</u>
Business-type activities:	
Utility	\$ 1,232,408
Airport	#VALUE!
Civic Center	#VALUE!
Total depreciation expense - business-type activities	<u>#VALUE!</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

E. CAPITAL ASSETS (continued)

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2015. 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
Water system improvements	\$ 5,398,327	\$ 3,396,939	\$ 2,001,388
Splash pad	126,510	12,357	114,153
Old Sam Parker field	150,000	127,992	22,008
Street/road improvements	370,902	89,936	280,966
	<u>\$ 6,045,739</u>	<u>\$ 3,627,224</u>	<u>\$ 2,418,515</u>

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2015, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	\$ 10,770,000	\$ -	\$ (430,000)	\$ 10,340,000	\$ 455,000
	10,770,000	-	(430,000)	10,340,000	455,000
Add deferred amounts:					
For Bond Issuance Premium	-	(45,398)	3,027	(42,371)	-
For Bond Issuance Discount	-	162,509	(12,038)	150,471	-
Total Bonds Payable	10,770,000	117,111	(439,011)	10,448,100	455,000
Capital lease payable	-	28,127	(4,122)	24,005	12,366
Compensated absences	422,429	406,628	(338,629)	490,428	26,180
Other postemployment benefit obligation	1,387,190	282,976	(20,544)	1,649,622	-
Net pension liability	2,006,970	1,392,227	-	3,399,197	-
Governmental activity Long-term Debt	<u>\$ 14,586,589</u>	<u>\$ 2,227,069</u>	<u>\$ (802,306)</u>	<u>\$ 16,011,352</u>	<u>\$ 493,546</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bonds	\$ 21,799,900	\$ 1,700,100	\$ (610,000)	\$ 22,890,000	\$ 625,000
Revenue Refunding Bonds	4,860,000	-	(595,000)	4,265,000	610,000
Total Bonds Payable	26,659,900	1,700,100	(1,205,000)	27,155,000	1,235,000
Add deferred amounts:					
For Bond Issuance Premium	4,997	-	(1,250)	3,747	-
For Bond Issuance Discount	(18,933)	-	4,734	(14,199)	-
Total Bonds Payable	26,645,964	1,700,100.00	(1,201,516)	27,144,548	1,235,000
Capital lease payable	-	28,127	(4,122)	24,005	12,366
Compensated absences	172,468	82,626	(82,627)	172,467	8,210
Other postemployment benefit obligation	519,123	101,941	(2,140)	618,924	-
Net pension liability	763,214	529,439	-	1,292,653	-
Business-type activity Long-term Debt	<u>\$ 28,100,769</u>	<u>\$ 2,442,233</u>	<u>\$ (1,290,405)</u>	<u>\$ 29,252,597</u>	<u>\$ 1,255,576</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

F. LONG-TERM OBLIGATIONS (continued)

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation leave/comp time and sick time (if eligibility is met) for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2015	Due Within One Year
			September 30, 2014	Issued			
2010 Cert Oblig	2.00%	\$ 4,500,000	\$ 4,105,000	\$ -	\$ (120,000)	\$ 3,985,000	\$ 135,000
2012 Comb Tax & Rev	2%-2.75%	7,115,000	6,665,000	-	(310,000)	6,355,000	320,000
Total Bonds Payable		11,615,000	10,770,000	-	(430,000)	10,340,000	455,000
Capital lease payable		28,127	-	28,127	(4,122)	24,005	12,366
Compensated absences		-	422,429	406,628	(338,629)	490,428	26,180
Other postemployment benefit obligation		-	1,387,190	282,976	(20,544)	1,649,622	-
Net pension liability		-	2,006,970	1,392,227	-	3,399,197	-
Totals		\$ 11,643,127	\$ 14,586,589	\$ 2,109,958	\$ (793,295)	\$ 15,903,252	\$ 493,546

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
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	540,000	223,075	763,075
2021-2025	3,100,000	906,223	4,006,223
2023-2030	3,900,000	450,987	4,350,987
2030-2032	870,000	23,794	893,794
Totals	\$ 10,340,000	\$ 2,605,429	\$ 12,945,429

\$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.

Capital Lease

The City entered into a capital lease agreement for copiers in August 2015. The lease will be repaid over three years at an interest rate of 1.50%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 are as follows:

Year ending September 30:	Minimum Obligation
2016	\$ 12,551
2017	11,814
Total minimum lease payments	24,365
Less: amount representing interest	(360)
	\$ 24,005

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

F. LONG-TERM OBLIGATIONS (continued)

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2014	Issued	Retired	Amounts Outstanding September 30, 2015	Due Within One Year
2006 Utility Refund	4.88%	\$ 3,320,000	\$ 2,700,000	\$ -	\$ (190,000)	\$ 2,510,000	\$ 190,000
2008 Utility Revenue	1.00%	24,785,000	21,799,900	1,700,100	(610,000)	22,890,000	625,000
2010 Rev Refunding	1.00%	3,295,000	2,160,000	-	(405,000)	1,755,000	420,000
Total Bonds Payable		31,400,000	26,659,900	1,700,100	(1,205,000)	27,155,000	1,235,000
Capital lease payable		28,127	-	28,127	(4,122)	24,005	12,366
Compensated Absences			172,468	82,626	(82,627)	172,467	8,210
Other postemployment benefit obligation			1,387,190	282,976	(20,544)	1,649,622	-
Net pension liability			763,214	529,439	-	1,292,653	-
Totals		<u>\$ 31,428,127</u>	<u>\$ 28,982,772</u>	<u>\$ 2,623,268</u>	<u>\$ (1,312,293)</u>	<u>\$ 30,293,747</u>	<u>\$ 1,255,576</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
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	1,375,000	230,438	1,605,438
2020-2024	7,190,000	817,875	8,007,875
2025-2029	8,085,000	301,200	8,386,200
2029-2033	5,405,000	8,750	5,413,750
Totals	<u>\$ 27,155,000</u>	<u>\$ 2,557,456</u>	<u>\$ 29,712,456</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.

Capital Lease

The City entered into a capital lease agreement for copiers in August 2015. The lease will be repaid over three years at an interest rate of 1.50%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 are as follows:

Year ending September 30:	Minimum Obligation
2016	\$ 12,551
2017	11,814
Total minimum lease payments	24,365
Less: amount representing interest	(360)
	<u>\$ 24,005</u>

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

G. OPERATING LEASES

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"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmr.org.

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their treatment benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year	
	2014	2015
Employee deposit rate	7.00%	7.00%
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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

H. PENSION PLAN

2. Benefits Provided (continued)

Employees covered by benefit terms:

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Number of:	Plan Year	
	2014	2013
Inactive employees or beneficiaries currently receiving benefits	80	75
Inactive employees entitled to but not yet receiving benefits	78	74
Active employees	145	143
Total	303	292

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.80% and 16.17% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$1,071,652 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2014, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00%
Overall payroll growth	3.50% to 12.00% including inflation
Investment rate of Return	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 96%. The rates are projected on a fully generational basis of scale BB to account for future mortality improvement. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income. In order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

H. PENSION PLAN

4. Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are determined for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.10%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
	100.0%	

Discount Rate

The discount rate used to measure the TPL was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption	1% Increase 8.00%
\$ 9,574,525	\$ 4,787,602	\$ 916,167

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

H. PENSION PLAN (continued)

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$921,478.

At September 30, 2015, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ -	\$ 152,183
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	239,006	-
Contributions subsequent to the measurement date of December 31, 2014	769,218	-
	<u>\$ 1,008,224</u>	<u>\$ 152,183</u>

\$769,218 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:

December 31	
2015	\$ 15,171
2016	15,171
2017	15,171
2018	41,310
2019	-
Thereafter	-
Total	<u>\$ 86,823</u>

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.

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 2015, 2014, and 2013 were \$12,085, \$11,564, and \$10,764, respectively, which equaled the required contributions each year.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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:

- a. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
- b. 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
- c. 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.

