

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

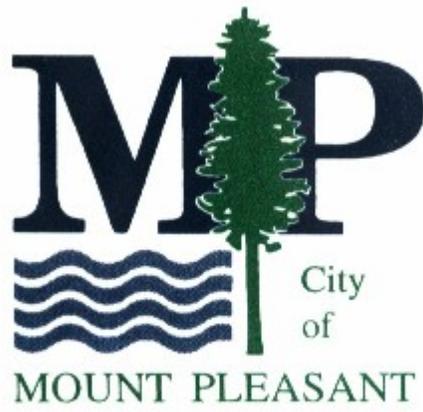
City of Mount Pleasant, Texas

City Manager

Mike Ahrens

Director of Finance and City Secretary

Brenda Reynolds



**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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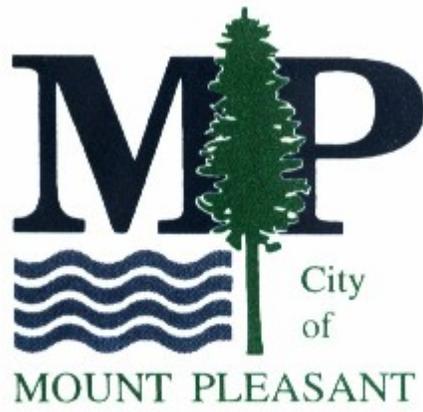
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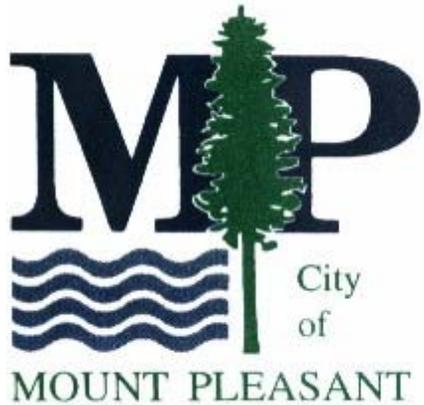
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INTRODUCTORY SECTION





501 N. Madison
Mount Pleasant, Texas 75455

January 20, 2014

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, 2013, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified (“clean”) opinion on the City of Mount Pleasant’s financial statements for the year ended September 30, 2013. 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 have been slightly up for the past year. 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:

- Council awarded Landfill Lift Station project to Capps-Capco for \$252,823. Project is complete and in use.
- The library museum project was accepted by Council and opened to the public.
- Council accepted the sewer rehabilitation project on East 1st Street.
- Council awarded East 1st Street water line project to Excel Utility in the amount of \$361,157. Project is complete.
- Council awarded FM 1000 (4000) utility relocation project to Excel Utility for \$272,359. Project is still underway and is about 80% complete.
- Council approved annexation of 102 acres including Cypress Business Park and Diamond C Trailers.
- Council approved application from the State for a Victim Services Coordinator grant for the police department. The grant was awarded and the position is currently staffed.
- Council awarded bid for annual street improvement project to Wes Scott, Inc. for \$454,744. Project was completed last summer.
- Council awarded bid for phase 1 of the NW 12 street construction to East Texas Bridge for \$1,554,646. This project is currently under construction and is proceeding within budget.
- Council awarded a bid for the Leftwich Lift Station replacement on North Jefferson to 7-H Construction for \$190,000. This project is currently under construction.
- Council awarded a bid for the city hall roof replacement to Hefner Roofing for \$98,375. Project is complete.

- Council accepted the annexation sewer improvement project for the area north of Nevills Road and east of Greenhill.
- Council approved sale of the former library to Scott Glover for \$175,000. This building is now occupied by Hoover Jewelry.
- Council approved the purchase of approximately 25 acres adjacent to the airport.
- Council approved a zoning overlay for the Main Street district which will allow loft living in the downtown area.
- Council awarded a bid for the I-30 Water Treatment Plant improvements to Gracon Construction for \$2,044,400. This project is funded by the 1% loan funds from the Texas Water Development Board and is currently under construction.
- Council awarded a bid to R.K. Hall Construction for \$173,406 for the milling and overlay of East 1st Street. This was the city's first experience with a milling project and will help as future rehabilitation projects are planned.
- The Historic Preservation ordinance was passed for the Main Street District and other historic properties that might be designated throughout the city.
- Council approved the purchase of an Automatic License Plate Reader system for the police department in the amount of \$19,994. The equipment will be funded by police seizure funds and the Municipal Court Technology Fund. The equipment is currently on order.
- Council approved the purchase of an Automated Meter Reading System from Underground Utilities for \$929,055. This purchase will result in the meter head and/or the meter head and body being replaced on all water meters in the city. After installation, meters will be read remotely from a vehicle.
- New LED lighting was installed throughout the downtown area.
- Council approved the annexation of 59.96 acres of property adjacent to airport.
- Staff has continued on-going work with the Lake Bob Sandlin Water Treatment Plant project in an effort to close that project out.
- Staff has worked throughout the year with Titus County on the Loop Project.
- Staff has worked with Titus County, the Chamber of Commerce, several local industries and private consultants on the feasibility of an event center, entertainment and recreational area.

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>
2009-2010	\$0.3100
2010-2011	\$0.3100
2011-2012	\$0.3165
2012-2013	\$0.3165
2013-2014	\$0.3433

OTHER INFORMATION

Acknowledgements

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

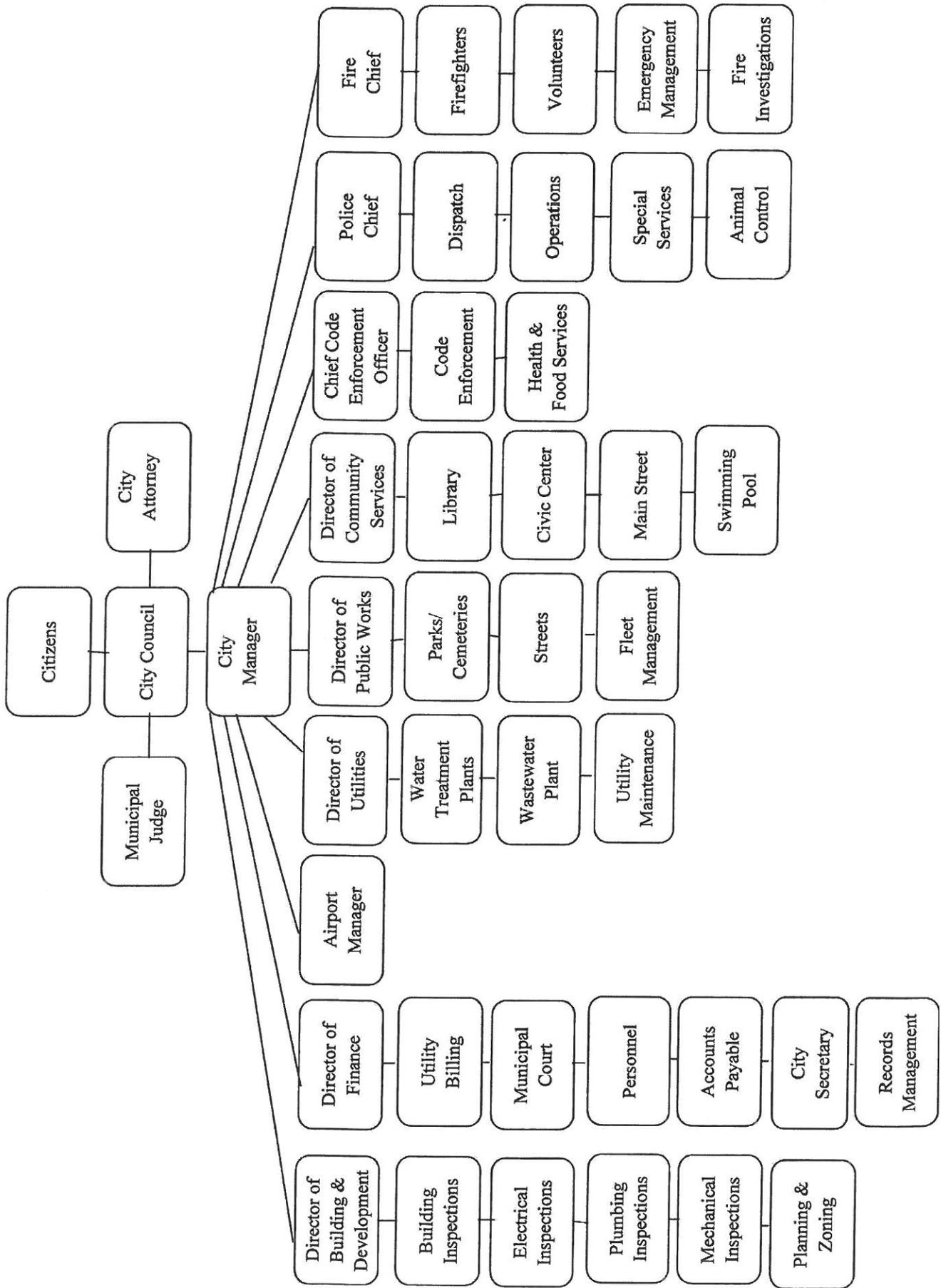
Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Mike Ahrens
CITY MANAGER

Brenda Reynolds
DIRECTOR OF FINANCE

ORGANIZATION CHART



**CITY OF MOUNT PLEASANT, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

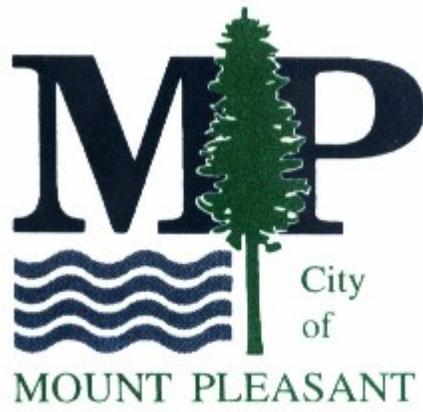
City Council

**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
Andy Fortenberry, Council Member, Place 5**

Administrative Staff

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

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

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Member
American Institute of CPAs
Texas Society of CPAs

January 20, 2014

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, 2013, 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.

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.

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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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Budgetary Comparison Schedule, and the TMRS Funding Progress and Contributions on pages 6 to 16, 57, 58 and 59 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2014, 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, 2013

As management of the City of Mount Pleasant, 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, 2013. 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 \$71,124,204 (net position). Of this amount, \$3,504,360 is restricted for debt service expenditures, court use, hotel/motel use, capital projects, and business development. The amount of unrestricted net position is \$6,273,612.
- The government's total net position increased by \$1,782,179, excluding prior period adjustments, due to an increase in the Business-type activities net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,266,115, an increase of \$6,646,468, excluding prior period adjustments, or 100% in comparison with the prior year. Of this amount, \$1,321,165, or 10%, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$1,427,882 was 18% of total General Fund expenditures for the fiscal year.
- The City's total long-term debt increased by \$5,841,404, or 17%, during the current fiscal year. The increase is the capital long-term debt for water plant improvements.

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, 2013**

Basic Financial Statements

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

The next statements (pages 22-29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes** (pages 30-54). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 57-59) is provided to show details about the City's budgetary comparison schedule and pension plan.

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 as opposed to the modified accrual basis used in prior reporting methods.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 19 - 21 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, 2013**

City of Mount Pleasant, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison 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 in the General Fund; 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 22-25 of this report. The General Fund Budgetary Comparison Schedule can be found on page 57.

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 26-28 of this report.

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

The basic fiduciary fund financial statement can be found on page 29 of this report.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

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 30 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 budgetary comparison information, as well as the City's progress in funding its obligation to provide pension benefits to its employees. This information is on pages 57-59 of this report.

Other Information

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 62 – 65 in this report. Budgetary comparison schedules for the Debt Service Fund and Street Fund can be found on pages 66 – 67 in this report and the Fiduciary Fund Statement of Changes in Assets and Liabilities can be found on page 68.

New accounting pronouncements

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete) presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The GASB has issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 14,235,516	\$ 7,252,611	\$ 14,226,240	\$ 17,835,805	\$ 28,461,756	\$ 25,088,416
Capital assets	25,742,565	25,640,343	61,698,215	59,558,071	87,440,780	85,198,414
Total assets	39,978,081	32,892,954	75,924,455	77,393,876	115,902,536	110,286,830
Long-term liabilities	13,142,998	9,805,314	30,180,168	32,745,536	43,323,166	42,550,850
Other liabilities	933,463	488,522	521,703	1,095,840	1,455,166	1,584,362
Total liabilities	14,076,461	10,293,836	30,701,871	33,841,376	44,778,332	44,135,212
Net position:						
Investment in capital assets	21,729,842	19,273,630	39,616,390	38,654,526	61,346,232	57,928,156
Restricted	1,476,577	542,873	2,027,783	1,374,923	3,504,360	1,917,796
Unrestricted	2,695,201	2,782,615	3,578,411	3,523,051	6,273,612	6,305,666
Total net position	\$ 25,901,620	\$ 22,599,118	\$ 45,222,584	\$ 43,552,500	\$ 71,124,204	\$ 66,151,618

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 \$71,124,204 as of September 30, 2013. The City's net position increased by \$1,782,179, excluding prior period adjustments, for the fiscal year ended September 30, 2013.

Net invested in capital assets:

However, the largest portion (86%) 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. The increase of \$3,418,076 represents capital acquisitions and deletions, less current year depreciation, and the addition and/or retirement of related long-term debt.

Restricted net position:

The restricted net position, \$3,504,360, or 4.93%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state imposed or third party restrictions; namely, 80.4% for debt service, 6.3% for business development, 4.3% for hotel tax, 5.2% for court fees, and 3.7% for capital projects.

Unrestricted net position:

Unrestricted net position of \$6,273,612, or 8.8%, is available to fund City programs to citizens and debt to creditors. The significant increase in unrestricted net position is due, in part, to the increase in proprietary change in net position.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

CHANGES IN NET POSITION

	Governmental Activities		Business Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 877,711	\$ 1,054,242	\$ 12,268,144	\$ 12,313,254	\$ 13,145,855	\$ 13,367,496
Operating grants and contributions	455,778	127,092	2,497	6,799	458,275	133,891
Capital grants and contributions	115,798	-	670,989	259,637	786,787	259,637
General Revenues:						
Property taxes	2,521,965	2,534,546	-	-	2,521,965	2,534,546
Sales taxes	3,506,284	3,439,300	-	-	3,506,284	3,439,300
Franchise taxes	1,229,627	1,231,092	-	-	1,229,627	1,231,092
Other taxes	520,940	572,785	-	-	520,940	572,785
Investment income	22,489	10,738	13,394	19,112	35,883	29,850
Contractual income	-	407,160	-	-	-	407,160
Royalties	382,347	379,497	-	-	382,347	379,497
Miscellaneous	128,022	170,200	77,738	54,636	205,760	224,836
Total revenues	<u>9,760,961</u>	<u>9,926,652</u>	<u>13,032,762</u>	<u>12,653,438</u>	<u>22,793,723</u>	<u>22,580,090</u>
Expenses:						
General government	1,005,623	710,022	-	-	1,005,623	710,022
Public safety	5,949,251	5,454,951	-	-	5,949,251	5,454,951
Libraries	789,171	429,421	-	-	789,171	429,421
Public services and operations	644,860	589,987	-	-	644,860	589,987
Parks and recreation	635,751	636,896	-	-	635,751	636,896
Public works	1,986,283	2,027,932	-	-	1,986,283	2,027,932
Interest on long-term debt	193,767	191,196	-	-	193,767	191,196
Water and Sewer	-	-	7,967,467	7,814,169	7,967,467	7,814,169
Airport	-	-	1,448,971	1,417,079	1,448,971	1,417,079
Civic center	-	-	390,400	335,127	390,400	335,127
Total expenses	<u>11,204,706</u>	<u>10,040,405</u>	<u>9,806,838</u>	<u>9,566,375</u>	<u>21,011,544</u>	<u>19,606,780</u>
Change in net position before transfers	(1,443,745)	(113,753)	3,225,924	3,087,063	1,782,179	2,973,310
Transfers	843,608	488,437	(843,608)	(488,437)	-	-
Change in net position	(600,137)	374,684	2,382,316	2,598,626	1,782,179	2,973,310
Net position - beginning of year	22,599,118	20,762,999	43,552,500	40,912,302	66,151,618	61,675,301
Prior period adjustments	3,902,639	1,461,435	(712,232)	41,572	3,190,407	1,503,007
Net position - end of year	<u>\$ 25,901,620</u>	<u>\$ 22,599,118</u>	<u>\$ 45,222,584</u>	<u>\$ 43,552,500</u>	<u>\$ 71,124,204</u>	<u>\$ 66,151,618</u>

Governmental activities decreased net position by (\$600,137), excluding prior period adjustments. This is due in large part to a decrease in revenues and an increase in expenditures.

