

ANNUAL FINANCIAL REPORT

of the

City of Mount Pleasant, Texas

**For the Year Ended
September 30, 2019**

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City of Mount Pleasant, Texas

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September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mount Pleasant, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Mount Pleasant, Texas (the "City"), as of and for the year ended September 30, 2019, 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

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

Auditor's Responsibility

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

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

management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, 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.

Emphasis of Matter

As discussed in Note V.G. the City has restated beginning fund balance/net position within governmental, business-type, and component activities and the related funds due to accounting errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in postemployment benefits other than pensions and related ratios, and budgetary comparison information as listed in the table on contents 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the introductory section and the combining statements, was presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
April 30, 2020

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Mount Pleasant, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

As management of the City of Mount Pleasant, Texas (the "City"), we offer 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, 2019.

Financial Highlights

- The City's total combined net position was \$67,062,250 at September 30, 2019. Of this, \$3,065,095 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$9,581,584, a decrease of \$3,889,431.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,509,536 or 22% of total general fund expenditures.
- The City had an overall increase in net position of \$789,932, which is due to the operating net income from the water and sewer fund.

Overview of the Financial Statements

The discussion and analysis provided here 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) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Mount Pleasant, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, community development, and public works. The business-type activities of the City include water and sewer operations, civic center operations, and airport operations.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the 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, Texas maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, street, and construction bond funds, which are considered to be major funds. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Mount Pleasant, Texas adopts an annual appropriated budget for its general, street, and construction bond funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget and each major special revenue fund.

Proprietary Funds. The City maintains three proprietary funds, the water & sewer, civic center, and airport funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment and water construction, civic center, and airport

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Mount Pleasant Industrial Development District ("MPIDD") is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements. The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension.

Government-Wide Financial Analysis

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Mount Pleasant, Texas, assets exceed liabilities by \$67,062,250 as of September 30, 2019.

The largest portion of the City's net position, \$62,783,239, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$11,203,307 and \$14,241,931, respectively. The decrease of \$3,038,624 was primarily attributable to cash spent for capital assets in the current year. There was a corresponding increase in capital assets during the year.

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 11,203,307	\$ 6,650,187	\$ 17,853,494	\$ 14,241,931	\$ 6,237,160	\$ 20,479,091
Capital assets, net	35,175,845	62,356,866	97,532,711	31,432,327	64,044,939	95,477,266
Total Assets	46,379,152	69,007,053	115,386,205	45,674,258	70,282,099	115,956,357
Deferred Outflows	2,080,666	698,029	2,778,695	347,881	437,513	785,394
Other liabilities	2,596,207	2,162,796	4,759,003	1,724,714	2,247,098	3,971,812
Long-term liabilities	23,489,997	22,845,468	46,335,465	21,265,242	23,520,167	44,785,409
Total Liabilities	26,086,204	25,008,264	51,094,468	22,989,956	25,767,265	48,757,221
Deferred Inflows	6,127	2,055	8,182	1,314,787	397,425	1,712,212
Net Position:						
Net investment						
in capital assets	22,431,539	40,351,700	62,783,239	13,259,415	40,680,425	53,939,840
Restricted	1,213,916	-	1,213,916	7,765,128	170,596	7,935,724
Unrestricted	(1,277,968)	4,343,063	3,065,095	692,853	3,703,901	4,396,754
Total Net Position	\$ 22,367,487	\$ 44,694,763	\$ 67,062,250	\$ 21,717,396	\$ 44,554,922	\$ 66,272,318

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

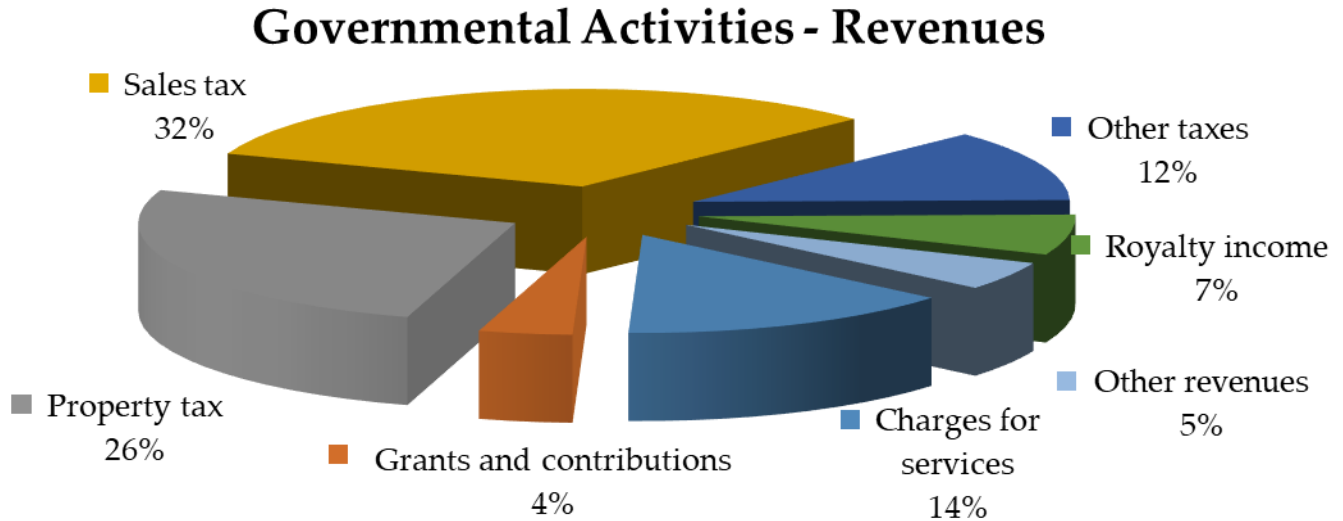
Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,129,760	\$ 12,620,630	\$ 14,750,390	\$ 1,681,724	\$ 12,274,587	\$ 13,956,311
Grants and contributions	589,402	-	589,402	1,142,032	26,972	1,169,004
General revenues:						
Property tax	3,803,341	-	3,803,341	3,258,505	-	3,258,505
Sales tax	4,764,917	-	4,764,917	4,564,492	-	4,564,492
Other taxes	1,742,442	-	1,742,442	1,782,838	-	1,782,838
Royalty income	982,394	-	982,394	547,225	-	547,225
Investment income	298,847	103,711	402,558	262,404	64,522	326,926
Other revenues	395,626	124,529	520,155	566,639	179,560	746,199
Total Revenues	14,706,729	12,848,870	27,555,599	13,805,859	12,545,641	26,351,500
Expenses						
General government	1,653,454	-	1,653,454	3,013,630	-	3,013,630
Public safety	9,598,062	-	9,598,062	8,408,833	-	8,408,833
Public works	1,724,711	-	1,724,711	1,960,212	-	1,960,212
Public services	344,203	-	344,203	804,786	-	804,786
Parks and recreation	1,505,577	-	1,505,577	847,436	-	847,436
Water & sewer	-	9,319,449	9,319,449	-	9,281,502	9,281,502
Airport	-	1,416,507	1,416,507	-	1,410,670	1,410,670
Civic center	-	453,072	453,072	-	470,543	470,543
Interest & fiscal charges	490,322	261,235	751,557	573,410	263,220	836,630
Total Expenses	15,316,329	11,450,263	26,766,592	15,608,307	11,425,935	27,034,242
Change in Net Position						
Before Transfers	(609,600)	1,398,607	789,007	(1,802,448)	1,119,706	(682,742)
Transfers in (out)	1,259,691	(1,258,766)	925	969,895	(969,895)	-
Total	1,259,691	(1,258,766)	925	969,895	(969,895)	-
Change in Net Position	650,091	139,841	789,932	(832,553)	149,811	(682,742)
Beginning Net Position	21,717,396	44,554,922	66,272,318	22,549,949	44,405,111	66,955,060
Ending Net Position	\$ 22,367,487	\$ 44,694,763	\$ 67,062,250	\$ 21,717,396	\$ 44,554,922	\$ 66,272,318