	Plan Year	
	10/1/2014	10/1/2013
As of September 30, 2015, group plan membership consisted of:		
Retirees receiving benefits paid by the City	3	3
Retirees receiving benefits paid by themselves	2	2
Active employees	145	145
Total	<u>150</u>	<u>150</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 \$426 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, 2015

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:

	Plan Year
	<u>10/1/2014</u>
Annual Required Contribution	\$ 462,629
Interest on net OPEB asset	78,028
Amortization to Prior Year OPEB obligation	<u>(114,794)</u>
Annual Required Contribution	425,863
Contributions made	<u>(56,241)</u>
Increase in net OPEB obligation	369,622
Net OPEB Obligation - 10/1/2014	<u>1,950,701</u>
Net OPEB Obligation - 9/30/2015	<u>\$ 2,320,323</u>

This includes the component unit net OPEB obligations at fiscal year end of \$36,995.

The following table shows the assumed annual OPEB cost and net OPEB obligation for the prior three years (4% discount):

Fiscal Year Ended	<u>9/30/15</u>	<u>9/30/14</u>	<u>9/30/13</u>
Discount rate	4.0%	4.0%	4.0%
Annual OPEB Cost	\$ 425,863	\$ 369,448	\$ 369,448
Percentage of Annual OPEB Cost Contributed	13.21%	18.94%	18.94%
Net OPEB Obligation	\$ 2,320,323	\$ 1,950,701	\$ 1,950,701

5. Funding Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2.3 million, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$5.6 million, and the ratio of the UAAL to the covered payroll was 55.93%.

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.

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, 2014 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, 2015 was 28 years.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

J. FIREMENT'S RELIEF PENSION FUND

The City funds 100% of the required contributions for the Firemen's Pension Fund on behalf of the volunteer firefighters who have elected to become members. Certain qualifications must be met in order to receive the benefit. Upon retirement or qualifications for benefits, a retiree is entitled to receive \$300 per year (beneficiaries receive \$200 annually). Currently, there are five retirees and six beneficiaries receiving this benefit from the State Fireman's Pension Fund. This fund expensed \$925 in the current fiscal year for retirement benefits.

K. HEALTH CARE COVERAGE

During the year ended September 30, 2015, employees of the City were covered by a health and dental insurance plan. The City contributed \$411 per month per employee for employee coverage and \$333 (50% of the cost) for dependent's health insurance. The City contributed \$28 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.

L. 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 2014-2015.

M. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

N. 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	2,263,826,000
Gallons Billed	2,155,511,430

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 \$536,207. There was a slight increase in cost of water purchased of \$16,656, or 3%, over the previous year.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

O. TRANSFERS

Transfers between funds during the year were as follows:

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 336,771
Street Fund	-	18,154
Other Governmental Funds	-	296,050
	<u>\$ -</u>	<u>\$ 650,975</u>
Utility	901,122	-
Airport	75,000	-
Civic Center	#VALUE!	325,147
	<u>#VALUE!</u>	<u>\$ 325,147</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.

P. PRIOR PERIOD ADJUSTMENTS

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

Governmental:	
To record net pension liability beginning balance	<u>\$ (1,456,004)</u>
Business-type:	
To record net pension liability beginning balance	\$ (553,692)
To adjust prior year construction in process	<u>(338,695)</u>
	<u>\$ (892,387)</u>

Q. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2015 up through March 28, 2016, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

R. 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, 2015 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 2,298,316</u>
Savings and checking accounts	\$ 124,156
Investment Pools	<u>2,174,160</u>
Total cash and cash equivalents	<u>\$ 2,298,316</u>

Investments

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

Currently all of the IDC's investments are with 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, 2015, 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	\$ 1,418,476	41	N/A	AAA-m
LOGIC	755,684	46	N/A	AAA-m
	<u>\$ 2,174,160</u>			

As of September 30, 2015, 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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

R. MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION

1. Deposits and Investments (continued)

Custodial Credit Risk

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

As of September 30, 2014, the IDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

2. Receivables

The IDC had only one account receivable at the end of the fiscal year end representing sales tax owed from the City in the amount of \$216,645. No allowance for uncollectible is recorded.

3. Capital Assets

Capital asset activity for the period ended September 30, 2015 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 1,628,156	\$ -	\$ -	\$ -	\$ 1,628,156
Construction in progress	375,878	(1,632,316)	1,256,438	-	-
Total capital assets, not being depreciated:	1,628,156	(1,632,316)	1,256,438	-	1,628,156
Capital assets, being depreciated:					
Buildings	-	1,632,316	-	-	1,632,316
Improvements	1,718,691	-	-	-	1,718,691
Infrastructure	2,499,327	-	-	-	2,499,327
Total capital assets being depreciated:	4,218,018	1,632,316	-	-	5,850,334
Less accumulated depreciation for:					
Buildings	-	-	(99)	-	(99)
Improvements	(593,797)	-	(85,935)	-	(679,732)
Infrastructure	(393,501)	-	(49,987)	-	(443,488)
Total accumulated depreciation	(987,298)	-	(136,021)	-	(1,123,319)
Total capital assets, being depreciated, net	3,230,720	1,632,316	(136,021)	-	4,727,015
Governmental activities capital assets, net	\$ 4,858,876	\$ -	\$ 1,120,417	\$ -	\$ 6,355,171

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

R. MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION

4. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2015, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2015	Due Within One Year
			September 30, 2014	Issued			
2012 IDC Taxable	5.2%	\$ 1,175,500	\$ 1,042,012	\$ -	\$ (78,237)	\$ 963,775	\$ 75,949
2012 IDC NonTaxable	3.4%	2,076,835	1,814,178	-	(138,318)	1,675,860	143,128
Total Notes Payable		3,252,335	2,856,190	-	(216,555)	2,639,635	219,077
Net Pension Liability			56,534	39,218	-	95,752	-
Compensated Absence			19,991	8,454	(7,170)	21,275	-
Other postemployment oblig			51,780	-	-	51,780	-
		<u>\$ 3,252,335</u>	<u>\$ 2,984,495</u>	<u>\$ 47,672</u>	<u>\$ (223,725)</u>	<u>\$ 2,808,442</u>	<u>\$ 219,077</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
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	278,724	151,107	429,831
2021-2025	856,808	604,428	1,461,236
2026-2029	572,307	453,318	1,025,625
Totals	<u>\$ 2,639,635</u>	<u>\$ 1,566,936</u>	<u>\$ 4,206,571</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.

5. Pension Plan

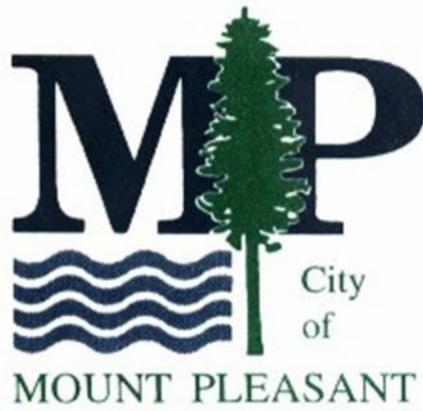
IDC employees are covered by the same TMRS plan as the City employees. See Note H for details of the plan.

\$23,619 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

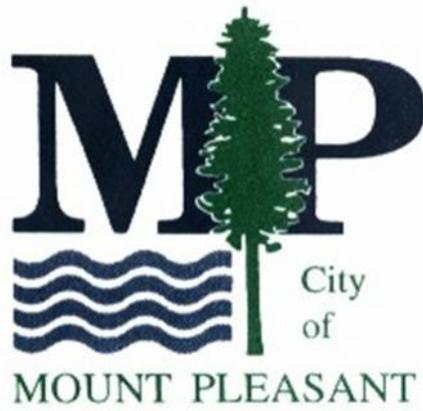
For the year ended September 30, 2015, the City recognized pension expense of \$18,806.