Business-type activities increased net position by \$2,382,316, excluding prior period adjustments. This is due to total revenues being 25% more than total expenditures.

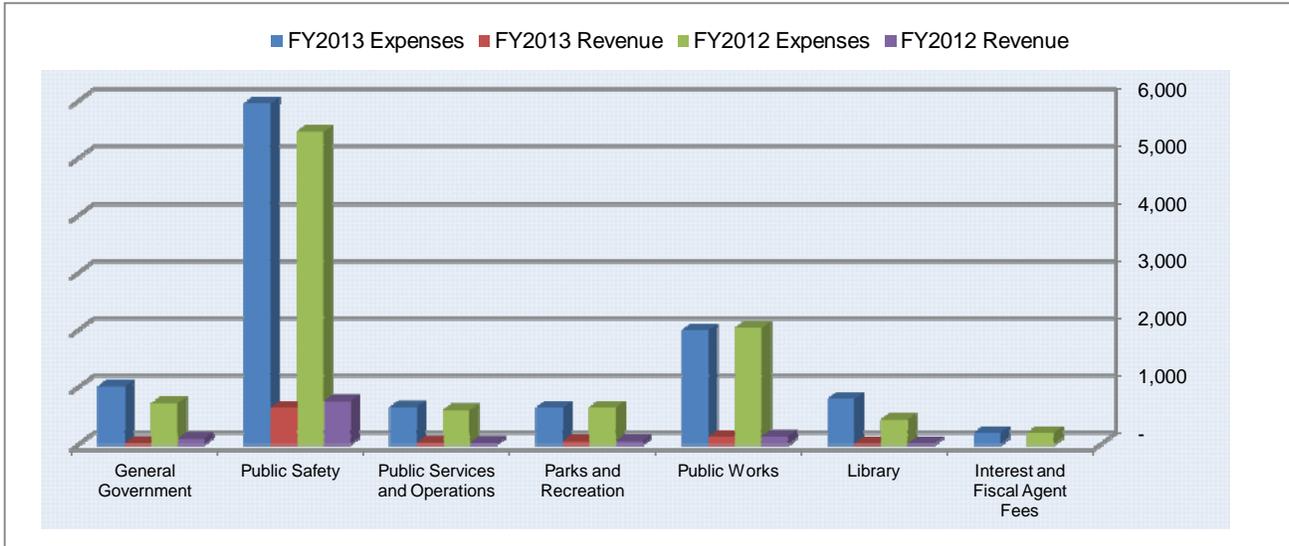
**CITY OF MOUNT PLEASANT, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2013**

Governmental-type activities - Governmental-type activities decreased the City's net position by (\$600,137), excluding prior period adjustments. One key element of this increase is as follows:

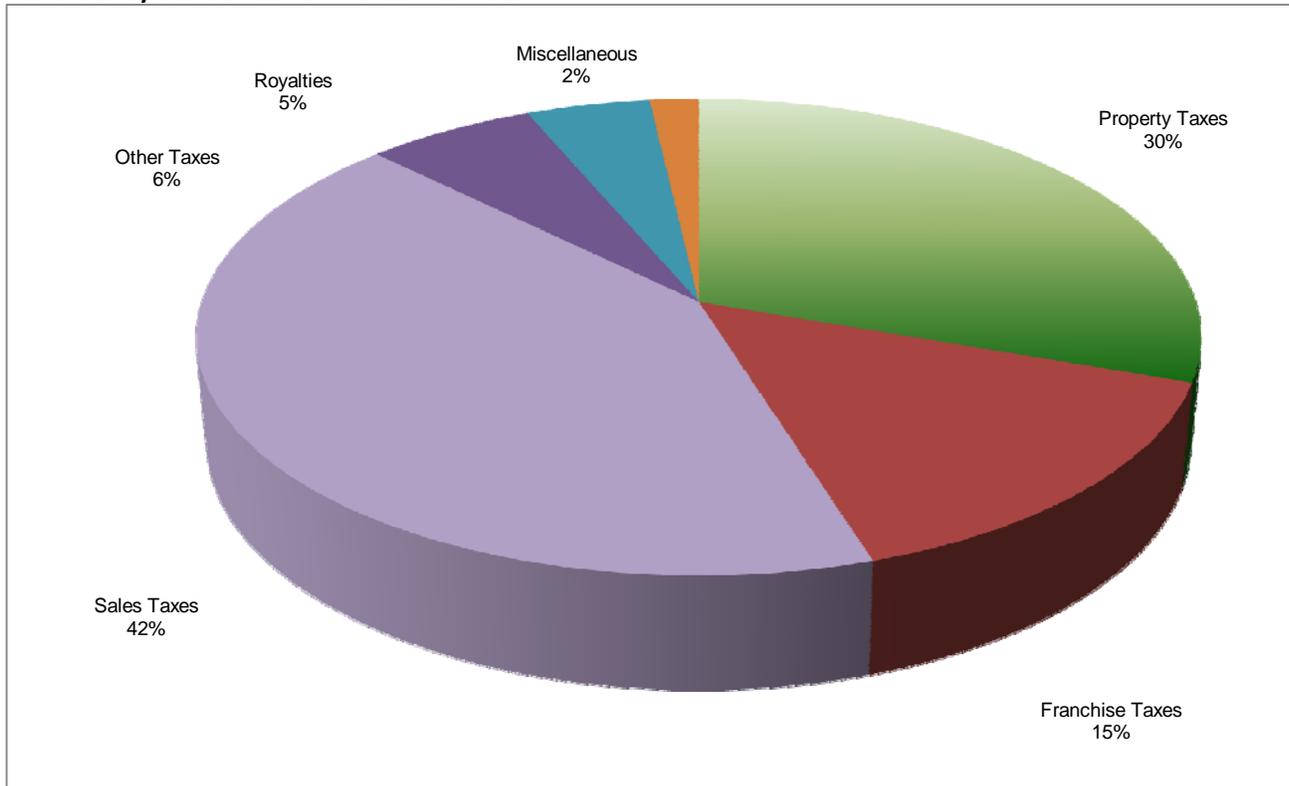
There was a 12% increase in expenses, mainly in the area of public safety and the library.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



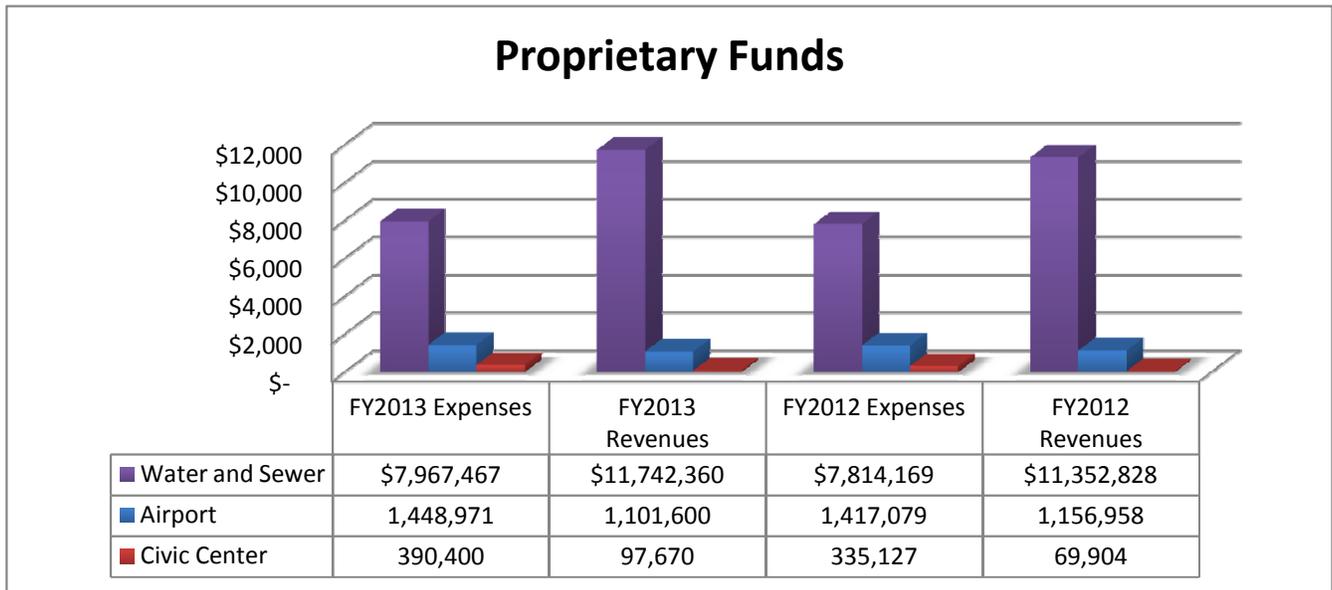
**CITY OF MOUNT PLEASANT, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2013**

Business-type Activities - Business-type activities increased the City's net position by \$2,382,316, excluding prior period adjustments. A key element for this increase is as follows:

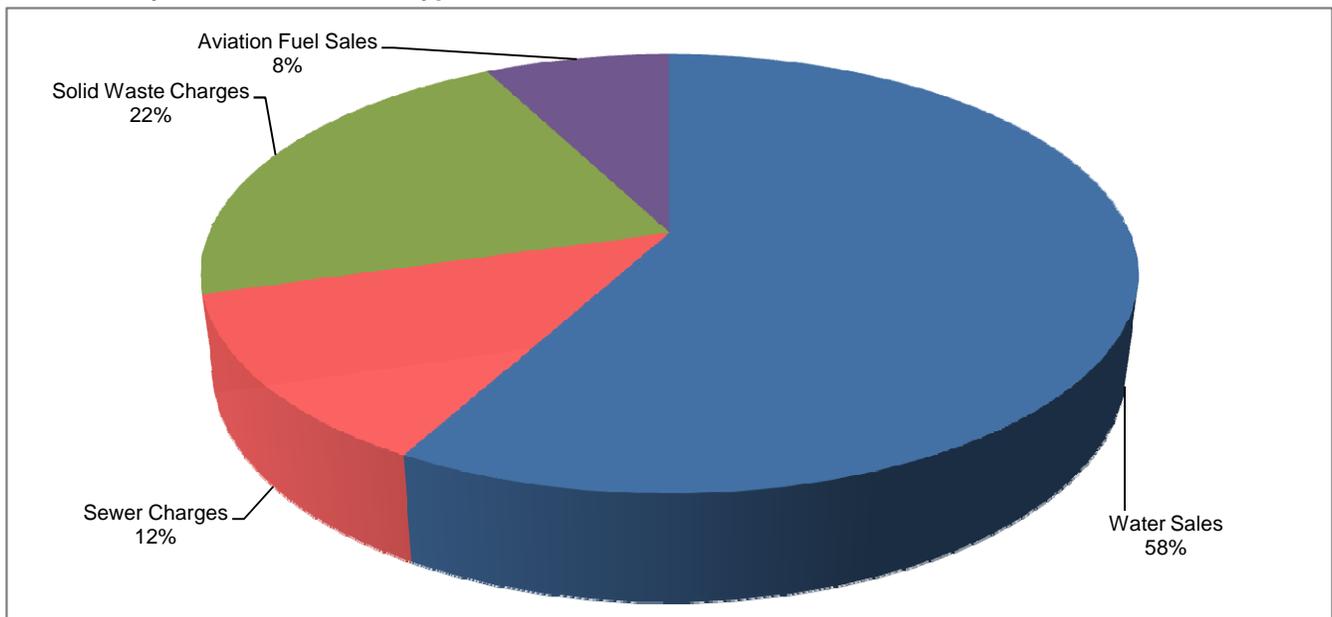
Although revenues increased \$379,324, or 3%, overall expenditures increased \$240,463, or 3%. However, revenues exceeded expenditures over 25% which accounts for the increase in net position.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City'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, 2013, the City's governmental funds reported total fund balances of \$13,266,115, a 100% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Nonspendable fund balance, \$15,241, 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 balance, \$8,643,855, consists of amounts restricted by external laws or contractual obligations as follows: \$221,850 for business development, \$7,297,379 for capital improvement projects, \$151,067 for hotel/motel use, \$182,868 for court use and \$790,691 for debt service.
- Assigned fund balance of \$3,285,854, represents residual fund balance intended for use by special revenue funds, including public safety, capital projects, parks and library.
- Unassigned fund balance, \$1,321,165, represents residual available fund balances that have not been restricted, committed, assigned, or designated 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 \$1,427,882, compared to \$2,087,125 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 18% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds increased 163%, or \$6,717,799, to \$10,849,433 with the following significant changes:

- The fund balance of the Street Fund increased 214%, or \$6,673,778, primarily as a result of the issuance of the 2012 Series Combination Tax and Revenue bonds.
- The fund balance of the Other Governmental Funds increased 4%, or \$44,021, primarily as a result of increased sales tax revenue and franchise revenue.

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 \$3,578,411, a 2% increase from the prior year. This is due to total revenues being 25% greater than total expenses.

Net investment in capital assets net of related debt increased from \$38,654,526 to \$39,616,390, a 2% increase from the prior year. This increase is the result of several projects that were completed and capitalized during the year.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

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, 2013, totals \$87,440,780 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The increase in the City of Mount Pleasant's capital assets for governmental activities was .40%. The capital assets for the business-type activities increased by 4%.

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

- Library museum project was accepted by Council and opened to the public.
- Construction is in progress for phase 1 of the NW 12 street construction.
- Construction is in progress on the Leftwich Lift Station replacement.
- Construction continued on the new water treatment facility and water system improvements.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,436,233	\$ 1,412,911	\$ 8,772,848	\$ 8,605,731	\$ 10,209,081	\$ 10,018,642
Construction in Progress	822,347	648,802	18,021,359	20,243,344	18,843,706	20,892,146
Buildings & Improvements	7,326,392	7,659,759	16,027,563	16,786,277	23,353,955	24,446,036
Infrastructure	14,197,599	13,896,602	18,032,400	13,284,151	32,229,999	27,180,753
Machinery & Equipment	1,959,994	2,022,269	844,045	638,568	2,804,039	2,660,837
Total	\$ 25,742,565	\$ 25,640,343	\$ 61,698,215	\$ 59,558,071	\$ 87,440,780	\$ 85,198,414

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, 2013, the City had \$40,831,894 in revenue bonds and certificates of obligation. This represents an increase of \$5,841,404, or 17%, in comparison with the prior year. This is due to the issuance of Series 2012 Combination Tax and Revenue bonds of \$7,115,000.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ -	\$ -	\$ 29,528,277	\$ 30,685,490	\$ 29,528,277	\$ 30,685,490
Certificates of Obligation	11,303,617	4,305,000	-	-	11,303,617	4,305,000
	\$ 11,303,617	\$ 4,305,000	\$ 29,528,277	\$ 30,685,490	\$ 40,831,894	\$ 34,990,490

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, 2013**

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 were equal to budget projections. General Fund expenditures were 2.8% less than budgeted.