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

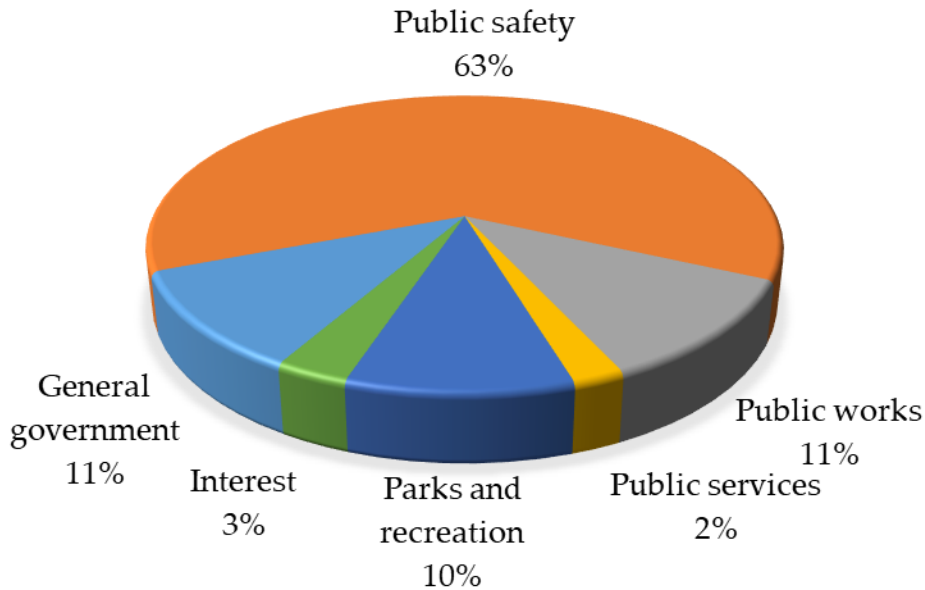


For the year ended September 30, 2019, revenues from governmental activities totaled \$14,706,729. Overall revenues increased by \$900,870. Sales tax, property tax, and charges for services are the City's largest revenue sources. Sales taxes increased by \$200,425 or 4% due to increased economic growth and development. Royalty income from the landfill increased \$435,169 or 80% due to increases in revenues by the City's lessee from the landfill. Property taxes increased by \$544,836 or 17% due to increases in the appraised value of properties and an increase to the property tax rate.

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

This graph shows the governmental function expenses of the City:

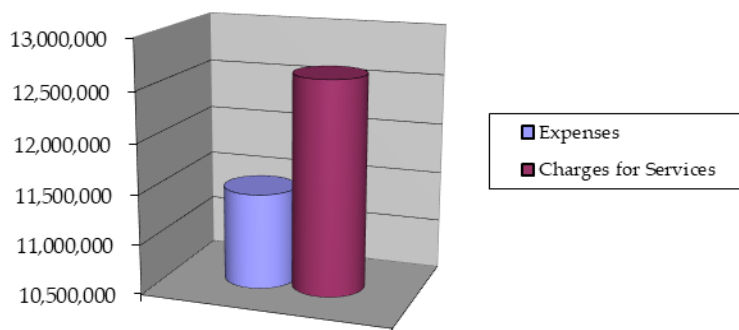
GOVERNMENTAL ACTIVITIES - EXPENSES



For the year ended September 30, 2019, expenses for governmental activities totaled \$15,316,329. This represents an increase of \$291,978 or 2% from the prior year. The City's largest functional expense is public safety of \$9,598,062. Changes in functional expenses year over year were primarily due to reallocations of expenses in current year to better align with accurate functions.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2019, charges for services by business-type activities totaled \$12,620,630. This is an increase of \$346,043, or 3%, from the previous year. This increase is a result of increases to utility rates in the current year.

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Total expenses increased slightly by \$24,328, which is consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$3,015,693. The general fund reflected an increase of \$391,782. This is primarily a result of transfers into the general fund during the year.

The street fund reflected a fund balance of \$2,243,315, an increase of \$321,504. The increase is due to transfers in received during the year.

The Construction Bond fund reflected a fund balance of \$3,196,716 a decrease of \$3,841,461. The fund balance decrease is due to capital outlay expenditures in the current year.

There was an overall increase in governmental fund balance of \$3,889,431. This is primarily due to current year capital outlay expenditures in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive budget variance of \$236,962 before other financing sources and uses, with a total positive budget variance of \$139,823 in the general fund after other sources and uses. Total actual revenue exceeded budgeted revenue by \$280,025. Total actual expenditures were \$43,063 over budget.