6. Prior Period Adjustment

The IDC had one prior period adjustment of (\$41,014) to record the beginning balance of net pension liability as required by GASB Statement No. 68.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	Actuarial Accrued Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll
2014	12/31/2013	\$ 22,071,339	\$ 28,183,567	\$ 6,112,228	78.3%	\$ 6,133,792	99.6%
2015	12/31/2014	24,372,372	30,144,451	5,772,079	80.9%	6,360,582	90.7%

**SCHEDULE OF CONTRIBUTIONS
 LAST TWO FISCAL YEARS (UNAUDITED)**

	<u>12/31/2014</u>	<u>12/31/2013</u>
Actuarially determined contribution	\$ 1,016,421	\$ 1,018,823
Contributions in relation to the actuarially determined contribution	\$ 1,016,421	\$ 1,018,823
Contributions deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 6,360,582	\$ 6,133,792
Contributions as a percentage of covered employee payroll	15.98%	16.61%

Note: Years will continue to be added until there are 10 years for comparison.

**CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	<u>12/31/2014</u>
Total pension liability	
Service cost	\$ 1,011,813
Interest (on the Total Pension Liability)	1,979,099
Changes of benefit terms	-
Difference between expected and actual experience	(196,764)
Change of assumptions	-
Benefit payments, including refund of employee contributions	(833,264)
Net Change in Total Pension Liability	<u>1,960,884</u>
Total Pension Liability - Beginning	<u>28,183,567</u>
Total Pension Liability - Ending (a)	<u><u>\$ 30,144,451</u></u>
 Plan Fiduciary Net Position	
Contributions - employers	\$ 1,056,491
Contributions - employees	445,241
Net investment income	1,336,903
Benefit payments, including refund of employee contributions	(833,264)
Administrative expense	(13,956)
Other	(1,147)
Net Change in Plan Fiduciary Net Position	<u>1,990,268</u>
Plan Fiduciary Net Position - Beginning	<u>23,366,581</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 25,356,849</u></u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 4,787,602</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.12%
Covered Employee Payroll	\$ 6,360,582
Net Pension Liability as a Percentage of Covered Employee Payroll	75.27%

Notes to Schedule:

N/A

Note: Years will continue to be added until there are 10 years for comparison.

**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

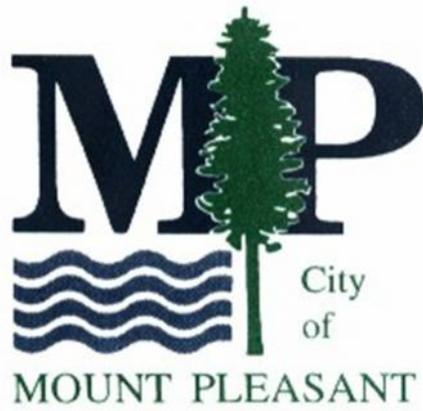
**OTHER POST-EMPLOYMENT BENEFITS PLAN - ANALYSIS OF FUNDING PROGRESS
 LAST SEVEN FISCAL YEARS (UNAUDITED)**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability-Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
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%
2015	10/1/2014	3,164,384	3,164,384	0.0%	5,657,617 *	55.9%

ANNUAL REQUIRED CONTRIBUTION (ARC)

Actuarial Valuation Date	<u>10/1/2014</u>
Service Cost	\$ 277,687
Unfunded Actuarial Accrued Liability Amortization	184,942
Annual Required Contributions	<u><u>\$ 462,629</u></u>

* 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, 2015**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Funds</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>Police Funds</u>
ASSETS								
Cash and investments:								
Unrestricted	\$ 553,139	\$ -	\$ -	\$ 131,110	\$ -	\$ 2,716	\$ -	\$ 17,801
Restricted	-	4,415	16,802	-	222,154	-	188,361	3,963
Receivables, net of allowance for uncollectibles:	-	-	-	-	-	-	37,148	-
Total assets	<u>553,139</u>	<u>4,415</u>	<u>16,802</u>	<u>131,110</u>	<u>222,154</u>	<u>2,716</u>	<u>225,509</u>	<u>21,764</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	3,940	-	-	91,981	-	-	40,210	11,117
Accrued interest payable	-	135,301	-	-	-	-	-	-
Total liabilities	<u>3,940</u>	<u>135,301</u>	<u>-</u>	<u>91,981</u>	<u>-</u>	<u>-</u>	<u>40,210</u>	<u>11,117</u>
FUND BALANCES								
Restricted for:								
Community improvements	-	-	-	-	-	-	-	-
Cemetery	-	-	16,802	-	-	-	-	-
Hotel/Motel	-	-	-	-	-	-	185,299	-
Development	-	-	-	-	222,154	-	-	-
Library	-	-	-	-	-	-	-	-
Assigned to:								
Capital projects	549,199	-	-	-	-	-	-	-
Community improvements	-	-	-	-	-	-	-	-
Public safety	-	-	-	39,129	-	-	-	10,647
Parks	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	2,716	-	-
Unassigned	-	(130,886)	-	-	-	-	-	-
Total Fund Balances	<u>549,199</u>	<u>(130,886)</u>	<u>16,802</u>	<u>39,129</u>	<u>222,154</u>	<u>2,716</u>	<u>185,299</u>	<u>10,647</u>
Total Liabilities and Fund Balances	<u>\$ 553,139</u>	<u>\$ 4,415</u>	<u>\$ 16,802</u>	<u>\$ 131,110</u>	<u>\$ 222,154</u>	<u>\$ 2,716</u>	<u>\$ 225,509</u>	<u>\$ 21,764</u>

**CITY OF MOUNT PLEASANT, TEXAS
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 SEPTEMBER 30, 2015**

<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
\$ 91,356	\$ 13,487	\$ -	\$ -	\$ 296,061	\$ 100,285	\$ 1,205,955
-	10,000	-	-	-	82,868	528,563
-	-	-	-	-	-	37,148
<u>91,356</u>	<u>23,487</u>	<u>-</u>	<u>-</u>	<u>296,061</u>	<u>183,153</u>	<u>1,771,666</u>
-	601	-	-	-	-	147,849
-	-	-	-	-	-	135,301
<u>-</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,150</u>
-	-	-	-	-	82,868	82,868
-	-	-	-	-	-	16,802
-	-	-	-	-	-	185,299
-	-	-	-	-	-	222,154
-	10,000	-	-	-	-	10,000
-	-	-	-	-	-	549,199
-	-	-	-	296,061	100,285	396,346
-	-	-	-	-	-	49,776
91,356	-	-	-	-	-	91,356
-	12,886	-	-	-	-	15,602
-	-	-	-	-	-	(130,886)
<u>91,356</u>	<u>22,886</u>	<u>-</u>	<u>-</u>	<u>296,061</u>	<u>183,153</u>	<u>1,488,516</u>
<u>\$ 91,356</u>	<u>\$ 23,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,061</u>	<u>\$ 183,153</u>	<u>\$ 1,771,666</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, 2015**

	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Funds	Rural Development Fund	Hobbs Fund	Hotel/Tourism Funds	Police Funds
REVENUE								
Taxes:								
Property	\$ -	\$ 256,441	\$ 26,587	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	534,656	-
Franchise	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	10,600	17,800
Intergovernmental revenues	173,136	-	-	-	-	-	-	55,530
Investment income	508	62	-	104	160	-	-	-
Miscellaneous	1,100	2,173	13,806	23,086	-	-	4,636	-
Total revenues	174,744	258,676	40,393	23,190	160	-	549,892	73,330
EXPENDITURES								
Current:								
General government	-	750	-	-	-	-	222,132	-
Police	-	-	-	35,678	-	-	-	56,179
Parks and recreation	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	3,600	-	-
Public services and operations	-	-	26,151	-	-	-	-	-
Debt service:								
Principal retirement	-	120,000	-	-	-	-	-	-
Interest	-	133,888	-	-	-	-	-	-
Capital outlays	358,047	-	-	5,057	-	-	-	-
Total expenditures	358,047	254,638	26,151	40,735	-	3,600	222,132	56,179
Excess (deficiency) of revenues over (under) expenditures	(183,303)	4,038	14,242	(17,545)	160	(3,600)	327,760	17,151
Other Revenues and Financing Sources (Uses)								
Transfers	435,661	-	-	(8,400)	-	-	(330,147)	(1,989)
Total Other Financing Sources (Uses)	435,661	-	-	(8,400)	-	-	(330,147)	(1,989)
Net Change in Fund Balances	252,358	4,038	14,242	(25,945)	160	(3,600)	(2,387)	15,162
Fund Balances, October 1	296,841	(134,924)	2,560	65,074	221,994	6,316	187,686	(4,515)
Fund Balances, September 30	\$ 549,199	\$ (130,886)	\$ 16,802	\$ 39,129	\$ 222,154	\$ 2,716	\$ 185,299	\$ 10,647