Economic Factors and Next Year's Budgets and Rates

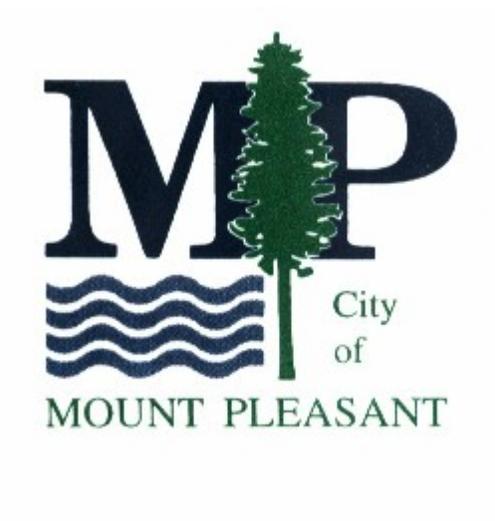
The following known factors were considered in preparing the City's operating budget for FY 2013-2014:

- The budget for all funds totals \$36,723,940 and includes remaining funds for the completion of construction on the new water plant, rehabilitation of the I-30 water treatment plant, and Phase I construction of NW 12 roadway, payment to county for loop project and automated meter reading system.
- The adopted property tax rate for FY2013-2014 increased to \$0.3433 per \$100 valuation.
- After the decrease in sales tax for fiscal year 2011, receipts have shown an increase over the past two years with 2012 increasing by 5.5% and 2013 increasing .95%.

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, 2013**

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
ASSETS				
Cash and cash equivalents	\$ 5,693,197	\$ 4,980,365	\$ 10,673,562	\$ 2,948,780
Receivables, net of allowance for uncollectibles	813,059	923,709	1,736,768	216,645
Prepaid expense	15,241	-	15,241	-
Restricted assets:				
Cash and cash equivalents	7,714,019	8,322,166	16,036,185	-
Capital assets not being depreciated				
Land	1,436,233	8,772,848	10,209,081	1,628,156
Construction in progress	822,347	18,021,359	18,843,706	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	7,326,392	16,027,563	23,353,955	1,210,828
Machinery and equipment	1,959,994	844,045	2,804,039	-
Infrastructure	14,197,599	18,032,400	32,229,999	2,155,812
Total Assets	<u>39,978,081</u>	<u>75,924,455</u>	<u>115,902,536</u>	<u>8,160,221</u>
LIABILITIES				
Accounts payable	585,976	313,459	899,435	3,120
Accrued liabilities	192,783	48,277	241,060	4,506
Accrued interest payable	107,588	14,824	122,412	-
Customer deposits	-	133,395	133,395	-
Other liabilities	47,116	11,748	58,864	-
Non-current liabilities:				
Due within one year:				
Compensated absences	20,647	6,126	26,773	-
Notes payable	-	-	-	202,194
Bonds payable	-	1,185,000	1,185,000	-
Certificates of obligation	410,000	-	410,000	-
Due in more than one year:				
Net OPEB obligation	1,387,190	519,123	1,906,313	44,388
Compensated absences	431,544	126,642	558,186	-
Notes payable	-	-	-	2,855,872
Bonds payable	-	28,343,277	28,343,277	-
Certificates of obligation	10,893,617	-	10,893,617	-
Total Liabilities	<u>14,076,461</u>	<u>30,701,871</u>	<u>44,778,332</u>	<u>3,110,080</u>
NET POSITION				
Net investment in capital assets	21,729,842	39,616,390	61,346,232	1,936,730
Restricted for:				
Debt service	790,691	2,027,783	2,818,474	322,470
Court Use	182,868	-	182,868	-
Hotel/Motel	151,067	-	151,067	-
PEG fees	130,101	-	130,101	-
Development	221,850	-	221,850	-
Unrestricted	2,695,201	3,578,411	6,273,612	2,790,941
Total Net Position	<u>\$ 25,901,620</u>	<u>\$ 45,222,584</u>	<u>\$ 71,124,204</u>	<u>\$ 5,050,141</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 1,005,623	\$ 20,240	\$ 1,150	\$ -
Public Safety	5,949,251	640,974	448,841	115,798
Library	789,171	7,722	5,319	-
Public services and operations	644,860	26,731	468	-
Parks and recreation	635,751	54,941	-	-
Public works	1,986,283	127,103	-	-
Interest on long-term debt	193,767	-	-	-
Total governmental activities	11,204,706	877,711	455,778	115,798
Business-type Activities:				
Water and sewer	7,967,467	11,137,004	-	605,356
Airport	1,448,971	1,033,470	2,497	65,633
Civic center	390,400	97,670	-	-
Total business-type activities	9,806,838	12,268,144	2,497	670,989
Total primary government	21,011,544	13,145,855	458,275	786,787
Component Unit				
Industrial Development Corporation	761,144	-	93,789	-
Total component unit	\$ 761,144	\$ -	\$ 93,789	\$ -

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			
Governmental Activities	Business Activities	Total	Component Unit
\$ (984,233)	\$ -	\$ (984,233)	\$ -
(4,743,638)	-	(4,743,638)	-
(776,130)	-	(776,130)	-
(617,661)	-	(617,661)	-
(580,810)	-	(580,810)	-
(1,859,180)	-	(1,859,180)	-
(193,767)	-	(193,767)	-
<u>(9,755,419)</u>	<u>-</u>	<u>(9,755,419)</u>	<u>-</u>
-	3,774,893	3,774,893	-
-	(347,371)	(347,371)	-
-	(292,730)	(292,730)	-
<u>-</u>	<u>3,134,792</u>	<u>3,134,792</u>	<u>-</u>
<u>(9,755,419)</u>	<u>3,134,792</u>	<u>(6,620,627)</u>	<u>-</u>
-	-	-	(667,355)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (667,355)</u>
\$ 2,521,965	\$ -	\$ 2,521,965	\$ -
3,506,284	-	3,506,284	1,168,761
495,539	-	495,539	-
1,229,627	-	1,229,627	-
25,401	-	25,401	-
22,489	13,394	35,883	2,427
382,347	-	382,347	-
128,022	77,738	205,760	-
843,608	(843,608)	-	-
<u>9,155,282</u>	<u>(752,476)</u>	<u>8,402,806</u>	<u>1,171,188</u>
(600,137)	2,382,316	1,782,179	503,833
22,599,118	43,552,500	66,151,618	4,446,995
3,902,639	(712,232)	3,190,407	99,313
<u>\$ 25,901,620</u>	<u>\$ 45,222,584</u>	<u>\$ 71,124,204</u>	<u>\$ 5,050,141</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, 2013**

	General Fund	Street Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,894,965	\$ 2,982,363	\$ 815,869	\$ 5,693,197
Receivables, net of allowance for uncollectibles	732,482	38,956	41,621	813,059
Cash and cash equivalents - restricted	193,518	7,167,277	353,224	7,714,019
Prepaid expense	15,241	-	-	15,241
Total Assets	2,836,206	10,188,596	1,210,714	14,235,516
LIABILITIES				
Accounts payable	153,460	388,640	43,877	585,977
Accrued liabilities	183,011	9,772	-	192,783
Accrued interest payable	-	-	107,588	107,588
Other liabilities	47,116	-	-	47,116
Total Liabilities	383,587	398,412	151,465	933,464
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	35,937	-	-	35,937
Total Deferred Inflows of Resources	35,937	-	-	35,937
Fund Balances				
Nonspendable:				
Prepaid items and other assets	15,241	-	-	15,241
Restricted for:				
Court Use	182,868	-	-	182,868
Debt service	790,691	-	-	790,691
Hotel/Motel	-	-	151,067	151,067
Capital projects	-	7,167,278	130,101	7,297,379
Development	-	-	221,850	221,850
Assigned to:				
Public safety	-	-	103,004	103,004
Capital projects	-	2,622,906	297,665	2,920,571
Parks	-	-	235,886	235,886
Library	-	-	26,393	26,393
Unassigned	1,427,882	-	(106,717)	1,321,165
Total Fund Balance	2,416,682	9,790,184	1,059,249	13,266,115
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,836,206	\$ 10,188,596	\$ 1,210,714	\$ 14,235,516

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, 2013**

Total fund balances - governmental funds balance sheet	\$ 13,266,115
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.	44,137,350
Accumulated depreciation has not been included in the governmental fund financial statements.	(18,394,785)
Certificates of Obligation have not been included in the governmental fund financial statements.	(11,180,000)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(452,191)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(1,387,190)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	35,937
Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds.	<u>(123,616)</u>
Net position of governmental activities - statement of net position	<u>\$ 25,901,620</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, 2013**

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,382,323	\$ -	\$ 252,349	\$ 2,634,672
Sales	3,506,284	-	-	3,506,284
Hotel	-	-	495,539	495,539
Beverage	25,401	-	-	25,401
Franchise	-	1,229,627	20,240	1,249,867
Fines and forfeitures	623,150	-	25,547	648,697
Licenses and permits	55,023	-	-	55,023
Charge for services	153,722	30	-	153,752
Donations	1,618	-	11,319	12,937
Intergovernmental revenue	431,142	-	11,699	442,841
Royalties	-	382,347	-	382,347
Investment income	3,149	18,494	846	22,489
Miscellaneous	109,871	10,383	7,766	128,020
Total revenues	7,291,683	1,640,881	825,305	9,757,869
EXPENDITURES				
Current:				
General government	729,956	-	205,380	935,336
Public safety	5,343,165	-	87,028	5,430,193
Library	292,145	-	9,272	301,417
Public works	131,247	1,070,459	-	1,201,706
Public services and operations	598,237	-	33,933	632,170
Parks and recreation	562,024	-	-	562,024
Capital outlays:				
General government	37,192	-	28,000	65,192
Public safety	137,354	-	-	137,354
Library	31,155	-	8,873	40,028
Public works	-	1,507,736	-	1,507,736
Debt service:				
Principal retirement	-	145,000	95,000	240,000
Interest	-	63,297	193,767	257,064
Bond issuance costs	-	135,565	-	135,565
Total expenditures	7,862,475	2,922,057	661,253	11,310,220
Excess (deficiency) of revenues over (under) expenditures	(570,792)	(1,281,176)	164,052	(1,552,351)
OTHER FINANCING SOURCES (USES)				
Transfers	314,611	658,124	(129,127)	843,608
Bond proceeds	-	7,115,000	-	7,115,000
Premium on bond issue	-	180,565	-	180,565
Sale of assets	184,850	1,265	9,096	195,211
Total other financing sources (uses)	499,461	7,954,954	(120,031)	8,334,384
Net change in fund balances	(71,331)	6,673,778	44,021	6,646,468
Fund balances, beginning	2,483,813	3,116,406	1,015,228	6,615,447
Prior period adjustments	4,200	-	-	4,200
Fund balances, ending	\$ 2,416,682	\$ 9,790,184	\$ 1,059,249	\$ 13,266,115

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, 2013**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 6,646,468
 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.	1,750,310
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.	(1,326,318)
Current year bond proceeds are other financing sources in the governmental funds financial statements but are shown as an increase in liabilities in the government-wide financial statements.	(7,115,000)
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.	240,000
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.	(56,915)
Changes to the net OPEB liability are not shown in the fund financial statements.	(180,589)
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.	(437,568)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	3,092
Premium and discounts are recognized in the fund financial statements as other financing sources or uses but they are amortized over the term of the bonds in the government-wide financial statements.	(123,617)
Change in net position - statement of activities	\$ (600,137)

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,537,383	\$ 86,807	\$ 356,175	\$ 4,980,365
Receivables, net of uncollectibles	923,279	-	430	923,709
Restricted assets:				
Cash and cash equivalents	8,322,166	-	-	8,322,166
Total current assets:	<u>13,782,828</u>	<u>86,807</u>	<u>356,605</u>	<u>14,226,240</u>
Noncurrent assets:				
Capital Assets:				
Land	6,953,503	1,819,345	-	8,772,848
Buildings	10,426,057	2,169,221	1,343,800	13,939,078
Improvements	5,664,476	7,223,892	253,777	13,142,145
Infrastructure	24,891,281	2,012,104	-	26,903,385
Vehicles	831,082	215,245	-	1,046,327
Machinery & equipment	4,549,554	121,517	235,310	4,906,381
Construction in progress	17,947,728	73,631	-	18,021,359
Less: accumulated depreciation	<u>(20,933,025)</u>	<u>(3,331,587)</u>	<u>(768,696)</u>	<u>(25,033,308)</u>
Total capital assets, net	<u>50,330,656</u>	<u>10,303,368</u>	<u>1,064,191</u>	<u>61,698,215</u>
Total noncurrent assets:	<u>50,330,656</u>	<u>10,303,368</u>	<u>1,064,191</u>	<u>61,698,215</u>
Total assets	<u><u>64,113,484</u></u>	<u><u>10,390,175</u></u>	<u><u>1,420,796</u></u>	<u><u>75,924,455</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	276,810	30,920	5,729	313,459
Accrued liabilities	38,073	4,291	5,913	48,277
Other liabilities	11,748	-	-	11,748
Compensated absences - current	6,126	-	-	6,126
Liabilities payable from restricted assets:				
Accrued interest payable	14,651	-	173	14,824
Customer deposits	133,395	-	-	133,395
Bonds payable - current	1,185,000	-	-	1,185,000
Total current liabilities payable from restricted assets:	<u>1,333,046</u>	<u>-</u>	<u>173</u>	<u>1,333,219</u>
Total current liabilities	<u>1,665,803</u>	<u>35,211</u>	<u>11,815</u>	<u>1,712,829</u>
Noncurrent liabilities:				
Net OPEB obligation	427,810	45,318	45,995	519,123
Compensated absences	126,642	-	-	126,642
Bonds payable	28,343,277	-	-	28,343,277
Total noncurrent liabilities	<u>28,897,729</u>	<u>45,318</u>	<u>45,995</u>	<u>28,989,042</u>
Total liabilities	<u><u>30,563,532</u></u>	<u><u>80,529</u></u>	<u><u>57,810</u></u>	<u><u>30,701,871</u></u>
NET POSITION				
Net invested in capital assets	28,248,831	10,303,368	1,064,191	39,616,390
Restricted for:				
Debt Service	2,027,783	-	-	2,027,783
Unrestricted	3,273,338	6,278	298,795	3,578,411
Total Net Position	<u><u>\$ 33,549,952</u></u>	<u><u>\$ 10,309,646</u></u>	<u><u>\$ 1,362,986</u></u>	<u><u>\$ 45,222,584</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 FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Utility Fund</u>	<u>Airport Fund</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES:				
Charges for services	\$ 11,134,628	\$ 1,024,355	\$ 97,670	\$ 12,256,653
Operating grant revenue	-	2,497	-	2,497
Capital grant revenue	-	65,633	-	65,633
Miscellaneous	70,597	570	6,571	77,738
Total operating revenues	<u>11,205,225</u>	<u>1,093,055</u>	<u>104,241</u>	<u>12,402,521</u>
OPERATING EXPENSES:				
Personal services	1,976,743	200,156	219,630	2,396,529
Supplies and materials	464,015	700,303	16,132	1,180,450
Maintenance and repair	564,435	10,476	21,271	596,182
Contractual services	3,573,785	34,811	74,919	3,683,515
Depreciation	1,020,689	503,225	58,448	1,582,362
Total operating expenses	<u>7,599,667</u>	<u>1,448,971</u>	<u>390,400</u>	<u>9,439,038</u>
Operating income (loss)	<u>3,605,558</u>	<u>(355,916)</u>	<u>(286,159)</u>	<u>2,963,483</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on sale of assets	2,375	9,115	-	11,490
Interest revenue	13,023	-	371	13,394
Interest expense	(367,799)	-	-	(367,799)
Total nonoperating revenues (expenses)	<u>(352,401)</u>	<u>9,115</u>	<u>371</u>	<u>(342,915)</u>
Income (loss) before transfers and capital contributions	3,253,157	(346,801)	(285,788)	2,620,568
Capital Contributions	605,356	-	-	605,356
Transfers	(1,297,849)	142,000	312,241	(843,608)
Change in net position	2,560,664	(204,801)	26,453	2,382,316
Net Position, October 1	31,962,216	10,386,183	1,204,100	43,552,499
Prior Period Adjustments	(972,928)	128,264	132,433	(712,231)
Net Position, September 30	<u>\$ 33,549,952</u>	<u>\$ 10,309,646</u>	<u>\$ 1,362,986</u>	<u>\$ 45,222,584</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, 2013**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 12,663,684	\$ 1,024,356	\$ 97,669	\$ 13,785,709
Cash received from other sources	(902,332)	68,700	6,571	(827,061)
Cash paid to employees	(3,137,825)	(190,616)	(208,954)	(3,537,395)
Cash paid to suppliers	(5,167,007)	(757,676)	(120,251)	(6,044,934)
Net cash provided (used) by operating activities	3,456,520	144,764	(224,965)	3,376,319
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,297,849)	142,000	312,241	(843,608)
Net cash provided (used) by non-capital financing activities	(1,297,849)	142,000	312,241	(843,608)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,412,237)	(258,096)	(52,175)	(3,722,508)
Gain(Loss) on sale of capital assets	2,375	9,115	-	11,490
Capital contributions	605,356	-	-	605,356
Principal paid on long-term debt	(1,160,000)	-	-	(1,160,000)
Interest paid on long-term debt	(363,443)	-	-	(363,443)
Net cash used for capital & related financing activities	(4,327,949)	(248,981)	(52,175)	(4,629,105)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	13,023	-	371	13,394
Net cash provided by investing activities	13,023	-	371	13,394
Net increase (decrease) in cash and cash equivalents	(2,156,255)	37,783	35,472	(2,083,000)
Cash and cash equivalents at beginning of year	15,015,804	49,024	320,703	15,385,531
Cash and cash equivalents at end of year	\$ 12,859,549	\$ 86,807	\$ 356,175	\$ 13,302,531
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 3,605,558	\$ (355,916)	\$ (286,159)	\$ 2,963,483
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,020,689	503,225	58,448	1,582,362
Prior period adjustment	(972,928)	128,264	132,433	(712,231)
Change in assets and liabilities:				
(Increase) decrease in assets:				
Prepaid expenses	-	-	-	-
Accounts receivable	1,526,565	-	-	1,526,565
Increase (decrease) in liabilities:				
Accounts payable	(566,474)	(12,086)	(7,928)	(586,488)
Accrued expenses	3,985	660	1,946	6,591
Customer deposits	2,490	-	-	2,490
Compensated absences	(7,007)	-	-	(7,007)
Other liabilities	(1,156,358)	(119,383)	(123,705)	(1,399,446)
Total adjustments	(149,038)	500,680	61,194	412,836
Net cash provided (used) by operating activities	\$ 3,456,520	\$ 144,764	\$ (224,965)	\$ 3,376,319