Expenditures exceeded appropriations in the amount of \$106,296 for public safety, \$5,750 for parks and recreation, and \$73,871 for transfers out. All other expenditures were less than budgeted.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$35,175,845 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities

City of Mount Pleasant, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2019

funds had invested \$62,356,866 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Constructions costs for new sports complex of \$3,092,596
- Thermal imaging cameras for \$90,595
- Purchase of new vehicles totaling \$155,049
- Constructions costs for new animal shelter of \$1,466,988
- Civic Center capital improvements for \$102,231
- Water and sewer infrastructure improvements for \$654,569

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long term debt principal outstanding of \$38,887,331. During the year, the City made \$1,909,356 in principal payments on outstanding debt. More detailed information about the City's long-term liabilities is presented in note IV. F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Mount Pleasant, Texas and improving services provided to their public citizens. The City budgeted for growth in the upcoming year. Beginning in March 2020, the City has been dealing with the COVID 19 national disaster. The City is still in the midst of the disaster and determining the impact to the City, and will adjust their plans accordingly as more information becomes available.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

City of Mount Pleasant, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,593,974	\$ 6,165,876	\$ 14,759,850
Restricted cash	661,259	-	661,259
Prepaid expenses	17,653	-	17,653
Receivables, net	1,504,984	909,748	2,414,732
Internal balances, net	425,437	(425,437)	-
Total Current Assets	11,203,307	6,650,187	17,853,494
Capital assets:			
Non-depreciable	5,809,933	8,794,228	14,604,161
Net depreciable capital assets	29,365,912	53,562,638	82,928,550
Total Noncurrent Assets	35,175,845	62,356,866	97,532,711
Total Assets	46,379,152	69,007,053	115,386,205
<u>Deferred Outflows of Resources</u>			
Pension contributions	707,201	237,253	944,454
Deferred OPEB outflows	1,875	630	2,505
Deferred pension outflows	1,371,590	460,146	1,831,736
Total Deferred Outflows of Resources	2,080,666	698,029	2,778,695

Component Unit

Industrial

Development

District

\$ 4,952,389

-

-

273,319

-

5,225,708

1,628,156

4,037,763

5,665,919

10,891,627

21,650

57

41,988

63,695

City of Mount Pleasant, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2019

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	955,937	437,221	1,393,158
Accrued liabilities	164,562	-	164,562
Accrued interest payable	204,112	18,707	222,819
Customer deposits	-	180,926	180,926
Compensated absences, current	560,430	119,777	680,207
Long-term debt due within one year	711,166	1,406,165	2,117,331
Total Current Liabilities	2,596,207	2,162,796	4,759,003
Noncurrent liabilities:			
Compensated absences, noncurrent	62,270	13,308	75,578
Long-term debt due in more than one year	16,826,569	20,599,001	37,425,570
Net pension liability	5,721,327	1,919,405	7,640,732
OPEB liability	879,831	313,754	1,193,585
Total Noncurrent Liabilities	23,489,997	22,845,468	46,335,465
Total Liabilities	26,086,204	25,008,264	51,094,468
<u>Deferred Inflows of Resources</u>			
Deferred OPEB inflows	6,127	2,055	8,182
Total Deferred Inflows of Resources	6,127	2,055	8,182
<u>Net Position</u>			
Net investment in capital assets	22,431,539	40,351,700	62,783,239
Restricted for:			
Debt service	54,270	-	54,270
Community development	302,371	-	302,371
Cemetery	17,249	-	17,249
Municipal court	471,762	-	471,762
Development	231,107	-	231,107
Tourism	106,006	-	106,006
Public safety	31,151	-	31,151
Unrestricted	(1,277,968)	4,343,063	3,065,095
Total Net Position	\$ 22,367,487	\$ 44,694,763	\$ 67,062,250

See Notes to Financial Statements.

Component Unit

Industrial

Development

District

17,944
10,859
-
-
-
257,415
<u>286,218</u>
-
1,455,790
175,148
16,169
<u>1,647,107</u>
<u>1,933,325</u>
188
<u>188</u>
3,952,714
-
5,069,095
-
-
-
-
-
-
<u>\$ 9,021,809</u>

City of Mount Pleasant, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,653,454	\$ 1,226,820	\$ -	\$ -
Public safety	9,598,062	902,940	-	-
Public works	1,724,711	-	157,192	-
Public services and operations	344,203	-	-	-
Parks and recreation	1,505,577	-	-	432,210
Interest and fiscal charges	490,322	-	-	-
Total Governmental Activities	15,316,329	2,129,760	157,192	432,210
Business-Type Activities				
Water & sewer	9,580,684	11,707,347	-	-
Airport	1,416,507	839,524	-	-
Civic center	453,072	73,759	-	-
Total Business-Type Activities	11,450,263	12,620,630	-	-
Total Primary Government	\$ 26,766,592	\$ 14,750,390	\$ 157,192	\$ 432,210
Component Unit				
Development District	776,654	-	-	-
Total Component Unit Activities	\$ 776,654	\$ -	\$ -	\$ -

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Franchise tax
 - Mixed beverage taxes
 - Hotel occupancy taxes
- Investment income
- Royalties
- Other revenues

Transfers:

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			<u>Industrial</u>
<u>Governmental</u>	<u>Business-Type</u>		<u>Development</u>
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>District</u>
\$ (426,634)	\$ -	\$ (426,634)	\$ -
(8,695,122)	-	(8,695,122)	-
(1,567,519)	-	(1,567,519)	-
(344,203)	-	(344,203)	-
(1,073,367)	-	(1,073,367)	-
(490,322)	-	(490,322)	-
<u>(12,597,167)</u>	<u>-</u>	<u>(12,597,167)</u>	<u>-</u>
-	2,126,663	2,126,663	-
-	(576,983)	(576,983)	-
-	(379,313)	(379,313)	-
-	1,170,367	1,170,367	-
<u>(12,597,167)</u>	<u>1,170,367</u>	<u>(11,426,800)</u>	<u>-</u>
			<u>(776,654)</u>
			<u>(776,654)</u>
3,803,341	-	3,803,341	-
4,764,917	-	4,764,917	1,588,306
1,183,180	-	1,183,180	-
36,344	-	36,344	-
522,918	-	522,918	-
298,847	103,711	402,558	66,500
982,394	-	982,394	-
395,626	124,529	520,155	29,998
1,259,691	(1,258,766)	925	-
<u>13,247,258</u>	<u>(1,030,526)</u>	<u>12,216,732</u>	<u>1,684,804</u>
650,091	139,841	789,932	908,150
21,717,396	44,554,922	66,272,318	8,113,659
<u>\$ 22,367,487</u>	<u>\$ 44,694,763</u>	<u>\$ 67,062,250</u>	<u>\$ 9,021,809</u>

City of Mount Pleasant, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS (Page 1 of 2)

September 30, 2019

	General Fund	Street Fund	Construction Bond Fund
<u>Assets</u>			
Cash and cash equivalents	\$ 1,824,975	\$ 1,947,159	\$ 4,153,379
Restricted cash	488,504	-	-
Prepaid expenses	17,653	-	-
Receivables, net			
Property taxes	61,824	-	-
Sales taxes	819,956	-	-
Other taxes	-	77,129	-
Other receivable	51,533	-	-
Intergovernmental receivable	-	-	432,210
Due from other funds	172,617	236,345	-
Total Assets	\$ 3,437,062	\$ 2,260,633	\$ 4,585,589
<u>Liabilities</u>			
Accounts payable	\$ 200,080	\$ 12,221	\$ 572,754
Accrued liabilities	159,465	5,097	-
Due to other funds	-	-	383,909
Total Liabilities	359,545	17,318	956,663
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	61,824	-	-
Unavailable revenue - intergovernmental	-	-	432,210
Total Deferred Inflows of Resources	\$ 61,824	\$ -	\$ 432,210