**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, 2015**

	<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
REVENUE							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,028
Hotel	-	-	-	-	-	-	534,656
Franchise	-	-	-	-	-	25,770	25,770
Donations	-	4,876	-	-	-	-	33,276
Intergovernmental revenues	-	-	-	-	-	-	228,666
Investment income	-	-	-	-	-	106	940
Miscellaneous	-	20,972	-	-	-	-	65,773
Total revenues	<u>-</u>	<u>25,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,876</u>	<u>1,172,109</u>
EXPENDITURES							
Current:	-	-	-	-	-	-	-
General government	-	-	-	-	1,029	-	223,911
Police	-	-	-	-	-	-	91,857
Parks and recreation	15,286	-	-	-	-	-	15,286
Libraries	-	17,424	-	-	-	-	21,024
Public services and operations	-	-	-	-	-	-	26,151
Debt service:							
Principal retirement	-	-	-	-	-	-	120,000
Interest	-	-	-	-	-	-	133,888
Capital outlays	96,145	1,086	-	-	12,357	-	472,692
Total expenditures	<u>111,431</u>	<u>18,510</u>	<u>-</u>	<u>-</u>	<u>13,386</u>	<u>-</u>	<u>1,104,809</u>
Excess (deficiency) of revenues over (under) expenditures	(111,431)	7,338	-	-	(13,386)	25,876	67,300
Other Revenues and Financing Sources (Uses)							
Transfers	-	-	-	-	200,000	-	295,125
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>295,125</u>
Net Change in Fund Balances	(111,431)	7,338	-	-	186,614	25,876	362,425
Fund Balances, October 1	202,787	15,548	-	-	109,447	157,277	1,126,091
Fund Balances, September 30	<u>\$ 91,356</u>	<u>\$ 22,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,061</u>	<u>\$ 183,153</u>	<u>\$ 1,488,516</u>

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 252,700	\$ 252,700	\$ 256,442	\$ 3,742
Miscellaneous	1,540	1,540	2,234	694
Total Revenues	<u>254,240</u>	<u>254,240</u>	<u>258,676</u>	<u>4,436</u>
EXPENDITURES				
General Government	750	750	750	-
Debt service:				
Principal retirement	120,000	120,000	120,000	-
Interest	133,888	133,888	133,888	-
Total Expenditures	<u>254,638</u>	<u>254,638</u>	<u>254,638</u>	<u>-</u>
Net Change in Fund Balances	(398)	(398)	4,038	4,436
Fund Balance, October 1	(134,924)	(134,924)	(134,924)	
Fund Balance, September 30	<u>\$ (135,322)</u>	<u>\$ (135,322)</u>	<u>\$ (130,886)</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - STREET FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Taxes:				
Franchise	\$ 1,245,000	\$ 1,245,000	\$ 1,255,336	\$ 10,336
Royalties	382,160	382,160	388,322	6,162
Investment income	3,000	3,000	4,062	1,062
Miscellaneous	5,000	5,000	4,237	(763)
Total Revenues	<u>1,635,160</u>	<u>1,635,160</u>	<u>1,651,957</u>	<u>16,797</u>
EXPENDITURES				
Current:				
Public works	1,256,180	1,257,350	1,109,445	147,905
Capital outlays	2,477,144	2,477,144	848,933	1,628,211
Debt service:				
Principal retirement	310,000	310,000	310,000	-
Interest	143,313	143,313	143,313	-
Total Expenditures	<u>4,186,637</u>	<u>4,187,807</u>	<u>2,411,691</u>	<u>1,776,116</u>
Excess (deficiency) of revenues (under) expenditures	(2,551,477)	(2,552,647)	(759,734)	1,792,913
Other Financing Sources (uses)				
Transfers	545,140	545,140	18,154	(526,986)
Sale of Assets	-	-	221,950	221,950
Total Other Financing Sources (uses)	<u>545,140</u>	<u>545,140</u>	<u>240,104</u>	<u>(305,036)</u>
Net Change in Fund Balances	(2,006,337)	(2,007,507)	(519,630)	1,487,877
Fund Balance, October 1	5,076,310	5,076,310	5,076,310	
Fund Balance, September 30	<u>\$ 3,069,973</u>	<u>\$ 3,068,803</u>	<u>\$ 4,556,680</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 BALANCE SHEET
 MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2015**

	IDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,298,316
Receivables, net of allowance for uncollectibles	216,645
Total Assets	<u>2,514,961</u>
Liabilities	
Accounts payable	7,506
Accrued expenses	5,559
Total Liabilities	<u>13,065</u>
Fund Balances	
Unassigned	2,501,896
Total Fund Balances	<u>2,501,896</u>
Total Liabilities and Fund Balances	<u>\$ 2,514,961</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, 2015**

Total fund balances - governmental funds balance sheet	\$ 2,501,896
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.	7,478,490
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,123,319)
Accrued liabilities for OPEB and net pension obligations have not been included in the fund financial statements.	(147,532)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	59,551
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>(2,639,635)</u>
Net assets of governmental activities - statement of net position	<u><u>\$ 6,108,176</u></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, 2015**

	IDC Operating Fund
REVENUE	
Sales taxes	\$ 1,308,778
Miscellaneous	183
Investment income	2,217
Total Revenues	<u>1,311,178</u>
EXPENDITURES	
Current:	
Economic development	502,104
Capital outlay	1,256,438
Debt service:	
Principal retirement	216,555
Interest	105,915
Total Expenditures	<u>2,081,012</u>
Net change in fund balance	(769,834)
Fund Balance, October 1	3,271,730
Fund Balance, September 30	<u>\$ 2,501,896</u>

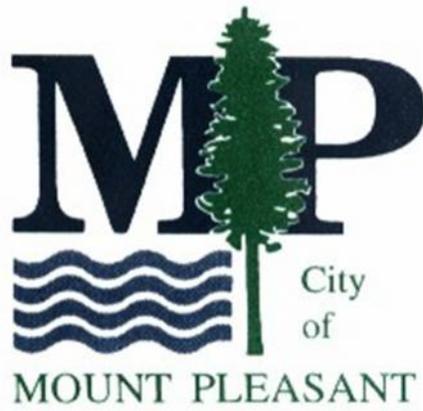
**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	\$ (769,834)
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.	(136,021)
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.	1,256,438
Current year changes in long-term liability for pension and OPEB do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(2,579)
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.	216,555
Change in net position - statement of activities	<u>\$ 564,559</u>

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 1,238,396	\$ 1,238,396	\$ 1,308,778	\$ 70,382
Miscellaneous	-	-	183	183
Investment Income	1,500	1,500	2,217	717
Total Revenues	<u>1,239,896</u>	<u>1,239,896</u>	<u>1,311,178</u>	<u>71,282</u>
EXPENDITURES				
Current:				
Economic Development	1,720,354	1,720,354	502,104	1,218,250
Capital Outlays	1,229,995	1,229,995	1,256,438	(26,443)
Debt Service:				
Principal Retirement	204,936	204,936	216,555	(11,619)
Interest	111,012	111,012	105,915	5,097
Total Expenditures	<u>3,266,297</u>	<u>3,266,297</u>	<u>2,081,012</u>	<u>1,185,285</u>
Net Change in Fund Balance	(2,026,401)	(2,026,401)	(769,834)	1,256,567
Fund Balance, October 1	<u>3,271,730</u>	<u>3,271,730</u>	<u>3,271,730</u>	
Fund Balance, September 30	<u>\$ 1,245,329</u>	<u>\$ 1,245,329</u>	<u>\$ 2,501,896</u>	