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

**CITY OF MOUNT PLEASANT, TEXAS
 STATEMENT OF AGENCY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 SEPTEMBER 30, 2013**

	<u>Police Escrow Fund</u>
ASSETS	
Cash and cash equivalents - restricted	<u>\$ 87,545</u>
Total assets	<u><u>87,545</u></u>
LIABILITIES	
Other accrued liabilities	<u>87,545</u>
Total liabilities	<u><u>\$ 87,545</u></u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

The City of Mount Pleasant, Texas ("City") was incorporated in 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* and by the Financial Accounting Standards Board when applicable. 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 or 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, 2013

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

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

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented in the required supplementary section 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 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, 2013**

A. Summary of Significant Accounting Policies

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

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

- b. Measurement Focus, Basis of Accounting

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

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

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds:

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

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

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

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

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

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

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

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

3. Financial Statement Amounts
 - a. Cash and Cash Equivalents

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

b. Receivable and Payable Balances

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

c. Prepaid Items

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

d. Restricted Assets

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

e. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2013, \$47,774 of such interest costs were capitalized in the proprietary funds.

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

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

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

f. Deferred Outflows/Inflows of Resources

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

f. Deferred Outflows/Inflows of Resources (continued)

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

g. Compensated Absences

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

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

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

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

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

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

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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

i. Fund Equity (continued)

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

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

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

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 16.67% of expenditures, with 8.34% or less being cause for concern. As the end of fiscal year 2013, the City is in compliance with this minimum fund balance policy.

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

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumption

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

l. Federal and State Grants

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

m. Property Taxes

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

m. Property Taxes (continued)

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, 2013, the City had a tax rate of \$0.3165 per \$100 assessed valuation based upon the maximum rates described above.

n. Comparative Data/Reclassification

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

o. Interfund Activity

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

p. Use of Estimates

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

q. Program Revenues

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

r. Program Expenses

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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	\$ (106,317)	Expenditures exceed revenues
Cemetery Fund	(400)	Expenditures exceed revenues

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 57 and other informational budgets are presented in the supplementary information section.

The following procedures are followed in establishing the budgetary data:

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$26,709,747 and the bank balance was \$23,230,139. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$1,319,056.

At September 30, 2013, the City's investments in TexPool and LOGIC were \$22,440,296 for investment balance and book balance. Detail of these investments is described below in the 'Investment' section.

Cash and investments as of September 30, 2013 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 10,673,562
Restricted cash and cash equivalents	16,036,185
Total cash and cash equivalents	<u>\$ 26,709,747</u>
 Governmental - Restricted Cash	
Municipal Court	\$ 182,868
PEG funds	130,101
Tobacco Enforcement Program	10,650
Debt Service	1,271
Unspent Bond Proceeds	7,167,278
Rural Development	221,851
Total cash and cash equivalents	<u>\$ 7,714,019</u>
 Business-type- Restricted Cash	
Customer Deposits	\$ 133,395
Debt Service	2,326,980
Unspent TWDB loan	5,861,791
Total cash and cash equivalents	<u>\$ 8,322,166</u>
 Total Restricted Cash	<u>\$ 16,036,185</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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

C. Deposits and Investments
Investments (continued)

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

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

Interest Rate Risk

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

As of September 30, 2013, 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	\$ 3,463,751	48	N/A	AAA-m
LOGIC	18,976,545	49	N/A	AAA-m
	<u>\$22,440,296</u>			

As of September 30, 2013 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, 2013

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	Street	Other Governmental	Utility	Civic	Total
Receivables:						
Taxes	\$ 689,270	\$ -	\$ 37,147	\$ -	\$ -	\$ 726,417
Fees and Charges	1,530,293	38,956	4,474	953,147	430	2,527,300
Gross Receivables	2,219,563	38,956	41,621	953,147	430	3,253,717
Less: allowance for uncollectibles	(1,487,081)	-	-	(29,868)	-	(1,516,949)
Net Total Receivables	<u>\$ 732,482</u>	<u>\$ 38,956</u>	<u>\$ 41,621</u>	<u>\$ 923,279</u>	<u>\$ 430</u>	<u>\$ 1,736,768</u>

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

E. Capital Assets

Capital asset activity for the period ended September 30, 2013 was as follows:

Governmental Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 1,412,911	\$ -	\$ 23,322	\$ -	\$ 1,436,233
Construction in Progress	648,802	-	515,111	(341,566)	822,347
Total capital assets, not being depreciated	<u>2,061,713</u>	<u>-</u>	<u>538,433</u>	<u>(341,566)</u>	<u>2,258,580</u>
Capital assets, being depreciated:					
Buildings	8,386,079	-	-	(628,000)	7,758,079
Improvements	4,001,017	-	341,566	(21,000)	4,321,583
Infrastructure	22,756,217	-	722,364	-	23,478,581
Machinery	3,652,928	-	365,053	(534,293)	3,483,688
Vehicles	2,663,163	(22,555)	240,259	(44,028)	2,836,839
Total capital assets being depreciated	<u>41,459,404</u>	<u>(22,555)</u>	<u>1,669,242</u>	<u>(1,227,321)</u>	<u>41,878,770</u>
Less accumulated depreciation for:					
Buildings	(1,671,204)	-	(171,272)	191,631	(1,650,845)
Improvements	(3,056,132)	-	(67,293)	21,000	(3,102,425)
Infrastructure	(8,859,615)	-	(421,367)	-	(9,280,982)
Machinery	(2,247,657)	-	(441,199)	534,293	(2,154,563)
Vehicles	(2,046,167)	22,555	(225,187)	42,829	(2,205,970)
Total accumulated depreciation	<u>(17,880,775)</u>	<u>22,555</u>	<u>(1,326,318)</u>	<u>789,753</u>	<u>(18,394,785)</u>
Total capital assets, being depreciated, net	<u>23,578,629</u>	<u>-</u>	<u>342,924</u>	<u>(437,568)</u>	<u>23,483,985</u>
Governmental activities capital assets, net	<u>\$25,640,342</u>	<u>\$ -</u>	<u>\$ 881,357</u>	<u>\$ (779,134)</u>	<u>\$ 25,742,565</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. Capital Assets (continued)

Business-type Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 8,605,732	\$ -	\$ 167,116	\$ -	\$ 8,772,848
Construction in Progress	20,243,304	-	2,286,202	(4,508,147)	18,021,359
Total capital assets, not being depreciated	28,849,036	-	2,453,318	(4,508,147)	26,794,207
Capital assets, being depreciated:					
Buildings	13,930,127	-	8,951	-	13,939,078
Improvements	13,004,237	-	137,908	-	13,142,145
Infrastructure	21,745,077	-	5,158,308	-	26,903,385
Machinery	4,588,822	-	344,888	(27,329)	4,906,381
Vehicles	956,500	22,555	127,319	(60,046)	1,046,328
Total capital assets being depreciated	54,224,763	22,555	5,777,374	(87,375)	59,937,317
Less accumulated depreciation for:					
Buildings	(6,965,192)	-	(304,166)	-	(7,269,358)
Improvements	(3,182,895)	-	(601,407)	-	(3,784,302)
Infrastructure	(8,460,926)	-	(410,059)	-	(8,870,985)
Machinery	(4,038,751)	-	(219,101)	27,329	(4,230,523)
Vehicles	(868,003)	(22,555)	(47,629)	60,046	(878,141)
Total accumulated depreciation	(23,515,767)	(22,555)	(1,582,362)	87,375	(25,033,309)
Total capital assets, being depreciated, net	30,708,996	-	4,195,012	-	34,904,008
Business-type activities capital assets, net	<u>\$59,558,032</u>	<u>\$ -</u>	<u>\$ 6,648,330</u>	<u>\$ (4,508,147)</u>	<u>\$ 61,698,215</u>

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

Governmental activities:	
Administration	\$ 58,726
Municipal Court	5,061
Library	239,787
Police Department	209,215
Fire Department	132,111
Parks & Recreation	63,868
Streets	617,550
Total depreciation expense - governmental activities	<u>\$ 1,326,318</u>
Business-type activities:	
Utility	\$ 1,020,689
Airport	503,225
Civic Center	58,448
Total depreciation expense - business-type activities	<u>\$ 1,582,362</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. Capital Assets (continued)

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2013. The projects include water system improvements, water plant and line construction and street projects.

Commitments for construction in progress are composed of the following:

	Project Budget		Remaining
	Appropriation	Spent to Date	Commitment
New water plant and lines	\$24,785,000	\$ 18,481,944	\$ 6,303,056
Lift Station	250,000	42,709	207,291
Loop improvements	515,375	306,360	209,015
Old Paris Rd Channel	75,000	12,693	62,307
	<u>\$25,625,375</u>	<u>\$ 18,843,706</u>	<u>\$ 6,781,669</u>

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	\$ 4,305,000	\$ 7,115,000	\$ (240,000)	\$ 11,180,000	\$ 410,000
	4,305,000	7,115,000	(240,000)	11,180,000	410,000
Add deferred amounts:					
For Bond Issuance Premium	-	(50,442)	2,522	(47,920)	(2,522)
For Bond Issuance Discount	-	180,565	(9,028)	171,537	9,028
Total Bonds Payable	4,305,000	7,245,123	(246,506)	11,303,617	416,506
Compensated absences	395,276	228,637	(171,722)	452,191	20,647
Governmental activity					
Long-term debt	<u>\$ 4,700,276</u>	<u>\$ 7,473,760</u>	<u>\$ (418,228)</u>	<u>\$ 11,755,808</u>	<u>\$ 437,153</u>
Business-type Activities					
Revenue Bonds	\$24,675,000	\$ -	\$ (580,000)	\$ 24,095,000	\$ 595,000
Revenue Refunding Bonds	6,030,000	-	(580,000)	5,450,000	590,000
Total Bonds Payable	30,705,000	-	(1,160,000)	29,545,000	1,185,000
Add deferred amounts:					
For Bond Issuance Premium	6,997	-	(1,000)	5,997	(1,000)
For Bond Issuance Discount	(26,507)	-	3,787	(22,720)	3,787
Total Bonds Payable	30,685,490	-	(1,157,213)	29,528,277	1,187,787
Compensated absences	139,775	31,598	(38,605)	132,768	6,126
Business-type activity					
Long-term debt	<u>\$30,825,265</u>	<u>\$ 31,598</u>	<u>\$ (1,195,818)</u>	<u>\$ 29,661,045</u>	<u>\$ 1,193,913</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

F. Long-Term Obligations (continued)

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding			Due Within One Year	
			September 30, 2012	Issued	Retired		September 30, 2013
2010 Lib C.O.'s	2.000%	\$ 4,500,000	\$ 4,305,000	\$ -	\$ (95,000)	\$ 4,210,000	\$ 105,000
2012 Comb Tax & Rev	2%-2.75%	7,115,000	-	7,115,000	(145,000)	6,970,000	305,000
Total Bonds Payable		11,615,000	4,305,000	7,115,000	(240,000)	11,180,000	410,000
Compensated absences		-	395,276	228,637	(171,722)	452,191	20,647
Totals		<u>\$11,615,000</u>	<u>\$ 4,700,276</u>	<u>\$ 7,343,637</u>	<u>\$ (411,722)</u>	<u>\$ 11,632,191</u>	<u>\$ 430,647</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 410,000	\$ 281,950	\$ 691,950
2015	430,000	273,700	703,700
2016	455,000	265,000	720,000
2017	470,000	255,850	725,850
2018	490,000	245,675	735,675
2019-2023	2,830,000	1,047,473	3,877,473
2024-2028	3,555,000	652,685	4,207,685
2029-2032	2,540,000	138,745	2,678,745
Totals	<u>\$ 11,180,000</u>	<u>\$ 3,161,078</u>	<u>\$ 14,341,078</u>

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

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

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Due Within One Year	
			September 30, 2012	Issued	Retired		September 30, 2013
2006 Utility Refund	4.88%	\$ 3,320,000	\$ 3,080,000	\$ -	\$ (190,000)	\$ 2,890,000	\$ 190,000
2008 Utility Revenue	1.00%	24,785,000	24,675,000	-	(580,000)	24,095,000	595,000
2010 Rev Refunding	1.00%	3,295,000	2,950,000	-	(390,000)	2,560,000	400,000
Total Bonds Payable		31,400,000	30,705,000	-	(1,160,000)	29,545,000	1,185,000
Compensated Absences			139,775	31,598	(38,605)	132,768	6,126
Totals		<u>\$31,400,000</u>	<u>\$ 30,844,775</u>	<u>\$ 31,598</u>	<u>\$ (1,198,605)</u>	<u>\$ 29,677,768</u>	<u>\$ 1,191,126</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 1,185,000	\$ 392,410	\$ 1,577,410
2015	1,205,000	368,329	1,573,329
2016	1,235,000	342,428	1,577,428
2017	1,260,000	314,483	1,574,483
2018	1,285,000	285,818	1,570,818
2019-2023	6,940,000	1,045,501	7,985,501
2024-2028	7,515,000	490,250	8,005,250
2029-2033	8,920,000	78,975	8,998,975
Totals	\$ 29,545,000	\$ 3,318,194	\$ 32,863,194

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

\$24,875,000 Waterworks and Sewer System Revenue Bonds, Series 2008, were issued for the purpose of the construction of a water treatment plant, improvements to raw water supply facilities and water distribution system.