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 668,461	\$ 8,593,974
172,755	661,259
-	17,653
-	61,824
-	819,956
46,699	123,828
6,879	58,412
8,754	440,964
400,384	809,346
<u>\$ 1,303,932</u>	<u>\$ 11,587,216</u>
\$ 170,882	\$ 955,937
-	164,562
-	383,909
<u>170,882</u>	<u>1,504,408</u>
7,190	69,014
-	432,210
<u>\$ 7,190</u>	<u>\$ 501,224</u>

City of Mount Pleasant, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS (Page 2 of 2)

September 30, 2019

	General Fund	Street Fund	Construction Bond Fund
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	\$ 17,653	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Community Development	-	-	-
Cemetery	-	-	-
Municipal court	471,762	-	-
Tourism	-	-	-
Development	-	-	-
Capital projects	-	-	3,196,716
Public safety	-	-	-
Assigned to:			
Capital projects		2,243,315	-
Public safety	16,742	-	-
Library	-	-	-
Community Improvements	-	-	-
Unassigned	2,509,536	-	-
Total Fund Balances	3,015,693	2,243,315	3,196,716
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,437,062	\$ 2,260,633	\$ 4,585,589

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 17,653
47,080	47,080
302,371	302,371
17,249	17,249
-	471,762
106,006	106,006
231,107	231,107
-	3,196,716
31,151	31,151
-	2,243,315
38,516	55,258
10,808	10,808
341,572	341,572
-	2,509,536
<u>1,125,860</u>	<u>9,581,584</u>
<u>\$ 1,303,932</u>	<u>\$ 11,587,216</u>

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City of Mount Pleasant, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2019

Fund Balances - Total Governmental Funds	\$	9,581,584
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		5,809,933
Capital assets - net depreciable		29,365,912
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		69,014
Intergovernmental receivable		432,210
 Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.		
Pension contributions		707,201
OPEB contributions		1,875
Pension experience		122,315
Pension changes in assumptions		8,436
Pension gain (losses) on investments		1,240,839
OPEB experience		(4,230)
OPEB changes in assumptions		(1,897)
 Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.		
Compensated absences		(622,700)
Accrued interest		(204,112)
Premiums on bonds payable		(701,569)
Non-current liabilities due in one year		(711,166)
Non-current liabilities due in more than one year		(16,125,000)
Net pension liability		(5,721,327)
OPEB liability - SDBF		(281,990)
OPEB liability - retiree healthcare		(597,841)
Net Position of Governmental Activities	\$	22,367,487

See Notes to Financial Statements.

City of Mount Pleasant, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General Fund	Street Fund	Construction Bond Fund
Revenues			
Property tax	\$ 3,182,732	\$ -	\$ -
Sales tax	4,764,917	-	-
Mixed beverage taxes	36,344	-	-
Hotel occupancy taxes	-	-	-
Intergovernmental revenue	39,131	-	-
License and permits	76,210	-	-
Charges for services	1,150,610	-	-
Fines and forfeitures	902,940	-	-
Franchise tax	56,378	1,098,948	-
Investment income	89,695	43,302	149,570
Royalties	982,394	-	-
Other revenues	292,173	47,631	4,500
Total Revenues	11,573,524	1,189,881	154,070
Expenditures			
Current:			
General government	1,224,449	-	-
Public safety	8,677,288	-	-
Public service	299,245	-	-
Public works	164,461	1,038,644	-
Parks and recreation	871,651	-	-
Library	393,873	-	-
Debt service:			
Principal	12,178	335,000	-
Interest and fiscal charges	185	117,213	-
Capital outlay	-	51,699	4,807,280
Total Expenditures	11,643,330	1,542,556	4,807,280
Revenues Over (Under) Expenditures	(69,806)	(352,675)	(4,653,210)
Other Financing Sources (Uses)			
Transfers in	734,274	883,003	811,749
Transfers (out)	(272,686)	(208,824)	-
Sale of capital assets	-	-	-
Total Other Financing Sources (Uses)	461,588	674,179	811,749
Net Change in Fund Balances	391,782	321,504	(3,841,461)
Beginning fund balances	2,623,911	1,921,811	7,038,177
Ending Fund Balances	\$ 3,015,693	\$ 2,243,315	\$ 3,196,716

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 609,170	\$ 3,791,902
-	4,764,917
-	36,344
522,918	522,918
118,061	157,192
-	76,210
-	1,150,610
-	902,940
27,854	1,183,180
16,280	298,847
-	982,394
39,322	383,626
1,333,605	14,251,080
303,011	1,527,460
301,699	8,978,987
-	299,245
-	1,203,105
1,048	872,699
-	393,873
205,000	552,178
571,746	689,144
36,532	4,895,511
1,419,036	19,412,202
(85,431)	(5,161,122)
324,980	2,754,006
(1,012,805)	(1,494,315)
12,000	12,000
(675,825)	1,271,691
(761,256)	(3,889,431)
1,887,116	13,471,015
\$ 1,125,860	\$ 9,581,584

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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, 2019

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

Net changes in fund balances - total governmental funds	\$ (3,889,431)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,308,085
Depreciation expense	(1,564,567)

Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.

Property tax receivable	11,439
Intergovernmental receivable	432,210

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	68,333
Accrued interest	115,823
Pension expense	(409,419)
OPEB expense	(57,559)
Amortization of debt premium	82,999

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	552,178
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Change in Net Position of Governmental Activities	\$ 650,091
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See Notes to Financial Statements.

City of Mount Pleasant, Texas

STATEMENT OF NET POSITION PROPRIETARY FUND (Page 1 of 2)

September 30, 2019

	Water & Sewer	Civic Center
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 5,858,059	\$ 203,320
Accounts and other receivables, net	909,748	-
Due from other funds	64,946	-
Total Current Assets	6,832,753	203,320
<u>Noncurrent Assets</u>		
Capital assets:		
Non-depreciable	6,968,503	-
Net depreciable capital assets	45,651,119	1,003,240
Total Noncurrent Assets	52,619,622	1,003,240
Total Assets	59,452,375	1,206,560
<u>Deferred Outflows of Resources</u>		
Pension contributions	182,067	37,980
Deferred OPEB outflows	483	101
Deferred pension outflows	353,114	73,661
Total Deferred Outflows of Resources	\$ 535,664	\$ 111,742

See Notes to Financial Statements.