STATISTICAL SECTION (UNAUDITED)

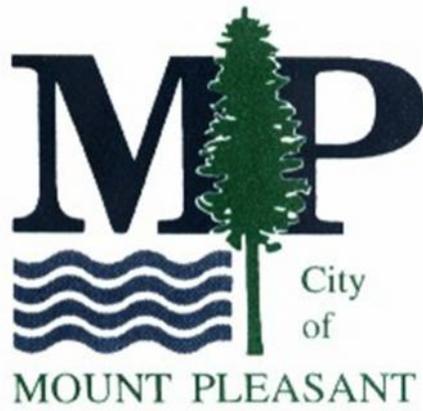


STATISTICAL SECTION (unaudited)

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)

Table 1

	FISCAL YEAR				
	2006	2007	2008	2009	2010
Governmental activities:					
Net investment in capital assets	\$ 15,346	\$ 17,881	\$ 18,876	\$ 19,226	\$ 20,682
Restricted	163	179	180	145	496
Unrestricted	8,924	8,934	8,877	1,722	83
Total governmental activities net position	<u>24,433</u>	<u>26,994</u>	<u>27,933</u>	<u>21,093</u>	<u>21,261</u>
Business-type activities:					
Net investment in capital assets	24,488	19,811	22,735	31,122	31,779
Restricted	273	818	4,677	4,001	566
Unrestricted	3,416	10,813	8,234	173	5,194
Total business-type activities net position	<u>28,177</u>	<u>31,442</u>	<u>35,646</u>	<u>35,296</u>	<u>37,539</u>
Primary government:					
Net investment in capital assets	39,834	37,692	41,611	50,348	52,461
Restricted	436	997	4,857	4,146	1,062
Unrestricted	12,340	19,747	17,111	1,895	5,277
Total primary government net position	<u>\$ 52,610</u>	<u>\$ 58,436</u>	<u>\$ 63,579</u>	<u>\$ 56,389</u>	<u>\$ 58,800</u>

	FISCAL YEAR				
	2011	2012	2013	2014	2015
Governmental activities:					
Net investment in capital assets	\$ 21,209	\$ 19,274	\$ 21,730	\$ 18,382	\$ 18,343
Restricted	442	543	1,477	851	1,553
Unrestricted	(888)	2,782	2,695	3,603	2,062
Total governmental activities net position	<u>20,763</u>	<u>22,599</u>	<u>25,902</u>	<u>22,836</u>	<u>21,958</u>
Business-type activities:					
Net investment in capital assets	37,381	38,655	39,616	42,881	41,898
Restricted	1,375	1,375	2,028	1,928	2,125
Unrestricted	2,156	3,523	3,578	1,493	1,286
Total business-type activities net position	<u>40,912</u>	<u>43,553</u>	<u>45,222</u>	<u>46,302</u>	<u>45,309</u>
Primary government:					
Net investment in capital assets	58,590	57,929	61,346	61,263	60,241
Restricted	1,817	1,918	3,505	2,779	3,678
Unrestricted	1,268	6,305	6,273	5,096	3,348
Total primary government net position	<u>\$ 61,675</u>	<u>\$ 66,152</u>	<u>\$ 71,124</u>	<u>\$ 69,138</u>	<u>\$ 67,267</u>

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

	FISCAL YEAR				
	2006	2007	2008	2009	2010
EXPENSES					
Governmental activities:					
General government	\$ 1,090,369	\$ 1,283,198	\$ 1,280,245	\$ 1,346,187	\$ 1,419,361
Public Safety	3,685,427	4,052,324	4,424,296	5,154,158	5,528,736
Development	600,734	388,354	858,365	449,828	-
Public Services	2,673,993	2,661,479	2,817,683	400,319	550,832
Parks and Recreation	369,974	736,348	600,649	661,703	645,176
Public Works	1,396,038	1,466,573	2,398,964	1,690,435	1,888,613
Library	227,497	300,073	276,983	318,521	317,184
Other	-	18,010	53,199	-	-
Interest and Agent Fees	37,798	31,259	26,815	214,731	14,278
Unallocated Depreciation	782,878	-	-	-	-
Total governmental activities expenses	<u>10,864,708</u>	<u>10,937,618</u>	<u>12,737,199</u>	<u>10,235,882</u>	<u>10,364,180</u>
Business-type activities:					
Water and Sewer	5,172,294	5,307,797	5,949,711	7,427,555	7,712,928
Airport Fund	992,446	1,178,710	1,329,657	925,797	1,058,856
Civic Center	200,967	263,134	298,228	304,972	332,033
Total business-type activities expenses	<u>6,365,707</u>	<u>6,749,641</u>	<u>7,577,596</u>	<u>8,658,324</u>	<u>9,103,817</u>
Total primary government expenses	<u>17,230,415</u>	<u>17,687,259</u>	<u>20,314,795</u>	<u>18,894,206</u>	<u>19,467,997</u>
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	-	-	-	-	-
Public Safety	-	-	-	773,541	1,096,930
Public Services	1,174,394	839,664	358,054	18,507	21,799
Public Works	2,154,773	2,285,018	2,439,669	124,595	111,243
Parks and Recreation	34,512	36,781	48,378	39,970	46,975
Library	4,865	5,361	7,434	7,418	6,380
Other	329,141	345,214	320,988	-	-
Capital grants and contributions	50,415	982,291	-	17,709	90,680
Operating grants and contributions	28,769	38,551	35,986	20,434	11,434
Total governmental activities program revenues	<u>3,776,869</u>	<u>4,532,880</u>	<u>3,210,509</u>	<u>1,002,174</u>	<u>1,385,441</u>
Business-type activities:					
Charge for services:					
Water and Sewer	7,153,561	7,504,058	7,633,306	9,529,053	10,920,944
Airport Fund	945,575	1,027,580	1,128,997	573,912	738,353
Civic Center	66,210	72,162	81,239	72,089	67,397
Operating grants and contributions	-	-	-	12,419	5,134
Capital grants and contributions	29,860	324,814	3,192,494	-	79,516
Total business-type activities program services	<u>8,195,206</u>	<u>8,928,614</u>	<u>12,036,036</u>	<u>10,187,473</u>	<u>11,811,344</u>
Total primary government program revenues	<u>11,972,075</u>	<u>13,461,494</u>	<u>15,246,545</u>	<u>11,189,647</u>	<u>13,196,785</u>
NET (EXPENSE)/REVENUE					
Governmental activities	(7,087,839)	(6,404,738)	(9,526,690)	(9,233,708)	(8,978,739)
Business-type activities	1,829,499	2,178,973	4,458,440	1,529,149	2,707,527
Total primary government program net expenses	<u>\$ (5,258,340)</u>	<u>\$ (4,225,765)</u>	<u>\$ (5,068,250)</u>	<u>\$ (7,704,559)</u>	<u>\$ (6,271,212)</u>