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

G. Operating Lease

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

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

H. Pension Plan

1. Plan Description

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Pension Plan

1. Plan Description (continued)

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

	Plan Year	
	2012	2013
Employee deposit rate	7%	7%
Matching Ratio (City to Employee):	2-1	2-1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

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

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

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

City of Mount Pleasant Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial Value of Assets	\$ 16,191,463	\$ 17,973,410	\$ 19,936,069
Actuarial Accrued Liability	21,750,986	23,469,909	24,895,767
Percentage Funded	74.4%	76.6%	80.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	5,559,523	5,496,499	4,959,697
Annual Covered Payroll	5,738,115	5,665,505	5,756,105
UAAL as a Percentage of Covered Payroll	96.9%	97.0%	86.2%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 964,294	935,936	964,840
Contributions Made	Less (964,294)	(935,936)	(964,840)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Pension Plan

2. Contributions (continued)

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, as follows:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization period	27.1 years; closed period	26.0 years; closed period	25.0 years; closed period
Amortization Period for new Gains/Losses	10 yr Smoothed Market	10 yr Smoothed Market	10 yr Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%

3. Funding Status and Funding Progress

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

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

4. Group-term Life Insurance

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

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

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 2013, 2012, and 2011 were \$1,897, \$1,704, and \$1,757, 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, 2013

I. Other Post-Employment Benefits

1. Plan Description

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

2. Benefits Provided

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

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

As of September 30, 2013, group plan membership consisted of:

Retirees receiving benefits paid by the City	3
Retirees receiving benefits paid by themselves	2
Active employees	145
Total	<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 \$389 per month for retirees between the ages of 62 and 65 for retiree-only coverage. Participants retiring prior to age 62 are required to pay the full cost of coverage. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

4. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the City ("ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows as of September 30, 2013:

	Plan Year	
	2012	2013
Normal Cost at fiscal year end	\$ 447,561	\$ 239,753
Amortization of UAAL	169,744	160,912
Annual Required Contribution	617,305	400,665
Interest on prior year Net OPEB obligation	42,879	66,251
Adjustment to annual required contribution	(64,332)	(97,468)
Annual OPEB cost	595,852	369,448
Contributions made	(11,541)	(75,027)
Increase in net OPEB obligation	584,311	294,421
Net Obligation - beginning of year	1,071,969	1,656,280
Net Obligation - end of year	<u>\$ 1,656,280</u>	<u>\$ 1,950,701</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. Other Post-Employment Benefits

4. Annual OPEB Cost and Net OPEB Obligation (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	9/30/11	9/30/12	9/30/13
Discount rate	4.0%	4.0%	4.0%
Annual OPEB Cost	\$ 607,784	\$ 595,852	\$ 369,448
Percentage of Annual OPEB Cost Contributed	1.90%	1.94%	20.31%
Net OPEB Obligation	\$ 1,071,969	\$ 1,656,280	\$ 1,950,701

5. Funding Status and Funding Progress

As of September 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2.7 million, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$5.9 million, and the ratio of the UAAL to the covered payroll was 46.64%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, present as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in 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, 2012 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, 2013 was 28 years.

J. Health Care Coverage

During the year ended September 30, 2013, employees of the City were covered by a health and dental insurance plan. The City contributed \$389 per month per employee for employee coverage and \$315 (50% of the cost) for dependent's health insurance. The City contributed \$26 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent dental coverage. Health insurance is provided by Blue Cross Blue Shield, while dental insurance is provided by Lincoln Financial.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2013-2014.

L. Litigation

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

M. Additional Water and Sewer Information

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

Gallons Pumped	2,460,542,000
Gallons Billed	2,270,565,538

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 \$543,830. There was a slight decrease in cost of water purchased of \$70,183 (11%) over the previous year.

N. Interfund Transactions

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 7,073,034	\$ 1,394,703
Street Fund	1,259,673	8,042,611
Other Governmental Funds	468,738	207,739
Utility	3,440,224	2,142,375
Airport	37,355	179,355
Civic Center	-	312,241
Total Major Funds	<u>\$ 12,279,024</u>	<u>\$ 12,279,024</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.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

O. Prior Period Adjustments

Prior period adjustments were recorded to reverse the liability for unfunded pension liabilities in governmental and business-type funds. Although including unfunded pension liabilities is conceptually correct per the future GASB 68 pronouncement, the reversal in 2013 makes the City of Mount Pleasant more comparable to other municipalities.

Prior period adjustments were recorded in the business-type activity to correct recording of unbilled utility accounts receivable.

Prior period adjustments recorded as follows:

Governmental:	
Reverse unfunded pension liability	\$ 3,902,639
	<u>\$ 3,902,639</u>
Business-type:	
Correction of unbilled accounts receivable	\$ (2,210,980)
Reverse unfunded pension liability	1,498,748
	<u>\$ (712,232)</u>

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2013 up through January 20, 2014, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

Q. Mount Pleasant Industrial Development Corporation

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

1. Deposits and Investments

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 2,948,780
Total cash and cash equivalents	<u>\$ 2,948,780</u>
Savings and checking accounts	
Investment Pools	628,437
Total cash and cash equivalents	<u>\$ 2,320,343</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.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Q. Mount Pleasant Industrial Development Corporation
 1. Deposits and Investments (continued)

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, 2013, 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	\$ 1,417,264	48	N/A	AAA-m
LOGIC	903,079	49	N/A	AAA-m
	<u>\$ 2,320,343</u>			

As of September 30, 2013, the IDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of September 30, 2013, 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. No allowance for uncollectible is recorded for the sales tax receivable accrued.

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Q. Mount Pleasant Industrial Development Corporation (continued)

3. Capital Assets

Capital asset activity for the period ended September 30, 2013 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,628,156	\$ -	\$ -	\$ 1,628,156
Total capital assets, not being depreciated:	<u>1,628,156</u>	<u>-</u>	<u>-</u>	<u>1,628,156</u>
Capital assets, being depreciated:				
Improvements	1,718,691	-	-	1,718,691
Infrastructure	2,499,327	-	-	2,499,327
Total capital assets being depreciated:	<u>4,218,018</u>	<u>-</u>	<u>-</u>	<u>4,218,018</u>
Less accumulated depreciation for:				
Improvements	(421,928)	(85,935)	-	(507,863)
Infrastructure	(293,528)	(49,987)	-	(343,515)
Total accumulated depreciation	<u>(715,456)</u>	<u>(135,922)</u>	<u>-</u>	<u>(851,378)</u>
Total capital assets, being depreciated, net	<u>3,502,562</u>	<u>(135,922)</u>	<u>-</u>	<u>3,366,640</u>
Governmental activities capital assets, net	<u>\$ 5,130,718</u>	<u>\$ (135,922)</u>	<u>\$ -</u>	<u>\$ 4,994,796</u>

4. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30,		Due Within One Year
			2012	Issued		2013		
2012 IDC Taxable	5.2%	\$ 1,175,500	\$ 1,175,500	\$ -	\$ (65,001)	\$ 1,110,499	\$ 68,462	
2012 IDC NonTaxable	3.4%	2,076,835	2,076,836	-	(129,269)	1,947,567	133,732	
Total Notes Payable		<u>\$ 3,252,335</u>	<u>\$ 3,252,336</u>	<u>\$ -</u>	<u>\$ (194,270)</u>	<u>\$ 3,058,066</u>	<u>\$ 202,194</u>	

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 202,194	\$ 120,276	\$ 322,470
2015	210,458	112,011	322,469
2016	219,077	103,393	322,470
2017	228,065	94,405	322,470
2018	237,438	85,031	322,469
2019-2023	816,624	558,285	1,374,909
2024-2028	1,054,063	558,285	1,612,348
2029	90,147	36,058	126,205
Totals	<u>\$ 3,058,066</u>	<u>\$ 1,667,744</u>	<u>\$ 4,725,810</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.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

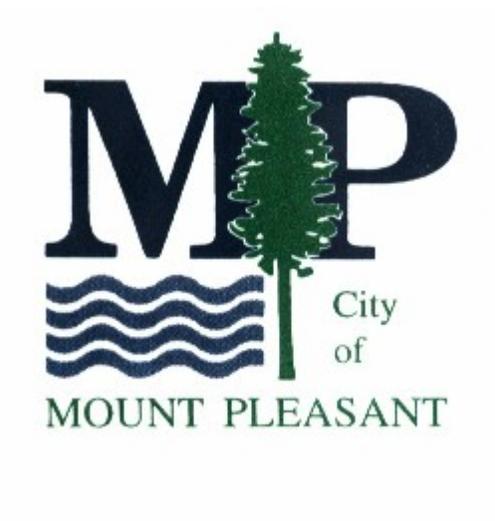
Q. Mount Pleasant Industrial Development Corporation (continued)

5. Prior Period Adjustments

A prior period adjustment was recorded to reverse the liability for unfunded pension liabilities and business-type funds.

Reverse unfunded pension liability	<u>\$ 99,313</u>
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REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,423,071	\$ 2,385,271	\$ 2,382,323	\$ (2,948)
Sales	3,489,408	3,489,408	3,506,284	16,876
Other	27,000	27,000	25,401	(1,599)
Fines and Forfeitures	806,000	806,000	623,150	(182,850)
Licenses and Permits	56,100	56,100	55,023	(1,077)
Charge for Services	149,400	149,400	153,722	4,322
Donations	-	-	1,618	1,618
Intergovernmental Revenue	-	-	431,142	431,142
Contractual Income	-	-	-	-
Investment Income	3,100	3,100	3,149	49
Miscellaneous	100,000	100,000	109,871	9,871
Total Revenues	<u>7,054,079</u>	<u>7,016,279</u>	<u>7,291,683</u>	<u>275,404</u>
EXPENDITURES				
Current:				
General Government	828,039	830,274	729,956	100,318
Public Safety:				
Police	3,666,566	3,666,566	3,338,361	328,205
Fire	1,953,767	1,953,767	2,004,804	(51,037)
Total Public Safety	<u>5,620,333</u>	<u>5,620,333</u>	<u>5,343,165</u>	<u>277,168</u>
Library	<u>315,885</u>	<u>315,885</u>	<u>292,145</u>	<u>23,740</u>
Public Works	129,437	129,437	131,247	(1,810)
Public Services and Operations	582,617	582,617	598,237	(15,620)
Parks and Recreation	606,458	606,458	562,024	44,434
Total Current Expenditures	<u>1,318,512</u>	<u>1,318,512</u>	<u>1,291,508</u>	<u>27,004</u>
Capital Outlays	-	-	205,701	(205,701)
Total Expenditures	<u>8,082,769</u>	<u>8,085,004</u>	<u>7,862,475</u>	<u>222,529</u>
Excess (deficiency) of revenues over (under) expenditures	(1,028,690)	(1,068,725)	(570,792)	497,933
Other Financing Sources (Uses)				
Transfers	450,300	425,900	314,611	(111,289)
Sale of Assets	220,000	220,000	184,850	(35,150)
Total Other Financing Sources (uses)	<u>670,300</u>	<u>645,900</u>	<u>499,461</u>	<u>(146,439)</u>
Net Change in Fund Balance	(358,390)	(422,825)	(71,331)	351,494
Fund Balance, October 1	2,483,813	2,483,813	2,483,813	
Prior Period Adjustments	-	-	4,200	
Fund Balance, September 30	<u>\$ 2,125,423</u>	<u>\$ 2,060,988</u>	<u>\$ 2,416,682</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2007	12/31/2006	\$ 8,872,109	\$ 12,173,441	\$ 3,301,332	72.9%	\$ 4,696,828	70.3%	\$ 598,977	\$ 598,977	100%
2008	12/31/2007	\$ 8,918,216	\$ 14,624,444	\$ 5,706,228	61.0%	\$ 4,929,175	115.8%	\$ 663,957	\$ 663,957	100%
2009	12/31/2008	\$ 9,732,672	\$ 15,536,330	\$ 5,803,658	62.6%	\$ 5,265,395	110.2%	\$ 866,407	\$ 866,407	100%
2010	12/31/2009	\$ 10,649,882	\$ 16,867,165	\$ 6,217,283	63.1%	\$ 5,853,728	106.2%	\$ 747,785	\$ 747,785	100%
2011	12/31/2010	\$ 16,191,463	\$ 21,750,986	\$ 5,559,523	74.4%	\$ 5,738,115	96.9%	\$ 964,294	\$ 964,294	100%
2012	12/31/2011	\$ 17,973,410	\$ 23,469,909	\$ 5,496,499	76.6%	\$ 5,665,505	97.0%	\$ 935,936	\$ 935,936	100%
2013	12/31/2012	\$ 19,936,069	\$ 24,895,767	\$ 4,959,698	80.1%	\$ 5,756,105	86.2%	\$ 964,840	\$ 964,840	100%

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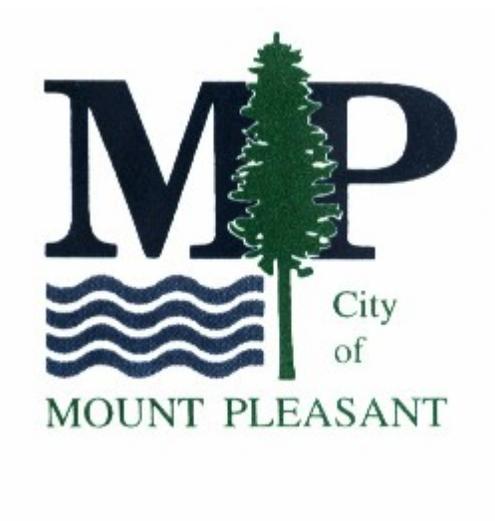
See accompanying notes to these financial statements for more detail.