<u>Airport</u>	<u>Total</u>
\$ 104,497	\$ 6,165,876
-	909,748
219,043	283,989
<u>323,540</u>	<u>7,359,613</u>
1,825,725	8,794,228
6,908,279	53,562,638
<u>8,734,004</u>	<u>62,356,866</u>
<u>9,057,544</u>	<u>69,716,479</u>
17,206	237,253
46	630
33,371	460,146
<u>\$ 50,623</u>	<u>\$ 698,029</u>

City of Mount Pleasant, Texas

STATEMENT OF NET POSITION PROPRIETARY FUND (Page 2 of 2)

September 30, 2019

	Water & Sewer	Civic Center
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 402,811	\$ 24,187
Customer deposits	180,926	-
Compensated absences- due in one year	91,895	3,884
Long-term debt due within one year	1,406,165	-
Accrued interest	18,707	-
Due to other funds	490,217	219,209
Total Current Liabilities	2,590,721	247,280
<u>Noncurrent Liabilities</u>		
Net pension liability	1,472,944	307,261
OPEB liability	249,484	39,012
Compensated absences, noncurrent	10,210	432
Debt due in more than one year	20,599,001	-
Total Liabilities	24,922,360	593,985
<u>Deferred Inflows of Resources</u>		
Deferred OPEB inflows	1,577	329
Total Deferred Inflows of Resources	1,577	329
<u>Net Position</u>		
Net investment in capital assets	30,614,456	1,003,240
Unrestricted	4,449,646	(279,252)
Total Net Position	\$ 35,064,102	\$ 723,988

See Notes to Financial Statements.

<u>Airport</u>	<u>Total</u>
\$ 10,223	\$ 437,221
-	180,926
23,998	119,777
-	1,406,165
-	18,707
-	709,426
34,221	2,872,222
139,200	1,919,405
25,258	313,754
2,666	13,308
-	20,599,001
201,345	25,717,690
149	2,055
149	2,055
8,734,004	40,351,700
172,669	4,343,063
\$ 8,906,673	\$ 44,694,763
8,906,673	44,694,763

City of Mount Pleasant, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2019

	Water & Sewer	Civic Center
<u>Operating Revenues</u>		
Charges for services	\$ 11,611,835	\$ 73,759
Other operating revenue	95,512	-
Total Operating Revenues	11,707,347	73,759
<u>Operating Expenses</u>		
Personnel	2,088,235	266,648
Supplies and services	638,896	56,508
Maintenance	401,321	12,708
Administrative Fees	4,155,780	53,757
Depreciation	2,035,217	63,451
Total Operating Expenses	9,319,449	453,072
Operating Income (Loss)	2,387,898	(379,313)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	98,746	4,965
Interest expense	(261,235)	-
Other revenue	74,552	9,630
Total Nonoperating Revenues (Expenses)	(87,937)	14,595
Income (Loss) Before Transfers	2,299,961	(364,718)
Transfers in	-	305,556
Transfers (out)	(1,592,528)	-
Change in Net Position	707,433	(59,162)
Beginning net position	34,356,669	783,150
Ending Net Position	\$ 35,064,102	\$ 723,988

See Notes to Financial Statements.

<u>Airport</u>	<u>Total</u>
\$ 839,524	\$ 12,525,118
-	95,512
839,524	12,620,630
237,800	2,592,683
451,536	1,146,940
65,839	479,868
95,702	4,305,239
565,630	2,664,298
1,416,507	11,189,028
(576,983)	1,431,602
-	103,711
-	(261,235)
40,347	124,529
40,347	(32,995)
(536,636)	1,398,607
28,206	333,762
-	(1,592,528)
(508,430)	139,841
9,415,103	44,554,922
\$ 8,906,673	\$ 44,694,763

City of Mount Pleasant, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2019

	Water & Sewer	Civic Center
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 11,818,121	\$ 74,189
Payments to employees	(1,968,915)	(248,578)
Payments to suppliers and contractors	(5,268,423)	(118,998)
Net Cash Provided (Used) by Operating Activities	4,580,783	(293,387)
<u>Cash Flows from Noncapital Financing Activities</u>		
Nonoperating revenue	74,552	9,630
Transfer from other funds	-	524,765
Transfer to other funds	(1,167,257)	-
Repayments of overdrafted cash	-	(152,020)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,092,705)	382,375
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of capital assets	(823,904)	(88,815)
Principal paid on capital debt	(1,357,178)	-
Interest paid on capital debt	(244,696)	(173)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,425,778)	(88,988)
<u>Cash Flows from Investing Activities</u>		
Interest on investments	98,746	4,965
Net Cash Provided by Investing Activities	98,746	4,965
Net Increase (Decrease) in Cash and Cash Equivalents	1,161,046	4,965
Beginning cash and cash equivalents	4,697,013	198,355
Ending Cash and Cash Equivalents	\$ 5,858,059	\$ 203,320

See Notes to Financial Statements.

<u>Airport</u>	<u>Total</u>
\$ 839,524	\$ 12,731,834
(227,186)	(2,444,679)
(610,247)	(5,997,668)
2,091	4,289,487
40,347	124,529
28,206	552,971
(219,043)	(1,386,300)
-	(152,020)
(150,490)	(860,820)
(80,275)	(992,994)
-	(1,357,178)
-	(244,869)
(80,275)	(2,595,041)
-	103,711
-	103,711
(228,674)	937,337
333,171	5,228,539
\$ 104,497	\$ 6,165,876

City of Mount Pleasant, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2019

	Water & Sewer	Civic Center
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided (Used) by Operating Activities</u>		
Operating Income (loss)	\$ 2,387,898	\$ (379,313)
Adjustments to reconcile operating income to net cash provided:		
Depreciation	2,035,217	63,451
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	98,443	430
Deferred outflows/inflows - pension and OPEB	(510,169)	(98,998)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(72,426)	3,975
Customer deposits	12,331	-
Net pension liability	621,846	121,877
OPEB liability	9,985	1,681
Compensated absences	(2,342)	(6,490)
Net Cash Provided (Used) by Operating Activities	\$ 4,580,783	\$ (293,387)

See Notes to Financial Statements.