Table 2

FISCAL YEAR				
2011	2012	2013	2014	2015
\$ 1,580,066	\$ 710,022	\$ 1,005,623	\$ 1,035,616	\$ 1,710,938
5,542,704	5,454,951	5,949,251	5,918,178	5,883,502
-	-	-	-	-
560,268	589,987	644,860	711,463	562,802
589,451	636,896	635,751	699,388	648,588
1,712,499	2,027,932	1,986,283	5,366,980	1,740,343
345,792	429,421	789,171	562,332	564,061
-	-	-	-	-
140,926	191,196	193,767	278,887	277,200
-	-	-	-	-
<u>10,471,706</u>	<u>10,040,405</u>	<u>11,204,706</u>	<u>14,572,844</u>	<u>11,387,434</u>
7,892,475	7,814,169	7,967,467	8,637,099	8,687,052
1,254,857	1,417,079	1,448,971	1,426,482	1,392,013
352,766	335,127	390,400	501,263	527,404
<u>9,500,098</u>	<u>9,566,375</u>	<u>9,806,838</u>	<u>10,564,844</u>	<u>10,606,469</u>
<u>19,971,804</u>	<u>19,606,780</u>	<u>21,011,544</u>	<u>25,137,688</u>	<u>21,993,903</u>
5,900	96,024	20,240	27,081	25,770
822,194	742,336	640,974	851,275	1,007,322
19,086	23,164	26,731	49,334	37,142
109,390	130,850	127,103	147,847	166,749
57,973	56,012	54,941	50,167	54,339
5,858	5,856	7,722	8,492	6,604
-	-	-	-	-
42,939	-	115,798	35,000	173,136
44,016	127,092	455,778	551,299	578,337
<u>1,107,356</u>	<u>1,181,334</u>	<u>1,449,287</u>	<u>1,720,495</u>	<u>2,049,399</u>
10,727,984	11,352,828	11,137,004	9,838,779	10,004,701
805,360	890,522	1,033,470	968,808	898,846
77,367	69,904	97,670	102,401	79,515
3,451	6,799	2,497	15,432	22,336
1,521,436	259,637	670,989	1,264,583	-
<u>13,135,598</u>	<u>12,579,690</u>	<u>12,941,630</u>	<u>12,190,003</u>	<u>11,005,398</u>
<u>14,242,954</u>	<u>13,761,024</u>	<u>14,390,917</u>	<u>13,910,498</u>	<u>13,054,797</u>
(9,364,350)	(8,859,071)	(9,755,419)	(12,852,349)	(9,338,035)
3,635,500	3,013,315	3,134,792	1,625,159	398,929
<u>\$ (5,728,850)</u>	<u>\$ (5,845,756)</u>	<u>\$ (6,620,627)</u>	<u>\$ (11,227,190)</u>	<u>\$ (8,939,106)</u>

(continued)

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

	FISCAL YEAR					
	2006	2007	2008	2009	2010	2011
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION						
Governmental activities:						
Taxes:						
Property	\$ 2,081,762	\$ 2,106,528	\$ 2,329,224	\$ 2,434,536	\$ 2,599,962	\$ 2,510,012
Sales	3,871,773	4,186,940	4,246,476	4,925,639	3,377,527	3,241,174
Non-property	736,044	789,919	871,223	543,610	333,761	343,781
Franchise	1,312,937	1,445,317	1,337,432	1,289,741	1,324,057	1,265,651
Investment Income	464,326	463,537	282,970	75,320	17,323	18,453
Intragovernmental	136,687	46,093	120,536	299,460	-	-
Donations	21,000	-	-	1,950	-	-
Miscellaneous	123,648	91,443	124,488	706,811	88,359	150,080
Contractual Income	382,293	372,959	376,630	322,898	393,733	398,190
Royalties	-	-	-	-	332,918	346,002
Sale of Assets	(5,257)	12,063	136,844	11,035	35,838	-
Transfers	75,819	(549,075)	393,911	205,260	541,348	592,655
Total governmental activities	<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>	<u>8,865,998</u>
Business-type activities:						
Investment Income	109,053	280,799	262,560	94,341	21,041	17,113
Donations	1,835	1,550	1,450	-	-	-
Miscellaneous	55,252	228,754	103,212	126,610	83,327	65,707
Extraordinary Income	462,809	-	-	-	-	-
Intragovernmental Revenue	-	-	-	-	25,000	248,000
Sale of Assets	-	26,117	56,247	1,529	6,702	-
Transfers	(75,819)	549,075	(393,911)	(205,260)	(541,348)	(592,655)
Total business-type activities	<u>553,130</u>	<u>1,086,295</u>	<u>29,558</u>	<u>17,220</u>	<u>(405,278)</u>	<u>(261,835)</u>
Total primary government	<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>	<u>8,604,163</u>
CHANGE IN NET POSITION						
Governmental activities	2,113,193	2,560,986	693,044	1,582,552	66,087	(498,352)
Business-type activities	2,382,629	3,265,268	4,487,998	1,546,369	2,302,249	3,373,665
	<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>	<u>\$ 2,875,313</u>

Table 2
(continued)

FISCAL YEAR			
2012	2013	2014	2015
\$ 2,534,546	\$ 2,521,965	\$ 2,825,580	\$ 2,960,832
3,439,300	3,506,284	3,751,025	3,926,335
572,785	520,940	574,896	568,608
1,231,092	1,229,627	1,269,554	1,255,336
10,738	22,489	8,892	8,286
-	-	-	-
-	-	-	-
170,200	128,022	137,542	157,458
407,160	-	-	-
379,497	382,347	380,154	388,322
-	-	-	-
488,437	843,608	839,197	650,975
<u>9,233,755</u>	<u>9,155,282</u>	<u>9,786,840</u>	<u>9,916,152</u>
19,112	13,394	8,058	6,514
-	-	-	-
54,636	77,738	285,030	145,916
-	-	-	-
-	-	-	-
-	-	-	-
<u>(488,437)</u>	<u>(843,608)</u>	<u>(839,197)</u>	<u>(650,975)</u>
<u>(414,689)</u>	<u>(752,476)</u>	<u>(546,109)</u>	<u>(498,545)</u>
<u>8,819,066</u>	<u>8,402,806</u>	<u>9,240,731</u>	<u>9,417,607</u>
374,684	(600,137)	(3,065,509)	578,117
2,598,626	2,382,316	1,079,050	(99,616)
<u>\$ 2,973,310</u>	<u>\$ 1,782,179</u>	<u>\$ (1,986,459)</u>	<u>\$ 478,501</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
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
2015	2,960,832	3,926,335	1,255,336	568,608	8,711,111

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
(Accrual basis of accounting)

Table 4

	FISCAL YEAR				
	2006	2007	2008	2009	2010
General Fund					
Nonspendable-prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 113,827
Restricted					
Court use	-	-	-	101,778	133,765
Unassigned	3,903,590	3,929,646	3,331,839	2,921,056	2,299,481
Total General Fund	3,903,590	3,929,646	3,331,839	3,022,834	2,547,073

All other governmental funds					
Restricted for:					
Debt Service	1,746,840	604,274	-	-	28,040
Capital projects	413,584	(70,852)	-	42,958	4,458,789
Assigned to:					
Public Safety	5,231	5,231	-	-	-
Capital projects	1,517,896	2,874,441	3,503,803	3,641,851	897,707
Other	185,201	260,653	434,084	156,688	-
Unassigned	1,665,486	1,316,608	2,048,894	2,356,786	3,180,482
Total all other governmental funds	\$ 5,534,238	\$ 4,990,355	\$ 5,986,781	\$ 6,198,283	\$ 8,565,018

	FISCAL YEAR				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable-prepaid items	\$ 26,853	\$ 20,233	\$ 15,241	\$ 7,202	\$ 23,253
Restricted					
Court use	150,827	139,736	182,868	115,753	143,626
Debt Service	-	-	790,691	168,520	803,085
Committed - Public Safety	-	-	-	-	16,551
Unassigned	2,087,125	2,323,844	1,427,882	2,164,685	1,928,156
Total General Fund	2,264,805	2,483,813	2,416,682	2,456,160	2,914,671

All other governmental funds					
Restricted for:					
Debt Service	9,603	-	-	-	-
Community Development	-	-	-	-	82,868
Cemetery	-	-	-	-	16,802
Hotel/Motel	92,501	177,899	151,067	187,686	185,299
Business Development	-	221,636	221,850	221,994	222,154
Capital projects	2,527,107	3,602	7,297,379	2,278,490	-
Library	-	-	-	-	10,000
Assigned to:					
Public Safety	189,162	146,115	103,004	67,380	49,776
Capital projects	3,345,688	3,599,623	2,920,571	3,251,938	5,105,879
Community Development	-	-	-	-	396,346
Library	-	36,190	26,393	21,864	15,602
Parks	-	-	235,886	202,787	91,356
Other	-	-	-	112,007	-
Unassigned	226,845	(53,431)	(106,717)	(134,924)	(130,886)
Total all other governmental funds	\$ 6,390,906	\$ 4,131,634	\$ 10,849,433	\$ 6,209,222	\$ 6,045,196