**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2-1)/5
2007	10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
2008	10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
2009	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 5,265,395 *	31.9%
2010	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 5,853,728 *	28.7%
2011	10/1/2010	\$ -	\$ 2,828,456	\$ 2,828,456	0.0%	\$ 5,738,115 *	49.3%
2012	10/1/2010	\$ -	\$ 2,828,456	\$ 2,828,456	0.0%	\$ 5,665,505 *	49.9%
2013	10/1/2012	\$ -	\$ 2,753,862	\$ 2,753,862	0.0%	\$ 5,903,889 *	46.6%

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



SUPPLEMENTARY INFORMATION

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Fund</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>K-9 Fund</u>
ASSETS								
Cash and investments:								
Unrestricted	\$ 297,665	\$ -	\$ 2,400	\$ 96,470	\$ -	\$ 16,485	\$ 154,132	\$ 555
Restricted	-	1,271	-	-	221,850	-	-	-
Receivables, net of allowance for uncollectibles:								
Taxes	-	-	-	-	-	-	37,147	4,474
Total assets	<u>297,665</u>	<u>1,271</u>	<u>2,400</u>	<u>96,470</u>	<u>221,850</u>	<u>16,485</u>	<u>191,279</u>	<u>5,029</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	2,800	632	-	-	40,212	233
Accrued interest payable	-	107,588	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>107,588</u>	<u>2,800</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>40,212</u>	<u>233</u>
FUND BALANCES								
Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Hotel/Motel Development	-	-	-	-	-	-	151,067	-
Development	-	-	-	-	221,850	-	-	-
Assigned to:								
Capital projects	297,665	-	-	-	-	-	-	-
Public safety	-	-	-	95,838	-	-	-	4,796
Parks	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	16,485	-	-
Unassigned	-	(106,317)	(400)	-	-	-	-	-
Total Fund Balances	<u>297,665</u>	<u>(106,317)</u>	<u>(400)</u>	<u>95,838</u>	<u>221,850</u>	<u>16,485</u>	<u>151,067</u>	<u>4,796</u>
Total Liabilities and Fund Balances	<u>\$ 297,665</u>	<u>\$ 1,271</u>	<u>\$ 2,400</u>	<u>\$ 96,470</u>	<u>\$ 221,850</u>	<u>\$ 16,485</u>	<u>\$ 191,279</u>	<u>\$ 5,029</u>

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Law Enforcement Education Fund	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Peg Funds	Total Other Governmental Funds
ASSETS								
Cash and investments:								
Unrestricted	\$ -	\$ 235,886	\$ 9,908	\$ -	\$ 2,370	\$ -	\$ -	\$ 815,871
Restricted	-	-	-	-	-	-	130,101	353,222
Receivables, net of allowance for uncollectibles:								
Taxes	-	-	-	-	-	-	-	41,621
Total assets	-	235,886	9,908	-	2,370	-	130,101	1,210,714
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	43,877
Accrued interest payable	-	-	-	-	-	-	-	107,588
Total liabilities	-	-	-	-	-	-	-	151,465
FUND BALANCES								
Restricted for:								
Capital projects	-	-	-	-	-	-	130,101	130,101
Hotel/Motel	-	-	-	-	-	-	-	151,067
Development	-	-	-	-	-	-	-	221,850
Assigned to:								
Capital projects	-	-	-	-	-	-	-	297,665
Public safety	-	-	-	-	2,370	-	-	103,004
Parks	-	235,886	-	-	-	-	-	235,886
Library	-	-	9,908	-	-	-	-	26,393
Unassigned	-	-	-	-	-	-	-	(106,717)
Total Fund Balances	-	235,886	9,908	-	2,370	-	130,101	1,059,249
Total Liabilities and Fund Balances	\$ -	\$ 235,886	\$ 9,908	\$ -	\$ 2,370	\$ -	\$ 130,101	\$ 1,210,714

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Fund</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>K-9 Fund</u>
REVENUE								
Taxes:								
Property	\$ -	\$ 231,931	\$ 20,418	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	495,539	-
Franchise	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	25,547	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-	11,699
Investment income	334	37	-	145	214	31	-	-
Miscellaneous	-	2,066	337	2,363	-	-	-	-
Total revenues	<u>334</u>	<u>234,034</u>	<u>20,755</u>	<u>28,055</u>	<u>214</u>	<u>31</u>	<u>495,539</u>	<u>11,699</u>
EXPENDITURES								
Current:								
General government	-	250	-	-	-	-	205,130	-
Police	-	-	-	72,704	-	-	-	6,903
Fire	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	8,275	-	-
Public services and operations	-	-	33,933	-	-	-	-	-
Debt service:								
Principal retirement	-	95,000	-	-	-	-	-	-
Interest	-	193,767	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>289,017</u>	<u>33,933</u>	<u>72,704</u>	<u>-</u>	<u>8,275</u>	<u>205,130</u>	<u>6,903</u>
Excess (deficiency) of revenues over (under) expenditures	334	(54,983)	(13,178)	(44,649)	214	(8,244)	290,409	4,796
Other Revenues and Financing Sources (Uses)								
Transfers	50,000	-	7,275	(4,200)	-	-	(317,241)	-
Sale of assets	-	-	7,600	1,496	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>14,875</u>	<u>(2,704)</u>	<u>-</u>	<u>-</u>	<u>(317,241)</u>	<u>-</u>
Net Change in Fund Balances	50,334	(54,983)	1,697	(47,353)	214	(8,244)	(26,832)	4,796
Fund Balances, October 1	247,331	(51,334)	(2,097)	143,191	221,636	24,729	177,899	-
Fund Balances, September 30	<u>\$ 297,665</u>	<u>\$ (106,317)</u>	<u>\$ (400)</u>	<u>\$ 95,838</u>	<u>\$ 221,850</u>	<u>\$ 16,485</u>	<u>\$ 151,067</u>	<u>\$ 4,796</u>

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Law Enforcement Education Fund	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Peg Funds	Total Other Governmental Funds
REVENUE								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,349
Hotel	-	-	-	-	-	-	-	495,539
Franchise	-	-	-	-	-	-	20,240	20,240
Fines and forfeitures	-	-	-	-	-	-	-	25,547
Donations	-	-	5,319	-	6,000	-	-	11,319
Grant revenue	-	-	-	-	-	-	-	11,699
Investment income	-	-	-	-	-	-	85	846
Miscellaneous	-	-	3,000	-	-	-	-	7,766
Total revenues	-	-	8,319	-	6,000	-	20,325	825,305
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	205,380
Police	2,924	-	-	-	3,630	-	-	86,161
Fire	-	-	-	867	-	-	-	867
Libraries	-	-	997	-	-	-	-	9,272
Public services and operations	-	-	-	-	-	-	-	33,933
Debt service:								
Principal retirement	-	-	-	-	-	-	-	95,000
Interest	-	-	-	-	-	-	-	193,767
Capital outlays	-	-	8,873	-	-	28,000	-	36,873
Total expenditures	2,924	-	9,870	867	3,630	28,000	-	661,253
Excess (deficiency) of revenues over (under) expenditures	(2,924)	-	(1,551)	(867)	2,370	(28,000)	20,325	164,052
Other Revenues and Financing Sources (Uses)								
Transfers	-	-	-	867	-	24,396	109,776	(129,127)
Sale of assets	-	-	-	-	-	-	-	9,096
Total Other Financing Sources (Uses)	-	-	-	867	-	24,396	109,776	(120,031)
Net Change in Fund Balances	(2,924)	-	(1,551)	-	2,370	(3,604)	130,101	44,021
Fund Balances, October 1	2,924	235,886	11,459	-	-	3,604	-	1,015,228
Fund Balances, September 30	\$ -	\$ 235,886	\$ 9,908	\$ -	\$ 2,370	\$ -	\$ 130,101	\$ 1,059,249

CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 231,388	\$ 231,388	\$ 231,931	\$ 543
Miscellaneous	1,500	1,500	2,103	603
Total Revenues	<u>232,888</u>	<u>232,888</u>	<u>234,034</u>	<u>1,146</u>
EXPENDITURES				
General Government	-	-	250	(250)
Debt service:				
Principal retirement	95,000	95,000	95,000	-
Interest	137,888	137,888	193,767	(55,879)
Total Expenditures	<u>232,888</u>	<u>232,888</u>	<u>289,017</u>	<u>(56,129)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(54,983)	(54,983)
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(54,983)	(54,983)
Fund Balance, October 1	(51,334)	(51,334)	(51,334)	
Fund Balance, September 30	<u>\$ (51,334)</u>	<u>\$ (51,334)</u>	<u>\$ (106,317)</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - STREET FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Franchise	\$ 1,300,000	\$ 1,300,000	\$ 1,229,627	\$ (70,373)
Royalties	384,300	384,300	382,347	(1,953)
Investment income	3,700	3,700	18,494	14,794
Miscellaneous	750	750	10,413	9,663
Total Revenues	1,688,750	1,688,750	1,640,881	(47,869)
EXPENDITURES				
Current:				
Public works	2,579,659	2,579,659	2,713,760	(134,101)
Total Expenditures	2,986,234	2,986,234	2,922,057	64,177
Excess (deficiency) of revenues (under) expenditures	(1,297,484)	(1,297,484)	(1,281,176)	16,308
Other Financing Sources (uses)				
Transfers	475,200	770,000	658,124	(111,876)
Bond Proceeds	-	-	7,115,000	7,115,000
Premium on bond issue	-	-	180,565	180,565
Sale of Assets	220,000	220,000	1,265	1,265
Total Other Financing Sources (uses)	695,200	990,000	7,954,954	7,184,954
Net Change in Fund Balances	(602,284)	(307,484)	6,673,778	6,981,262
Fund Balance, October 1	3,116,406	3,116,406	3,116,406	
Fund Balance, September 30	\$ 2,514,122	\$ 2,808,922	\$ 9,790,184	

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
POLICE ESCROW FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Balance September 2012	Additions	Deductions	Balance September 2013
Police Escrow				
ASSETS:				
Cash and cash equivalents	\$ 85,380	\$ 40,061	\$ 37,896	\$ 87,545
Total Assets	<u>85,380</u>	<u>40,061</u>	<u>37,896</u>	<u>87,545</u>
LIABILITIES:				
Other accrued liabilities	85,380	40,061	37,896	87,545
Total Liabilities	<u>\$ 85,380</u>	<u>\$ 40,061</u>	<u>\$ 37,896</u>	<u>\$ 87,545</u>

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

	IDC Operating Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 2,948,780
Receivables, net of allowance for uncollectibles	<u>216,645</u>
Total Assets	<u><u>3,165,425</u></u>
Liabilities	
Accounts payable	3,119
Accrued expenses	<u>4,506</u>
Total Liabilities	<u>7,625</u>
Fund Balances	
Unassigned	<u>3,157,800</u>
Total Fund Balances	<u>3,157,800</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,165,425</u></u>

**CITY OF MOUNT PLEASANT, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2013**

Total fund balances - governmental funds balance sheet	\$ 3,157,800
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.	5,846,174
Accumulated depreciation has not been included in the governmental fund financial statements.	(851,379)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(44,388)
Notes Payable have not been included in the governmental fund financial statements.	<u>(3,058,066)</u>
Net assets of governmental activities - statement of net position	<u><u>\$ 5,050,141</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, 2013**

	IDC Operating Fund
REVENUE	
Sales taxes	\$ 1,168,761
Intergovernmental revenue	93,789
Investment income	2,427
Total Revenues	<u>1,264,977</u>
EXPENDITURES	
Current:	
Economic development	486,359
Debt service:	
Principal retirement	194,269
Interest	128,200
Total Expenditures	<u>808,828</u>
Excess (deficiency) of revenues over (under) expenditures	456,149
OTHER FINANCING SOURCES (USES)	
Sale of assets	5,568
Total other financing sources (uses)	<u>5,568</u>
Net change in fund balance	461,717
Fund Balance, October 1	<u>2,696,083</u>
Fund Balance, September 30	<u><u>\$ 3,157,800</u></u>

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Net change in fund balance - statement of revenues, expenditures and
changes in fund balance - governmental funds** \$ 461,717

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets. (135,922)

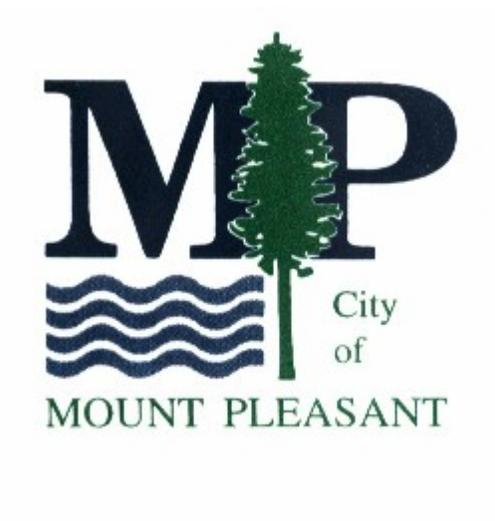
Changes to the net OPEB liability are not shown in the fund financial statements. (16,231)

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. 194,269

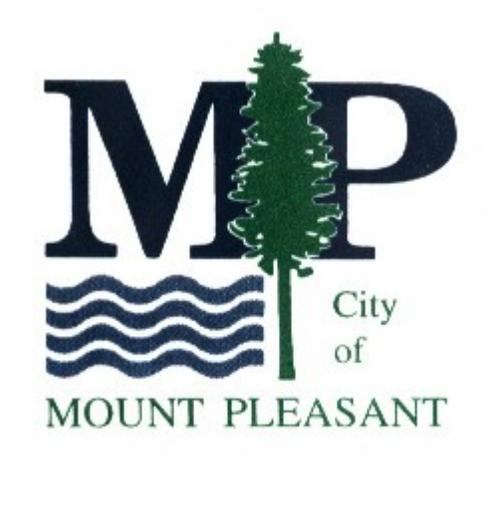
Change in net position - statement of activities \$ 503,833

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 1,140,771	\$ 1,140,771	\$ 1,168,761	\$ 27,990
Intergovernmental Revenue	-	-	93,789	93,789
Investment Income	2,750	2,750	2,427	(323)
Total Revenues	<u>1,143,521</u>	<u>1,143,521</u>	<u>1,264,977</u>	<u>121,456</u>
EXPENDITURES				
Current:				
Economic Development	668,292	688,592	486,359	202,233
Debt Service:				
Principal Retirement	183,746	183,746	194,269	(10,523)
Interest	150,887	150,887	128,200	22,687
Total Expenditures	<u>1,002,925</u>	<u>1,023,225</u>	<u>808,828</u>	<u>214,397</u>
Excess (deficiency) of revenues over (under) expenditures	140,596	120,296	456,149	335,853
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	5,568	5,568
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,568</u>	<u>5,568</u>
Net Change in Fund Balance	140,596	120,296	461,717	341,421
Fund Balance, October 1	<u>2,696,083</u>	<u>2,696,083</u>	<u>2,696,083</u>	
Fund Balance, September 30	<u>\$ 2,836,679</u>	<u>\$ 2,816,379</u>	<u>\$ 3,157,800</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. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning that year. Information will continue to be added until 10 years of data is available.