<u>Airport</u>	<u>Total</u>
\$ (576,983)	\$ 1,431,602
565,630	2,664,298
-	98,873
(46,719)	(655,886)
2,830	(65,621)
-	12,331
57,319	801,042
1,003	12,669
(989)	(9,821)
<u>\$ 2,091</u>	<u>\$ 4,289,487</u>

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City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mount Pleasant, Texas (the "City") was incorporated in 1900 and has a Council/Manager form of government with a City Council comprised of an elected Mayor and five council members. The City provides a full range of municipal services including public safety, streets, parks and recreation, community development, planning and zoning, and general administrative services. In addition, the City provides water and sewer service, civic center, and airport services, as enterprise functions of the City.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Mount Pleasant Industrial Development Corporation ("IDC") is legally separate and presented as a discretely presented component unit. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Mount Pleasant Industrial Development Corporation

The City of Mount Pleasant Industrial Development Corporation is governed by a five member board of directors appointed, at will, by the City Council. The Mount Pleasant Industrial Development Corporation ("IDC") is a political subdivision of the City of Mount Pleasant, authorized under Chapter 377 of the Texas Government Code, which was formed in 1993 when the citizens of Mount Pleasant approved its creation and authorized it to impose a one-half percent sales tax to finance development projects beneficial to the District.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

State law allows the District to collect a sales tax up to one-half of one percent, and tax receipts began in 1993. Separate financial statements have not been prepared.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and community development. The general service fund is considered a major fund for reporting purposes.

Street Fund

The Street fund is used to account for the administration, operation, and maintenance of the City's streets. The fund also accounts for any street projects while under construction.

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Construction Bond Fund

This fund is a capital projects fund used to account for capital improvements that occur. The fund is considered a major fund for reporting purposes.

The City reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Airport Fund

This fund is used to account for the operations of the airport. Activities of the fund include the administration, operation, and maintenance of the airport infrastructure. The fund also accounts for airport projects while under construction.

Civic Center Fund

This fund accounts for the operations of the Civic Center. Activities of the fund include administration, operation, and maintenance of the Civic Center.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds

City of Mount Pleasant, Texas
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included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when 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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of*

City of Mount Pleasant, Texas
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accounting. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, Deferred Outflows/Inflows, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions

City of Mount Pleasant, Texas
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are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance nonspendable account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	6 years
Furniture and equipment	5 - 10 years
Infrastructure	30 - 45 years
Buildings	45 years
Buildings improvements	15 – 20 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial 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 government 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 three sources: property taxes, fines, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumptions

Sometimes the government 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

City of Mount Pleasant, Texas
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made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through the following spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body to which the Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of

City of Mount Pleasant, Texas
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decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial

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NOTES TO FINANCIAL STATEMENTS, Continued
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statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets

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are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

In addition to the contributions made to TMRS, the City provides certain other post-employment benefits to its retirees and dependents. Full time City employees who retire from the City under the Texas Municipal Retirement System, and who are covered by the City's group hospitalization and medical insurance at the time of retirement, will be eligible to receive the current health plan from age 60 to 65. The City will contribute toward the plan equal to the active individual rate, and the retiree is responsible for the difference.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Mount Pleasant, Texas
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III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, and special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

General Fund:		
Total expenditures	\$	43,063
Transfers (out)	\$	73,871

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2019, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 14,731,458	0.12
Total fair value	\$ 14,731,458	
Portfolio weighted average maturity		0.12

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools

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with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2019, the City's investments in TexPool and LOGIC were rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. 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, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2019, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

LOGIC

LOGIC is a local government investment pool organized under the authority of 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 was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public

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funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAm'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Street</u>	<u>Construction Bond</u>	<u>Nonmajor Government</u>	<u>Water / Sewer</u>	<u>Total</u>
Property tax	\$ 154,560	\$ -	\$ -	\$ 7,190	\$ -	\$ 161,750
Sales tax	819,956	-	-	-	-	819,956
Franchise tax	-	77,129	-	-	-	77,129
Intergovernmental	-	-	432,210	8,754	-	440,964
Hotel occupancy taxes	-	-	-	39,509	-	39,509
Accounts, net	51,533	-	-	6,879	1,080,226	1,138,638
Allowance	(92,736)	-	-	-	(170,478)	(263,214)
Total	<u>\$ 933,313</u>	<u>\$ 77,129</u>	<u>\$ 432,210</u>	<u>\$ 62,332</u>	<u>\$ 909,748</u>	<u>\$ 2,414,732</u>

The following comprise receivable balances of the discretely presented component unit at year end:

	<u>Industrial Development District</u>
Sales tax	\$ 273,319
Total	<u>\$ 273,319</u>

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C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,049,394	\$ -	\$ -	\$ 2,049,394
Construction in progress	1,899,186	3,249,698	(1,388,345)	3,760,539
Total capital assets not being depreciated	<u>3,948,580</u>	<u>3,249,698</u>	<u>(1,388,345)</u>	<u>5,809,933</u>
Capital assets, being depreciated:				
Buildings	8,008,401	1,466,988	594,597	10,069,986
Improvements	9,681,978	90,864	-	9,772,842
Infrastructure	26,350,371	-	-	26,350,371
Machinery	4,734,492	345,486	793,748	5,873,726
Vehicles	3,217,686	155,049	-	3,372,735
Total capital assets being depreciated	<u>51,992,928</u>	<u>2,058,387</u>	<u>1,388,345</u>	<u>55,439,660</u>
Less accumulated depreciation				
Buildings	(2,528,966)	(176,873)	-	(2,705,839)
Improvements	(3,950,203)	(343,005)	-	(4,293,208)
Infrastructure	(11,588,343)	(496,511)	-	(12,084,854)
Machinery	(3,841,060)	(353,571)	-	(4,194,631)
Vehicles	(2,600,609)	(194,607)	-	(2,795,216)
Total accumulated depreciation	<u>(24,509,181)</u>	<u>(1,564,567)</u>	<u>-</u>	<u>(26,073,748)</u>
Net capital assets being depreciated	<u>27,483,747</u>	<u>493,820</u>	<u>1,388,345</u>	<u>29,365,912</u>
Total Capital Assets	<u>\$ 31,432,327</u>	<u>\$ 3,743,518</u>	<u>\$ -</u>	<u>\$ 35,175,845</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 67,380
Public safety	351,127
Public service	12,142
Public works	914,360
Parks and recreation	107,016
Library	112,542
Total Governmental Activities Depreciation Expense	<u>\$ 1,564,567</u>

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A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 8,779,228	\$ 15,000	\$ -	\$ 8,794,228
Construction in progress	194,151	-	(194,151)	-
Total capital assets not being depreciated	<u>8,973,379</u>	<u>15,000</u>	<u>(194,151)</u>	<u>8,794,228</u>
Capital assets, being depreciated:				
Buildings	33,425,257	-	-	33,425,257
Improvements	18,218,474	669,446	190,852	19,078,772
Infrastructure	29,660,655	-	-	29,660,655
Machinery	8,467,524	282,569	(50,485)	8,699,608
Vehicles	1,327,682	25,979	-	1,353,661
Total capital assets being depreciated	<u>91,099,592</u>	<u>977,994</u>	<u>140,367</u>	<u>92,217,953</u>
Less accumulated depreciation				
Buildings	(10,102,463)	(676,349)	-	(10,778,812)
Improvements	(7,423,777)	(862,757)	15,470	(8,271,064)
Infrastructure	(11,501,161)	(556,159)	-	(12,057,320)
Machinery	(6,151,104)	(450,912)	30,346	(6,571,670)
Vehicles	(858,328)	(118,121)	-	(976,449)
Total accumulated depreciation	<u>(36,036,833)</u>	<u>(2,664,298)</u>	<u>45,816</u>	<u>(38,655,315)</u>
Net capital assets being depreciated	<u>55,062,759</u>	<u>(1,686,304)</u>	<u>186,183</u>	<u>53,562,638</u>
Total capital assets	<u>\$ 64,036,138</u>	<u>\$ (1,671,304)</u>	<u>\$ (7,968)</u>	<u>\$ 62,356,866</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 2,035,217
Airport	565,630
Civic center	63,451
Total Governmental Activities Depreciation Expense	<u>\$ 2,664,298</u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