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

	FISCAL YEAR				
	2006	2007	2008	2009	2010
REVENUES					
Property taxes	\$ 2,081,762	\$ 2,106,528	\$ 2,329,225	\$ 2,235,914	\$ 2,645,678
Non-Property taxes	736,044	789,919	871,223	543,610	333,761
Sales tax	3,871,773	4,186,941	4,246,475	4,925,639	3,377,527
Franchise taxes	1,312,937	1,445,317	1,337,432	1,289,741	1,324,057
Fines and Forfeitures	5,915	7,911	8,934	780,959	1,103,310
Licenses and Permits	106,295	99,811	115,768	55,387	41,225
Charge for Services	3,191,433	3,057,660	2,689,823	127,685	138,792
Intergovernmental revenues-local & state	215,871	1,020,842	156,522	337,603	93,156
Grants	-	-	-	-	-
Donations	21,000	-	-	1,950	8,957
Contractual Income	382,293	372,959	376,630	322,898	393,733
Royalties	-	-	-	-	332,918
Investment Income	464,326	463,537	279,327	72,272	14,886
Miscellaneous	517,689	520,736	507,665	729,986	123,744
Total Revenues	12,907,338	14,072,161	12,919,024	11,423,644	9,931,744
EXPENDITURES					
General government	1,187,012	1,090,496	1,192,567	1,220,006	1,003,716
Public Safety	3,827,132	3,836,416	4,156,469	4,888,084	5,227,464
Public Works	2,263,354	1,538,019	2,049,886	2,658,388	1,370,795
Public Services and Operations	3,520,307	3,406,353	3,537,461	400,319	550,832
Parks and Recreation	77,561	-	260	577,867	570,569
Library	-	-	-	264,823	260,577
Economic Development	1,469,039	1,896,700	504,754	324,005	-
Capital Outlay	30,000	1,585,423	815,497	601,649	2,428,539
Debt Service					
Principal Retirement	572,178	475,009	556,896	590,909	190,000
Interest and other charges	288,402	270,652	243,600	216,257	8,764
Total Expenditures	13,234,985	14,099,068	13,057,390	11,742,307	11,611,256
OTHER FINANCING SOURCES (USES):					
Transfers	92,606	(502,983)	247,606	205,260	541,348
Debt Proceeds	-	-	-	-	4,500,000
Debt Issuance Costs	-	-	-	-	(42,210)
Sale of Assets	3,600	12,063	174,468	17,069	132,721
Total other financing sources (uses)	96,206	(490,920)	422,074	222,329	5,131,859
NET CHANGE IN FUND BALANCES	\$ (231,441)	\$ (517,827)	\$ 283,708	\$ (96,334)	\$ 3,452,347
Debt service as a percentage of noncapital expenditures	6.97%	6.34%	7.00%	7.81%	2.21%

Table 5

FISCAL YEAR				
2011	2012	2013	2014	2015
\$ 2,499,765	\$ 2,549,057	\$ 2,634,672	\$ 2,745,472	\$ 2,960,832
343,781	572,785	520,940	574,896	568,608
3,241,174	3,439,300	3,506,284	3,751,025	3,926,335
1,265,651	1,231,092	1,249,867	1,296,635	1,281,106
828,052	748,191	648,697	752,660	890,505
39,300	58,924	55,023	74,102	94,035
147,149	151,102	153,752	173,247	164,194
78,575	114,148	374,681	476,189	662,968
-	-	68,160	35,222	47,730
8,380	12,944	12,937	39,888	40,775
398,190	407,160	-	-	-
346,002	379,497	382,347	380,154	388,322
18,453	10,738	22,489	8,892	8,286
171,448	218,758	128,020	182,215	280,880
<u>9,385,920</u>	<u>9,893,696</u>	<u>9,757,869</u>	<u>10,490,597</u>	<u>11,314,576</u>
889,954	819,678	935,336	951,490	1,023,895
5,236,970	5,121,102	5,430,193	5,682,460	5,818,590
1,095,753	1,291,359	1,201,706	4,803,732	1,243,239
560,268	589,987	632,170	686,206	574,836
581,013	570,019	562,024	596,964	621,345
285,258	289,086	301,417	313,559	328,002
-	-	-	-	-
3,571,300	3,734,979	1,750,310	2,243,319	1,490,095
115,000	80,000	240,000	410,000	434,121
106,341	191,196	257,064	312,713	277,200
<u>12,441,857</u>	<u>12,687,406</u>	<u>11,310,220</u>	<u>16,000,443</u>	<u>11,811,323</u>
592,656	488,437	843,608	839,197	650,976
-	-	7,160,000	-	-
-	-	-	-	28,127
5,900	265,009	195,211	69,917	112,129
<u>598,556</u>	<u>753,446</u>	<u>8,198,819</u>	<u>909,114</u>	<u>791,232</u>
<u>\$ (2,457,381)</u>	<u>\$ (2,040,264)</u>	<u>\$ 6,646,468</u>	<u>\$ (4,600,732)</u>	<u>\$ 294,485</u>
<u>2.56%</u>	<u>3.12%</u>	<u>5.48%</u>	<u>5.54%</u>	<u>7.40%</u>

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

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential Property	Commercial Property						
2008	\$ 344,979,828	\$ 372,361,440	\$ 216,962,284	\$ 193,715,363	\$ 740,588,189	\$ 0.309927	\$ 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%
2015	314,803,249	517,758,489	277,414,497	259,605,301	850,370,934	0.343700	1,109,976,235	76.61%

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 EIGHT 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
2015	0.313900	0.02980	0.343700	1.212	0.44750	0.130000	0.1719

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, 2015
 (unaudited)**

Table 8

Taxpayer	Total Assessed Taxable Value 2015 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Pilgrims	\$ 90,680,890	1	10.66%
Priefert Mfg Company	42,100,810	2	4.95%
Newly Weds Food	10,140,450	3	1.19%
Dekoran Wire & Cable Inc	9,669,600	4	1.14%
Wal-Mart Stores East Inc	8,437,931	5	0.99%
AEP Southwestern Electric Power	8,356,260	6	0.98%
Wal-Mart Real Estate Business	8,300,152	7	0.98%
Lowes Home Center Inc	6,506,138	8	0.77%
Prilgrim Bank	6,348,473	9	0.75%
Trans texas Tire LLC	5,720,385	10	0.67%
	<u>\$ 196,261,089</u>		<u>23.08%</u>
 Total Assessed Valuation	 <u>\$ 850,370,934</u>		

Source: Titus County Appraisal District

**CITY OF MOUNT PLEASANT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST EIGHT 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%	\$ 51,031	\$ 2,291,038	99.46%
2009	2,409,604	2,313,054	95.99%	37,610	2,350,664	97.55%
2010	2,592,967	2,467,744	95.17%	46,703	2,514,447	96.97%
2011	2,474,082	2,403,455	97.15%	59,243	2,462,698	99.54%
2012	2,511,602	2,424,374	96.53%	73,753	2,498,127	99.46%
2013	2,558,141	2,424,374	94.77%	97,243	2,521,617	98.57%
2014	2,803,218	2,678,998	95.57%	51,929	2,730,927	97.42%
2015	2,922,725	2,838,201	97.11%	-	2,838,201	97.11%

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 EIGHT 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)	Other Obligations			
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
2015	10,448,100	24,005	-	-	27,144,548	24,005	37,640,658	14.91%	2,339

(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 EIGHT FISCAL YEARS
(unaudited)**

Table 11

Fiscal Year	Estimated Population	Taxable Assessed Value ²	Gross Bonded Debt ³	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
2015	16,091	850,370,934	37,592,648	2,928,405	34,664,243	4.08%	2,154.26

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, 2015
(unaudited)