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
Governmental activities:					
Net investment in capital assets	\$ 22,758	\$ 13,176	\$ 15,346	\$ 17,881	\$ 18,876
Restricted	1,033	607	163	179	180
Unrestricted	3,066	8,127	8,924	8,934	8,877
Total governmental activities net position	<u>26,857</u>	<u>21,910</u>	<u>24,433</u>	<u>26,994</u>	<u>27,933</u>
Business-type activities:					
Net investment in capital assets	14,168	23,288	24,488	19,811	22,735
Restricted	-	-	273	818	4,677
Unrestricted	1,805	2,389	3,416	10,813	8,234
Total business-type activities net position	<u>15,973</u>	<u>25,677</u>	<u>28,177</u>	<u>31,442</u>	<u>35,646</u>
Primary government:					
Net investment in capital assets	36,926	36,464	39,834	37,692	41,611
Restricted	1,033	607	436	997	4,857
Unrestricted	4,871	10,516	12,340	19,747	17,111
Total primary government net position	<u>\$ 42,830</u>	<u>\$ 47,587</u>	<u>\$ 52,610</u>	<u>\$ 58,436</u>	<u>\$ 63,579</u>

Table 1

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 19,226	\$ 20,682	\$ 21,209	\$ 19,274	\$ 21,730
145	496	442	543	1,477
1,722	83	(888)	2,782	2,695
<u>21,093</u>	<u>21,261</u>	<u>20,763</u>	<u>22,599</u>	<u>25,902</u>
31,122	31,779	37,381	38,655	39,616
4,001	566	1,375	1,375	2,028
173	5,194	2,156	3,523	3,578
<u>35,296</u>	<u>37,539</u>	<u>40,912</u>	<u>43,553</u>	<u>45,222</u>
50,348	52,461	58,590	57,929	61,346
4,146	1,062	1,817	1,918	3,505
1,895	5,277	1,268	6,305	6,273
<u>\$ 56,389</u>	<u>\$ 58,800</u>	<u>\$ 61,675</u>	<u>\$ 66,152</u>	<u>\$ 71,124</u>

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
EXPENSES					
Governmental activities:					
General government	\$ -	\$ 1,070,976	\$ 1,090,369	\$ 1,283,198	\$ 1,280,245
Public Safety	2,993,966	3,505,585	3,685,427	4,052,324	4,424,296
Development	1,724	387,642	600,734	388,354	858,365
Public Services	2,629,012	2,591,928	2,673,993	2,661,479	2,817,683
Parks and Recreation	-	327,547	369,974	736,348	600,649
Public Works	2,255,383	1,454,588	1,396,038	1,466,573	2,398,964
Library	-	190,904	227,497	300,073	276,983
Other	-	(4,700)	-	18,010	53,199
Interest and Agent Fees	62,401	44,523	37,798	31,259	26,815
Unallocated Depreciation	995,936	822,344	782,878	-	-
Total governmental activities expenses	<u>8,938,422</u>	<u>10,391,337</u>	<u>10,864,708</u>	<u>10,937,618</u>	<u>12,737,199</u>
Business-type activities:					
Water and Sewer	5,005,137	4,888,451	5,172,294	5,307,797	5,949,711
Airport Fund	-	853,401	992,446	1,178,710	1,329,657
Civic Center	-	279,268	200,967	263,134	298,228
Economic Development	194,600	-	-	-	-
Total business-type activities expenses	<u>5,199,737</u>	<u>6,021,120</u>	<u>6,365,707</u>	<u>6,749,641</u>	<u>7,577,596</u>
Total primary government expenses	<u>14,138,159</u>	<u>16,412,457</u>	<u>17,230,415</u>	<u>17,687,259</u>	<u>20,314,795</u>
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	755,415	-	-	-	-
Public Safety	-	-	-	-	-
Public Services	1,868,770	1,275,845	1,174,394	839,664	358,054
Public Works	-	2,126,317	2,154,773	2,285,018	2,439,669
Parks and Recreation	-	37,574	34,512	36,781	48,378
Library	-	5,424	4,865	5,361	7,434
Other	508,824	332,051	329,141	345,214	320,988
Capital grants and contributions	169,772	123,441	50,415	982,291	-
Operating grants and contributions	113,302	106,841	28,769	38,551	35,986
Total governmental activities program revenues	<u>3,416,083</u>	<u>4,007,493</u>	<u>3,776,869</u>	<u>4,532,880</u>	<u>3,210,509</u>
Business-type activities:					
Charge for services:					
Water and Sewer	6,885,345	7,180,938	7,153,561	7,504,058	7,633,306
Airport Fund	-	828,909	945,575	1,027,580	1,128,997
Civic Center	-	56,349	66,210	72,162	81,239
Economic Development	929,545	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	29,860	324,814	3,192,494
Total business-type activities program services	<u>7,814,890</u>	<u>8,066,196</u>	<u>8,195,206</u>	<u>8,928,614</u>	<u>12,036,036</u>
Total primary government program revenues	<u>11,230,973</u>	<u>12,073,689</u>	<u>11,972,075</u>	<u>13,461,494</u>	<u>15,246,545</u>
NET (EXPENSE)/REVENUE					
Governmental activities	(5,222,339)	(6,383,844)	(7,087,839)	(6,404,738)	(9,526,690)
Business-type activities	2,615,153	2,045,076	1,829,499	2,178,973	4,458,440
Total primary government program net expenses	<u>\$ (2,907,186)</u>	<u>\$ (4,338,768)</u>	<u>\$ (5,258,340)</u>	<u>\$ (4,225,765)</u>	<u>\$ (5,068,250)</u>

Table 2

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 1,346,187	\$ 1,419,361	\$ 1,580,066	\$ 710,022	\$ 1,005,623
5,154,158	5,528,736	5,542,704	5,454,951	5,949,251
449,828	-	-	-	-
400,319	550,832	560,268	589,987	644,860
661,703	645,176	589,451	636,896	635,751
1,690,435	1,888,613	1,712,499	2,027,932	1,986,283
318,521	317,184	345,792	429,421	789,171
-	-	-	-	-
214,731	14,278	140,926	191,196	193,767
-	-	-	-	-
<u>10,235,882</u>	<u>10,364,180</u>	<u>10,471,706</u>	<u>10,040,405</u>	<u>11,204,706</u>
7,427,555	7,712,928	7,892,475	7,814,169	7,967,467
925,797	1,058,856	1,254,857	1,417,079	1,448,971
304,972	332,033	352,766	335,127	390,400
-	-	-	-	-
<u>8,658,324</u>	<u>9,103,817</u>	<u>9,500,098</u>	<u>9,566,375</u>	<u>9,806,838</u>
<u>18,894,206</u>	<u>19,467,997</u>	<u>19,971,804</u>	<u>19,606,780</u>	<u>21,011,544</u>
-	-	5,900	96,024	20,240
773,541	1,096,930	822,194	742,336	640,974
18,507	21,799	19,086	23,164	26,731
124,595	111,243	109,390	130,850	127,103
39,970	46,975	57,973	56,012	54,941
7,418	6,380	5,858	5,856	7,722
-	-	-	-	-
17,709	90,680	42,939	-	115,798
20,434	11,434	44,016	127,092	455,778
<u>1,002,174</u>	<u>1,385,441</u>	<u>1,107,356</u>	<u>1,181,334</u>	<u>1,449,287</u>
9,529,053	10,920,944	10,727,984	11,352,828	11,137,004
573,912	738,353	805,360	890,522	1,033,470
72,089	67,397	77,367	69,904	97,670
-	-	-	-	-
12,419	5,134	3,451	6,799	2,497
-	79,516	1,521,436	259,637	670,989
<u>10,187,473</u>	<u>11,811,344</u>	<u>13,135,598</u>	<u>12,579,690</u>	<u>12,941,630</u>
<u>11,189,647</u>	<u>13,196,785</u>	<u>14,242,954</u>	<u>13,761,024</u>	<u>14,390,917</u>
(9,233,708)	(8,978,739)	(9,364,350)	(8,859,071)	(9,755,419)
<u>1,529,149</u>	<u>2,707,527</u>	<u>3,635,500</u>	<u>3,013,315</u>	<u>3,134,792</u>
<u>\$ (7,704,559)</u>	<u>\$ (6,271,212)</u>	<u>\$ (5,728,850)</u>	<u>\$ (5,845,756)</u>	<u>\$ (6,620,627)</u>

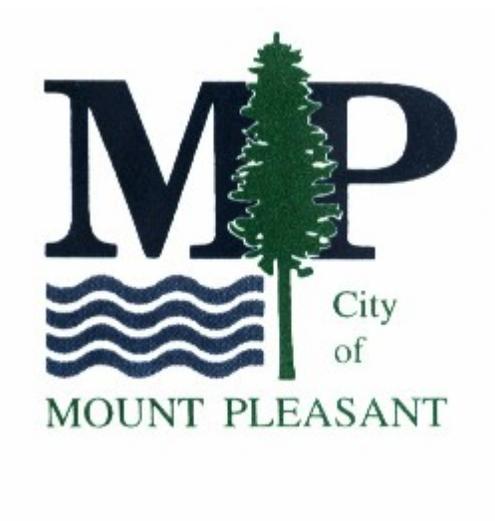
(continued)

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Property	\$ 1,835,864	\$ 2,061,432	\$ 2,081,762	\$ 2,106,528	\$ 2,329,224
Sales	2,554,839	3,866,290	3,871,773	4,186,940	4,246,476
Non-property	771,270	707,813	736,044	789,919	871,223
Franchise	1,220,535	1,179,472	1,312,937	1,445,317	1,337,432
Investment Income	61,480	186,169	464,326	463,537	282,970
Intragovernmental	32,385	-	136,687	46,093	120,536
Donations	-	218,650	21,000	-	-
Miscellaneous	-	772,330	123,648	91,443	124,488
Contractual Income	-	-	382,293	372,959	376,630
Royalties	-	-	-	-	-
Sale of Assets	(7,634)	(18,337)	(5,257)	12,063	136,844
Transfers	687,383	362,291	75,819	(549,075)	393,911
Total governmental activities	<u>7,156,122</u>	<u>9,336,110</u>	<u>9,201,032</u>	<u>8,965,724</u>	<u>10,219,734</u>
Business-type activities:					
Investment Income	22,784	52,119	109,053	280,799	262,560
Donations	-	1,375	1,835	1,550	1,450
Miscellaneous	-	68,706	55,252	228,754	103,212
Extraordinary Income	-	-	462,809	-	-
Intragovernmental Revenue	-	-	-	-	-
Sale of Assets	392	(709)	-	26,117	56,247
Transfers	(687,383)	(362,291)	(75,819)	549,075	(393,911)
Total business-type activities	<u>(664,207)</u>	<u>(240,800)</u>	<u>553,130</u>	<u>1,086,295</u>	<u>29,558</u>
Total primary government	<u>6,491,915</u>	<u>9,095,310</u>	<u>9,754,162</u>	<u>10,052,019</u>	<u>10,249,292</u>
CHANGE IN NET POSITION					
Governmental activities	1,633,783	2,952,266	2,113,193	2,560,986	693,044
Business-type activities	1,950,946	1,804,276	2,382,629	3,265,268	4,487,998
	<u>\$ 3,584,729</u>	<u>\$ 4,756,542</u>	<u>\$ 4,495,822</u>	<u>\$ 5,826,254</u>	<u>\$ 5,181,042</u>

Table 2
(continued)

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 2,434,536	\$ 2,599,962	\$ 2,510,012	\$ 2,534,546	\$ 2,521,965
4,925,639	3,377,527	3,241,174	3,439,300	3,506,284
543,610	333,761	343,781	572,785	520,940
1,289,741	1,324,057	1,265,651	1,231,092	1,229,627
75,320	17,323	18,453	10,738	22,489
299,460	-	-	-	-
1,950	-	-	-	-
706,811	88,359	150,080	170,200	128,022
322,898	393,733	398,190	407,160	-
-	332,918	346,002	379,497	382,347
11,035	35,838	-	-	-
205,260	541,348	592,655	488,437	843,608
<u>10,816,260</u>	<u>9,044,826</u>	<u>8,865,998</u>	<u>9,233,755</u>	<u>9,155,282</u>
94,341	21,041	17,113	19,112	13,394
-	-	-	-	-
126,610	83,327	65,707	54,636	77,738
-	-	-	-	-
-	25,000	248,000	-	-
1,529	6,702	-	-	-
<u>(205,260)</u>	<u>(541,348)</u>	<u>(592,655)</u>	<u>(488,437)</u>	<u>(843,608)</u>
<u>17,220</u>	<u>(405,278)</u>	<u>(261,835)</u>	<u>(414,689)</u>	<u>(752,476)</u>
<u>10,833,480</u>	<u>8,639,548</u>	<u>8,604,163</u>	<u>8,819,066</u>	<u>8,402,806</u>
1,582,552	66,087	(498,352)	374,684	(600,137)
1,546,369	2,302,249	3,373,665	2,598,626	2,382,316
<u>\$ 3,128,921</u>	<u>\$ 2,368,336</u>	<u>\$ 2,875,313</u>	<u>\$ 2,973,310</u>	<u>\$ 1,782,179</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
2004	\$ 1,835,864	\$ 2,554,839	\$ 1,220,535	\$ 771,270	\$ 6,382,508
2005	2,061,342	3,866,290	1,179,472	707,813	7,814,917
2006	2,081,762	3,871,773	1,312,937	736,044	8,002,516
2007	2,106,528	4,186,940	1,445,317	789,919	8,528,704
2008	2,329,224	4,246,476	1,337,432	871,223	8,784,355
2009	2,434,536	4,925,639	1,289,741	543,610	9,193,526
2010	2,599,962	3,377,527	1,324,057	333,761	7,635,307
2011	2,510,012	3,241,174	1,265,651	343,781	7,360,618
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

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

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
General Fund					
Nonspendable-prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Court use	-	-	-	-	-
Debt Service	-	-	-	-	-
Unassigned	<u>2,988,092</u>	<u>3,769,085</u>	<u>3,903,590</u>	<u>3,929,646</u>	<u>3,331,839</u>
Total General Fund	<u><u>2,988,092</u></u>	<u><u>3,769,085</u></u>	<u><u>3,903,590</u></u>	<u><u>3,929,646</u></u>	<u><u>3,331,839</u></u>
All other governmental funds					
Restricted for:					
Debt Service	549,516	614,917	1,746,840	604,274	-
Hotel/Motel	-	-	-	-	-
Business Development	-	-	-	-	-
Capital projects	-	-	413,584	(70,852)	-
Assigned to:					
Public Safety	-	-	5,231	5,231	-
Capital projects	1,043,398	576,909	1,517,896	2,874,441	3,503,803
Library	-	-	-	-	-
Airport Fund	18,609	-	-	-	-
Parks	-	-	-	-	-
Other	466,966	-	185,201	260,653	434,084
Unassigned	<u>-</u>	<u>4,519,510</u>	<u>1,665,486</u>	<u>1,316,608</u>	<u>2,048,894</u>
Total all other governmental funds	<u><u>\$ 2,078,489</u></u>	<u><u>\$ 5,711,336</u></u>	<u><u>\$ 5,534,238</u></u>	<u><u>\$ 4,990,355</u></u>	<u><u>\$ 5,986,781</u></u>

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

Table 4

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ -	\$ 113,827	\$ 26,853	\$ 20,233	\$ 15,241
101,778	133,765	150,827	139,736	182,868
-	-	-	-	790,691
<u>2,921,056</u>	<u>2,299,481</u>	<u>2,087,125</u>	<u>2,323,844</u>	<u>1,427,882</u>
<u>3,022,834</u>	<u>2,547,073</u>	<u>2,264,805</u>	<u>2,483,813</u>	<u>2,416,682</u>
-	28,040	9,603	-	-
-	-	92,501	177,899	151,067
-	-	-	221,636	221,850
42,958	4,458,789	2,527,107	3,602	7,297,379
-	-	189,162	146,115	103,004
3,641,851	897,707	3,345,688	3,599,623	2,920,571
-	-	-	36,190	26,393
-	-	-	-	-
-	-	-	-	235,886
156,688	-	-	-	-
<u>2,356,786</u>	<u>3,180,482</u>	<u>226,845</u>	<u>(53,431)</u>	<u>(106,717)</u>
<u>\$ 6,198,283</u>	<u>\$ 8,565,018</u>	<u>\$ 6,390,906</u>	<u>\$ 4,131,634</u>	<u>\$ 10,849,433</u>