A summary of changes in the Mount Pleasant Industrial Development Corporation capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,628,156	\$ -	\$ -	\$ 1,628,156
Total capital assets not being depreciated	<u>1,628,156</u>	<u>-</u>	<u>-</u>	<u>1,628,156</u>
Capital assets, being depreciated:				
Buildings	1,632,316	-	-	1,632,316
Improvements	1,718,691	-	-	1,718,691
Infrastructure	2,499,327	-	-	2,499,327
Total capital assets being depreciated	<u>5,850,334</u>	<u>-</u>	<u>-</u>	<u>5,850,334</u>
Less accumulated depreciation				
Buildings	(109,020)	(36,272)	-	(145,292)
Improvements	(937,773)	(85,935)	-	(1,023,708)
Infrastructure	(593,584)	(49,987)	-	(643,571)
Total accumulated depreciation	<u>(1,640,377)</u>	<u>(172,194)</u>	<u>-</u>	<u>(1,812,571)</u>
Net capital assets being depreciated	<u>4,209,957</u>	<u>(172,194)</u>	<u>-</u>	<u>4,037,763</u>
Total capital assets	<u><u>\$ 5,838,113</u></u>	<u><u>\$ (172,194)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,665,919</u></u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

F. Long-term Debt

The following is a summary of changes in the City's and Component Unit's total long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Comb. tax and revenue certificates	\$ 8,440,000	\$ -	\$ (25,000)	\$ 8,415,000	\$ 195,000
Certificates of obligations	8,925,000	-	(515,000)	8,410,000	505,000
Capital lease obligation	23,344	-	(12,178)	11,166	11,166
Issuance premium	784,568	-	(82,999)	701,569	-
Total Governmental Activities	<u>\$ 18,172,912</u>	<u>\$ -</u>	<u>\$ (635,177)</u>	<u>\$ 17,537,735</u>	<u>\$ 711,166</u>
Long-term Liabilities Due in More than One Year				<u>\$ 16,826,569</u>	
Business-Type Activities:					
Revenue bonds	\$ 20,975,000	\$ -	\$ (670,000)	\$ 20,305,000	\$ 1,125,000
GO refunding bonds	2,410,000	-	(675,000)	1,735,000	270,000
Issuance discount	(52,570)	-	6,571	(45,999)	-
Capital lease obligation	23,343	-	(12,178)	11,165	11,165
Total Business-Type Activities	<u>\$ 23,355,773</u>	<u>\$ -</u>	<u>\$ (1,350,607)</u>	<u>\$ 22,005,166</u>	<u>\$ 1,406,165</u>
Long-term Liabilities Due in More than One Year				<u>\$ 20,599,001</u>	
Component Unit Activities:					
IDC Taxable Note Payable	\$ 1,231,004	\$ -	\$ (158,476)	\$ 1,072,528	\$ 163,948
IDC Non-Taxable Note Payable	729,731	-	(89,054)	640,677	93,467
Total Component Unit Activities:	<u>\$ 1,960,735</u>	<u>\$ -</u>	<u>\$ (247,530)</u>	<u>\$ 1,713,205</u>	<u>\$ 257,415</u>
Long-term Liabilities Due in More than One Year				<u>\$ 1,455,790</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Capital leases are collateralized by the respective assets being leased. If any default on these leases the City would forfeit the respective asset to the lessor.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Maturity Date	Original Balance	Current Balance
Governmental Activities:				
2010 Certificates of obligation	2%-3.75%	8/15/2020	\$ 4,500,000	\$ 3,365,000
2012 Certificates of obligation	2%-2.75%	5/15/2032	7,115,000	5,045,000
2017 Combination tax & revenue certificates	4%	5/15/2038	8,440,000	8,415,000
Total Certificates of Obligation			<u>20,055,000</u>	<u>16,825,000</u>
2015 Capital Lease	1.50%	6/3/2020	61,865	11,166
Total Capital Lease			<u>61,865</u>	<u>11,166</u>
Total Governmental Activities			<u>\$ 20,116,865</u>	<u>\$ 16,836,166</u>
Business-Type Activities:				
2008 Utility System Revenue Bonds	1.00%	3/15/2033	\$ 22,905,000	\$ 20,305,000
2016 General Obligation Refunding Bond	2%-2.75%	5/15/2026	7,115,000	1,735,000
Total Bonds			<u>30,020,000</u>	<u>22,040,000</u>
2015 Capital Lease	1.50%	6/3/2020	61,865	11,165
Total Capital Lease			<u>61,865</u>	<u>11,165</u>
Total Business-Type Activities			<u>\$ 30,081,865</u>	<u>\$ 22,051,165</u>
Component Unit Activities:				
2012 IDC Taxable	3.40%	9/10/2019	2,076,635	1,072,529
2012 IDC Nontaxable	5.20%	9/10/2019	1,175,500	640,676
Total Notes Payable			<u>3,252,135</u>	<u>1,713,205</u>
Total Component Unit Activities			<u>\$ 3,252,135</u>	<u>\$ 1,713,205</u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities			
	Certificates of Obligation		Capital Lease	
	Principal	Interest	Principal	Interest
2020	\$ 700,000	\$ 544,225	\$ 11,166	\$ 325
2021	730,000	528,275	-	-
2022	760,000	511,525	-	-
2023	790,000	493,975	-	-
2024	820,000	473,288	-	-
2025	860,000	451,013	-	-
2026	895,000	427,513	-	-
2027	935,000	402,888	-	-
2028	975,000	377,038	-	-
2029	1,020,000	347,413	-	-
2030	1,070,000	314,800	-	-
2031	1,125,000	279,388	-	-
2032	1,160,000	240,300	-	-
2033	750,000	199,400	-	-
2034	780,000	169,400	-	-
2035	815,000	138,200	-	-
2036	845,000	105,600	-	-
2037	880,000	71,800	-	-
2038	915,000	36,600	-	-
Total	<u>\$ 16,825,000</u>	<u>\$ 6,112,641</u>	<u>\$ 11,166</u>	<u>\$ 325</u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Business-Type Activities					
	Certificates of Obligation		GO Refunding Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,125,000	\$ 197,275	\$ 270,000	\$ 27,587	\$ 11,165	\$ 325
2021	1,145,000	185,925	260,000	23,294	-	-
2022	1,165,000	174,375	255,000	19,160	-	-
2023	1,185,000	162,625	250,000	15,105	-	-
2024	1,210,000	150,650	240,000	11,130	-	-
2025	1,235,000	138,425	235,000	7,314	-	-
2026	1,255,000	125,975	225,000	3,578	-	-
2027	1,525,000	112,075	-	-	-	-
2028	1,540,000	96,750	-	-	-	-
2029	1,750,000	80,300	-	-	-	-
2030	1,765,000	62,725	-	-	-	-
2031	1,785,000	44,975	-	-	-	-
2032	1,800,000	27,050	-	-	-	-
2033	1,820,000	9,025	-	-	-	-
Total	\$ 20,305,000	\$ 1,568,150	\$ 1,735,000	\$ 107,168	\$ 11,165	\$ 325