Table 12

Governmental Subdivision	Net Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Harts Bluff ISD	\$ -	39.97%	\$ -
Titus County	139,057,000 *	37.35%	51,937,790
Northeast Texas Community College	17,852,079 *	20.01%	3,572,201
Mt Pleasant Independent School District	<u>44,672,991 *</u>	45.20%	<u>20,192,192</u>
	<u>\$201,582,070</u>		75,702,182
City of Mt Pleasant			<u>37,592,648</u>
			<u>\$ 113,294,830</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>13.32%</u>
Per capita overlapping bonded debt			<u>\$ 7,041</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2015, 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)**

Table 13

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

	FISCAL YEAR				
	2011	2012	2013	2014	2015
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3100	0.3165	0.3165	0.3437	0.3437
Available Tax Rate	<u>\$ 2.1900</u>	<u>\$ 2.1835</u>	<u>\$ 2.1835</u>	<u>\$ 2.1563</u>	<u>\$ 2.1563</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 850,370,934
Add back exempt real property	259,605,301
Total assessed value	<u>\$ 1,109,976,235</u>
Debt limit (10% of total assessed value)	\$ 110,997,624
Debt applicable to limit:	
General obligation bonds	37,592,648
Less: Amount set aside for repayment of general obligation debt	192,613
Total net debt applicable to limit	<u>37,400,035</u>
Legal debt margin	<u>\$ 73,597,589</u>

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

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue ^c	Debt Service Principal	Debt Service Interest	Times Coverage
2008	\$ 7,704,792	\$ 4,960,520	\$ 2,744,272	\$ 270,000	\$ 333,255	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
2015	10,148,404	7,129,738	3,018,666	1,235,000	342,428	1.91

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 EIGHT 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%
2015	16,091	253,626,342	15,762	29.2	3,381	5.73%

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, 2015
(unaudited)**

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Pilgrim's Pride	3,200
Mount Pleasant ISD	978
Priefert Manufacturing Co	800
Titus Regional Medical Center	650
Big Tex Trailer World, Inc	500
Wal-Mark SuperCenter	390
Luminant	356
AEP Southwest Elec Power Co	170
City of Mount Pleasant	165
Guaranty Bank & Trust	160

Source: Economic Development Office

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

Table 17

Full-time Equivalent Employees for Fiscal Year

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015
General government	5	5	5	5	5	6	5	5
Public Safety								
<i>Municipal Court</i>	4	4	4	3	3	3	3	3
<i>Police</i>	40	42	42	42	42	42	40	40
<i>Fire</i>	23	23	23	23	23	23	23	23
Planning/Building & Development	4	4	4	1	1	1	1	1
Library	4	4	4	4	4	4	4	4
Parks and Recreation	7	8	8	8	7	7	7	8
Public Works								
<i>Streets</i>	10	10	10	10	10	10	10	10
<i>Engineering</i>	3	2	1	1	1	1	1	1
<i>Maintenance</i>	6	6	7	7	7	7	8	7
Public Services								
<i>Animal Control</i>	3	3	3	3	3	3	3	3
<i>Code Enforcement</i>	4	4	4	4	4	4	4	4
Water/Wastewater								
<i>Administration</i>	5	5	4	4	4	4	3	3
<i>Water</i>	8	8	7	7	8	8	9	9
<i>Wastewater</i>	2	3	3	3	3	3	3	3
<i>Utility Department</i>	15	15	14	14	15	15	15	15
Civic Center	4	4	4	4	4	4	4	4
Airport	3	3	3	3	3	3	3	3
Economic Development	1	1	1	1	1	2	2	2
	<u>151</u>	<u>154</u>	<u>151</u>	<u>147</u>	<u>148</u>	<u>150</u>	<u>148</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 EIGHT FISCAL YEARS
(unaudited)**

Table 18

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety								
Municipal Court								
Number of cases filed	8,055	6,347	7,594	6,096	5,310	7,318	7,517	5,807
Police								
Physical Arrests	1,560	1,630	1,535	1,632	1,469	1,416	1,256	961
Traffic Violations	5,159	4,002	4,385	3,984	3,568	3,610	3,493	6,073
Fire								
Number of calls answered	958	973	1,311	1,360	1,351	1,380	1,166	1,064
Number of inspections	569	778	472	474	242	330	488	401
Animal Control								
Number of calls	2,027	2,312	2,115	1,807	938	1,015	781	774
Public Works								
Number of streets maintained	272	264	272	272	272	293	293	250
Water								
New connections	26	14	25	12	28	23	25	120
Average daily consumption (millions of gallons)	7.3	6.7	7.1	7.9	7.2	7.3	7.8	6
Wastewater								
Average daily sewage treatment (millions of gallons)	1.9	2.1	1.6	1.4	1.6	1.8	1.7	2.1

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.

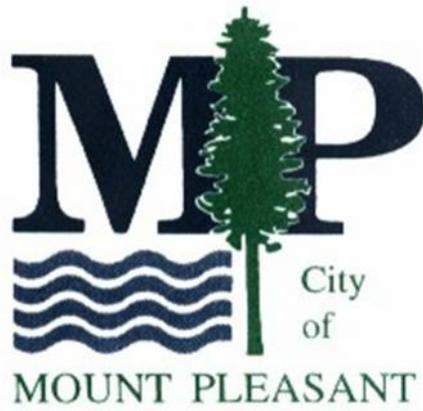
**CITY OF MOUNT PLEASANT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 19

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety								
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2
Streets (miles)	85	85	85	85	85	105.3	105.9	110.4
Parks and Recreation								
Parks (acreage)	187.9	187.9	187.9	187.9	187.9	188.08	188.08	188.08
Number of playgrounds	6	6	6	6	6	6	6	6
Number of baseball/softball fields maintained	20	20	20	20	20	20	20	20
Water								
Water main (miles)	200	200	200	200	200	205	205	205
Number of fire hydrants	650	900	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	7.6
Sewer								
Sanitary sewers (miles)	185	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	6,000

Source: City departments

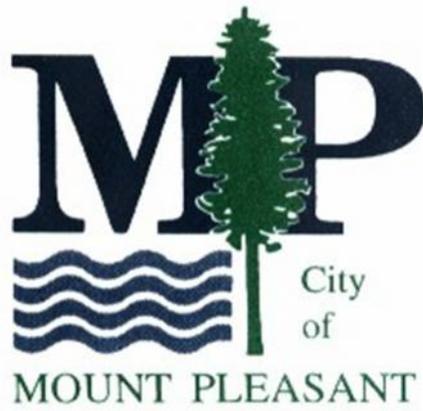
Note 1: Additional amounts will be added each year until ten years are reported.



City of Mount Pleasant, Texas

Single Audit Reports Under
OMB Circular A-133

For the year ended September 30, 2015





Michael Conway, CPA
Neil Conway, CPA

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March 28, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2016.

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.

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.

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Fax (972) 771-1022

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*.

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.

Conway Company CPAs, P.C.



Michael Conway, CPA
Neil Conway, CPA

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March 28, 2016

**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 the 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, 2015. 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, 2015.

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, 2015, 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, 2015

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements Unmodified
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)? _____ Yes x 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: Unmodified
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

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

None reported

Section III. Federal Award Findings and Questioned Costs:

None reported

**CITY OF MOUNT PLEASANT, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2015**

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, 2015

	<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	\$ 1,525,479
Total U.S. Environmental Protection Agency				<u>1,525,479</u>
<u>U.S. Department of Justice</u>				
<i>Through the Office of the Attorney General</i>				
Victim Coordinator		16.710	1442466	42,000
Total U.S. Department of Justice				<u>42,000</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 Ramp Grant - Construction		20.106	M1419MTPL	22,336
Total U.S. Department of Transportation				<u>22,336</u>
<u>U.S. Department of Justice</u>				
<i>Through the Office of the Attorney General</i>				
Tobacco Enforcement Grant		16.710		7,800
Total U.S. Department of Justice				<u>7,800</u>
<u>Texas State Library and Archives Commission</u>				
Library book grant		45.310		4,971
Library grant for books and supplies		n/a		6,000
Total Texas State Library and Archives Commission				<u>10,971</u>
Total Expenditures of Federal Awards				<u>\$ 1,608,586</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2015

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 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.