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
REVENUES					
Property taxes	\$ 1,835,864	\$ 2,061,342	\$ 2,081,762	\$ 2,106,528	\$ 2,329,225
Non-Property taxes	329,609	707,813	736,044	789,919	871,223
Sales tax	2,554,839	3,866,290	3,871,773	4,186,941	4,246,475
Franchise taxes	1,220,535	1,179,472	1,312,937	1,445,317	1,337,432
Fines and Forfeitures	24,736	7,424	5,915	7,911	8,934
Licenses and Permits	126,889	88,830	106,295	99,811	115,768
Charge for Services	4,524,855	3,350,906	3,191,433	3,057,660	2,689,823
Intergovernmental revenues-local & state	-	230,282	215,871	1,020,842	35,986
Grants	-	-	-	-	-
Donations	-	-	21,000	-	-
Contractual Income	-	-	382,293	372,959	376,630
Royalties	-	-	-	-	-
Intragovernmental	307,385	-	-	-	120,536
Investment Income	61,480	186,169	464,326	463,537	279,327
Miscellaneous	481,479	5,402,292	517,689	520,736	507,665
Total Revenues	11,467,671	17,080,820	12,907,338	14,072,161	12,919,024
EXPENDITURES					
General government	723,288	1,037,075	1,187,012	1,090,496	1,192,567
Public Safety	2,985,892	3,580,669	3,827,132	3,836,416	4,156,469
Public Works	3,371,309	3,663,879	2,263,354	1,538,019	2,049,886
Public Services and Operations	3,460,443	3,241,157	3,520,307	3,406,353	3,537,461
Parks and Recreation	-	-	77,561	-	260
Library	-	-	-	-	-
Economic Development	-	1,596,317	1,469,039	1,896,700	504,754
Other	1,724	7,477	-	-	-
Capital Outlay	1,238,226	-	30,000	1,585,423	815,497
Debt Service					
Principal Retirement	267,455	732,487	572,178	475,009	556,896
Interest and other charges	76,997	156,188	288,402	270,652	243,600
Total Expenditures	12,125,334	14,015,249	13,234,985	14,099,068	13,057,390
OTHER FINANCING SOURCES (USES):					
Transfers	687,385	354,589	92,606	(502,983)	247,606
Debt Proceeds	-	-	-	-	-
Debt Issuance Costs	-	-	-	-	-
Sale of Assets	30,362	3,630	3,600	12,063	174,468
Total other financing sources (uses)	717,747	358,219	96,206	(490,920)	422,074
NET CHANGE IN FUND BALANCES	\$ 60,084	\$ 3,423,790	\$ (231,441)	\$ (517,827)	\$ 283,708
Debt service as a percentage of noncapital expenditures	3.27%	6.77%	6.97%	6.34%	7.00%

Table 5

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 2,235,914	\$ 2,645,678	\$ 2,499,765	\$ 2,549,057	\$ 2,634,672
543,610	333,761	343,781	572,785	520,940
4,925,639	3,377,527	3,241,174	3,439,300	3,506,284
1,289,741	1,324,057	1,265,651	1,231,092	1,249,867
780,959	1,103,310	828,052	748,191	648,697
55,387	41,225	39,300	58,924	55,023
127,685	138,792	147,149	151,102	153,752
38,143	93,156	78,575	114,148	374,681
-	-	-	-	68,160
1,950	8,957	8,380	12,944	12,937
322,898	393,733	398,190	407,160	-
-	332,918	346,002	379,497	382,347
299,460	-	-	-	-
72,272	14,886	18,453	10,738	22,489
729,986	123,744	171,448	218,758	128,020
<u>11,423,644</u>	<u>9,931,744</u>	<u>9,385,920</u>	<u>9,893,696</u>	<u>9,757,869</u>
1,220,006	1,003,716	889,954	819,678	935,336
4,888,084	5,227,464	5,236,970	5,121,102	5,430,193
2,658,388	1,370,795	1,095,753	1,291,359	1,201,706
400,319	550,832	560,268	589,987	632,170
577,867	570,569	581,013	570,019	562,024
264,823	260,577	285,258	289,086	301,417
324,005	-	-	-	-
-	-	-	-	-
601,649	2,428,539	3,571,300	3,734,979	1,750,310
590,909	190,000	115,000	80,000	240,000
216,257	8,764	106,341	191,196	257,064
<u>11,742,307</u>	<u>11,611,256</u>	<u>12,441,857</u>	<u>12,687,406</u>	<u>11,310,220</u>
205,260	541,348	592,656	488,437	843,608
-	4,500,000	-	-	7,160,000
-	(42,210)	-	-	-
17,069	132,721	5,900	265,009	195,211
<u>222,329</u>	<u>5,131,859</u>	<u>598,556</u>	<u>753,446</u>	<u>8,198,819</u>
<u>\$ (96,334)</u>	<u>\$ 3,452,347</u>	<u>\$ (2,457,381)</u>	<u>\$ (2,040,264)</u>	<u>\$ 6,646,468</u>
<u>7.81%</u>	<u>2.21%</u>	<u>2.56%</u>	<u>3.12%</u>	<u>5.48%</u>

**CITY OF MOUNT PLEASANT, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST SIX 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	\$ 2,295,283	79.27%
2009	383,894,230	404,783,387	235,590,065	219,299,308	804,970,374	0.310000	2,495,408	78.59%
2010	400,602,235	453,232,169	236,708,994	248,789,262	841,754,136	0.310000	2,519,968	77.19%
2011	491,211,615	329,674,800	253,413,324	255,929,330	818,370,409	0.310000	2,536,948	76.18%
2012	372,323,968	454,511,662	218,024,227	251,304,726	793,555,131	0.316500	2,511,602	75.95%
2013	370,349,021	460,541,821	242,412,861	265,044,461	808,259,242	0.316500	2,558,141	75.31%

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
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST SIX 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

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, 2013
 (unaudited)**

Table 8

Taxpayer	Total Assessed Taxable Value 2013 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Pilgrim's Pride Corp	\$ 45,235,958	1	5.60%
Priefert Manufacturing Co	33,142,995	2	4.10%
Valero Marketing & Supply Co	10,084,558	3	1.25%
Wal-Mart Stores East inc	9,178,374	4	1.14%
Dekoron Wire & Cable Inc	8,648,511	5	1.07%
Wal-Mart Stores East inc	8,332,876	6	1.03%
AEP Southwestern Elec Power co	7,338,255	7	0.91%
Lowe's Home Center Inc	6,945,529	8	0.86%
Pilgrim Bank	6,687,652	9	0.83%
NIF's Enterprise LLC	6,402,185	10	0.79%
	<u>\$ 141,996,893</u>		<u>17.57%</u>
Total Assess Valuation	<u>\$ 808,259,242</u>		

Source: Titus County Appraisal District

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

Table 9

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

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 SIX FISCAL YEARS
(unaudited)**

Table 10

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Obligation	Other Obligations	General Obligation Bonds	Certificates of Obligation	Revenue Bonds (2)			
2008	\$ 370,000	\$ 4,344,214	\$ 4,550,000	\$ 175,000	\$ 8,370,000	\$ 17,809,214	8.36%	1,186
2009	190,000	3,933,305	3,550,000	120,000	8,100,000	15,893,305	7.37%	1,045
2010	4,500,000	-	2,535,000	60,000	12,838,986	19,933,986	9.24%	1,311
2011	4,385,000	-	1,290,000	-	22,017,139	27,692,139	11.55%	1,797
2012	4,305,000	-	-	-	30,685,490	34,990,490	14.05%	2,248
2013	11,180,000	-	-	-	29,545,000	40,725,000	15.83%	2,532

(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 BONDED DEBT OUTSTANDING
LAST SIX FISCAL YEARS
(unaudited)**

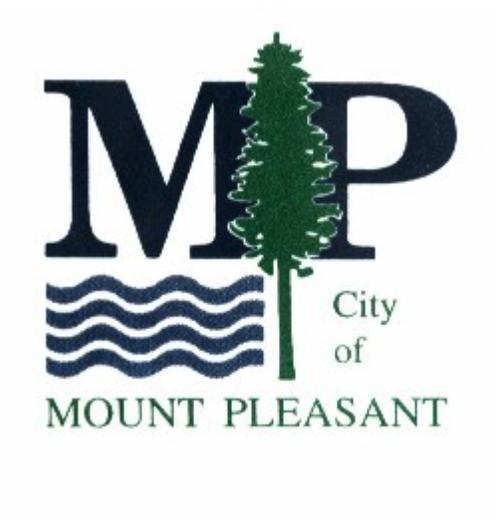
Table 11

Fiscal Year	Estimated Population	Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Funds ⁴	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008	15,011	\$ 740,588,189	\$ 12,920,000	\$ 1,505,000	\$ 11,415,000	1.54%	\$ 760
2009	15,202	804,970,374	11,650,000	1,568,601	10,081,399	1.25%	663
2010	15,202	841,754,136	19,933,987	1,608,598	18,325,389	2.18%	1,205
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	40,725,000	2,818,474	37,906,526	4.69%	2,357

Source:

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

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, 2013
(unaudited)**

Table 12

Governmental Subdivision	Net Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Harts Bluff ISD	\$ -	16.42%	\$ -
Titus County	146,265,000 *	34.48%	50,432,172
Northeast Texas Community College	9,276,403 *	18.80%	1,743,964
Mt Pleasant Independent School District	<u>44,262,407 *</u>	42.70%	<u>18,900,048</u>
	<u>\$199,803,810</u>		71,076,184
City of Mt Pleasant			<u>11,180,000</u>
			<u>\$ 82,256,184</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>10.07%</u>
Per capita overlapping bonded debt			<u>\$ 5,285</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2013, prepared by the Municipal Advisory Council.

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

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

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

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3495	0.356	0.32432	0.309927	0.309927	0.3100
Available Tax Rate	\$ 2.1505	\$ 2.1440	\$ 2.17568	\$ 2.19007	\$ 2.19007	\$ 2.1900

Table 13

FISCAL YEAR			
2010	2011	2012	2013
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
0.3100	0.3100	0.3165	0.3165
<u>\$ 2.1900</u>	<u>\$ 2.1900</u>	<u>\$ 2.1835</u>	<u>\$ 2.1835</u>

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 808,259,242
Add back exempt real property	265,044,461
Total assessed value	<u>\$ 1,073,303,703</u>
Debt limit (10% of total assessed value)	\$ 107,330,370
Debt applicable to limit:	
General obligation bonds	11,180,000
Less: Amount set aside for repayment of general obligation debt	<u>790,691</u>
Total net debt applicable to limit	<u>10,389,309</u>
Legal debt margin	<u>\$ 96,941,061</u>

**CITY OF MOUNT PLEASANT, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST SIX 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		Times Coverage
				Principal	Interest	
2008	\$ 7,704,792	\$ 4,960,520	\$ 2,744,272	\$ 270,000	\$ 333,255	4.55
2009	9,595,035	5,982,739	3,612,296	215,000	325,055	6.69
2010	11,002,858	6,334,436	4,668,422	4,500,000	351,946	0.96
2011	11,742,128	7,942,319	3,799,809	1,530,000	405,109	1.96
2012	11,402,491	6,364,400	5,038,091	1,160,000	363,185	3.31
2013	12,402,521	7,856,676	4,545,845	1,185,000	339,910	2.98

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 SIX 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%

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, 2013
(unaudited)**

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Pilgrim's Pride	3,400
Mount Pleasant ISD	968
Titus Regional Medical	740
Luminant	500
Wal-Mark SuperCenter	460
Priefert Manufacturing Co	600
Big Tex Trailer World, Inc	415
AEP Southwest Elec Power Co	170
Texas Bragg Enterprises	150
City of Mount Pleasant	149

Source: Economic Development Office

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

Table 17

Full-time Equivalent Employees for Fiscal Year

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

Table 18

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

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.

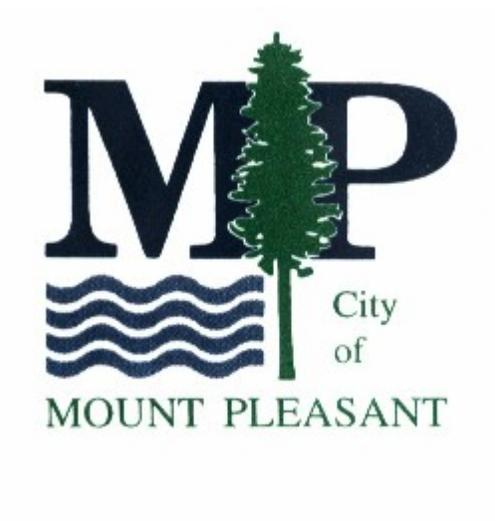
**CITY OF MOUNT PLEASANT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SIX FISCAL YEARS
(unaudited)**

Table 19

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

Source: City departments

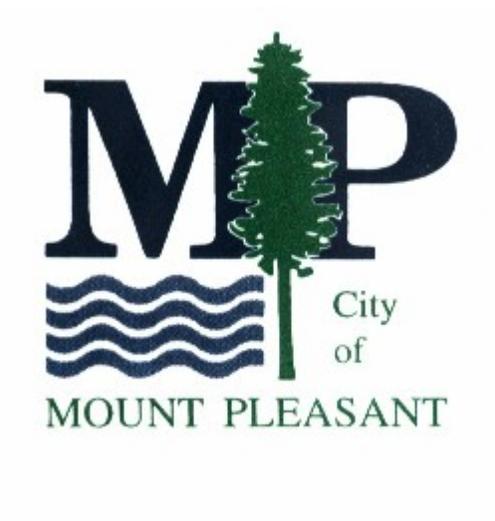
Note 1: Additional amounts will be added each year until ten years are reported.



City of Mount Pleasant, Texas

Single Audit Reports Under
OMB Circular A-133

For the year ended September 30, 2013





Michael Conway, CPA
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January 20, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2014.

Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, 2013-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

City of Mount Pleasant, Texas' Response to Finding

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

Purpose of this Report

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

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.



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January 20, 2014

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

To City Council
City of Mount Pleasant
Mount Pleasant, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Mount Pleasant, Texas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Mount Pleasant, Texas' major federal programs for the year ended September 30, 2013. 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.

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, 2013.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The City of Mount Pleasant, Texas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Mount Pleasant, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

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

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

Respectfully Submitted,

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CITY OF MOUNT PLEASANT, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2013

Section I. Summary of Auditors' Results:

Financial Statements

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

Federal Awards

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

7. Identification of major programs:

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

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

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.

Section III. Federal Award Findings and Questioned Costs:

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.

CITY OF MOUNT PLEASANT, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2013

Section II. Financial Statement Findings

2013-01 The City did not include the activity from the airport improvement grant in the City's accounting system.

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

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

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

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

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

Corrective Action: The City chooses not to record this activity in its accounting system.

**CITY OF MOUNT PLEASANT, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2013**

Finding/Recommendation

12-01 The activity for the TxDot Airport Widening 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 2013 ; therefore, we noted that the activity was not in the City's accounting system for fiscal year 2013.

Management Explanation
If Not Implemented

The airport improvement project has begun a new construction phase. The City has hired a company to oversee the construction and administer the grant funds, therefore the City chooses not to include the grant activity in its accounting system.

**CITY OF MOUNT PLEASANT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 1,547,019
Total U.S. Environmental Protection Agency				<u>1,547,019</u>
<u>U.S. Department of Transportation</u>				
<i>From the Federal Aviation Administration (FAA)</i>				
<i>Administered by the Texas Department of Transportation</i>				
Airport Improvement Grant - Construction		20.106	1319MTPLS	65,633
Total U.S. Department of Transportation				<u>65,633</u>
<u>National Highway Traffic Safety Administration</u>				
<i>Through the Texas Department of Transportation</i>				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant		20.601	142117519	11,699
Total National Highway Traffic Safety Administration				<u>11,699</u>
Total Expenditures of Federal Awards				<u>\$ 1,624,351</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

A. General

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

B. Basis of Presentation

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