The annual requirements to amortize component unit activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Component Unit Activities	
	Notes Payable	
	Principal	Interest
2020	\$ 257,415	\$ 65,055
2021	268,055	54,415
2022	279,155	43,313
2023	290,737	31,733
2024	302,822	19,648
2025	315,021	7,036
Total	\$ 1,713,205	\$ 221,200

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

G. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 691,033	\$ -	\$ (68,333)	\$ 622,700	\$ 560,430
Total Governmental Activities	<u>\$ 691,033</u>	<u>\$ -</u>	<u>\$ (68,333)</u>	<u>\$ 622,700</u>	<u>\$ 560,430</u>
Business-Type Activities:					
Compensated Absences	\$ 104,447	\$ 28,638	\$ -	\$ 133,085	\$ 119,777
Total Business-Type Activities	<u>\$ 104,447</u>	<u>\$ 28,638</u>	<u>\$ -</u>	<u>\$ 133,085</u>	<u>\$ 119,777</u>

H. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Civic Center	\$ 40,608
General	Water & Sewer	101,772
General	Construction Bond	30,237
Street	Civic Center	44,954
Street	Water & Sewer	112,662
Street	Construction Bond	78,729
Water & sewer	Civic Center	23,605
Water & sewer	Construction Bond	41,341
Nonmajor	Civic Center	24,380
Nonmajor	Water & Sewer	61,101
Nonmajor	Construction Bond	42,699
Nonmajor	Civic Center	43,999
Nonmajor	Water & Sewer	110,267
Nonmajor	Construction Bond	117,938
Airport	Civic Center	41,663
Airport	Water & Sewer	104,415
Airport	Construction Bond	72,965
		<u>\$ 1,093,335</u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

I. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General	Construction Bond	\$ 149,500
General	Nonmajor governmental	94,980
General	Airport	28,206
Street	General	108,824
Street	Nonmajor governmental	100,000
Nonmajor governmental	General	15,925
Nonmajor governmental	Construction Bond	662,249
Nonmajor governmental	Civic Center	305,556
Nonmajor governmental	Nonmajor governmental	29,075
Water & Sewer	General	609,525
Water & Sewer	Street	883,003
Water & Sewer	Nonmajor governmental	100,000
	Total Transfers	\$ 3,086,843

J. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed/assigned by the City:

	<u>Restricted</u>	<u>Assigned</u>
Debt service	\$ 47,080	\$ -
Community Development	302,371	-
Cemetery	17,249	-
Municipal court	471,762 *	-
Tourism	106,006	-
Development	231,107	-
Capital projects	3,196,716	-
Public safety	31,151	-
Capital projects	-	2,243,315
Public safety	-	55,258
Library	-	10,808
Community Improvements	-	341,572
Total	\$ 4,403,442	\$ 2,650,953

*Restricted by enabling legislation

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City owns the land being used for the Pleasant Oaks Landfill within the City of Mount Pleasant. The City leases the landfill to an operating company, Republic, the "lessee", that operates the landfill and pays a royalty to the City based on the volume of activity. As a condition to the lease arrangement between the City and the lessee, the lessee has agreed to assume all closure and post-closure costs associated with the landfill.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Construction Commitments

As of September 30, 2019, the City was under contract for the sports complex with Symmetry Turf Installations, LLC for a remaining maximum contractual amount of \$4,155,863.

E. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 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	70% of CPI

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	96
Active employees	160
Total	353

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.24% and 15.09% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$1,267,196, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate:

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 14,068,944	\$ 7,815,880	\$ 2,752,547

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	\$ 37,174,963	\$ 32,727,610	\$ 4,447,353
Changes for the year:			
Service Cost	1,429,608	-	1,429,608
Interest	2,516,855	-	2,516,855
Difference between expected and actual experience	262,972	-	262,972
Changes of assumptions	-	-	-
Contributions – employer	-	1,262,297	(1,262,297)
Contributions – employee	-	579,795	(579,795)
Net investment income (loss)	-	(981,247)	981,247
Benefit payments, including refunds of emp. contributions	(1,206,054)	(1,206,054)	-
Administrative expense	-	(18,947)	18,947
Other changes	-	(990)	990
Net changes	3,003,381	(365,146)	3,368,527
Balance at 12/31/18	\$ 40,178,344	\$ 32,362,464	\$ 7,815,880

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,826,498.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 167,094
Changes in actuarial assumptions	11,524
Difference between projected and investment earnings	1,695,106
Contributions subsequent to the measurement date	966,104
Total	\$ 2,839,828

The City reported \$966,104 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year				
2020	\$		629,083	
2021			291,343	
2022			296,309	
2023			656,989	
2024			-	
Thereafter			-	
Total	\$		1,873,724	

6. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 an “other postemployment benefit,” or OPEB.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	27
Active employees	160
Total	243

The City's contributions to the TMRS SDBF for the years ended 2018, and 2019 were \$3,275 and \$3,549, respectively, which equaled the required contributions each year.

Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	0.04%	0.04%	100.0%
2018	0.04%	0.04%	100.0%
2019	0.05%	0.05%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 3.71%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 467,344	\$ 385,226	\$ 322,425

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 394,830
Changes for the year:	
Service Cost	18,222
Interest	13,303
Difference between expected and actual experience	(6,872)
Changes of assumptions	(30,116)
Benefit payments	(4,141)
Net changes	(9,604)
Balance at 12/31/18	\$ 385,226

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense for the SDBF of \$30,944.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to measurement date	\$ 2,562	\$ -
Difference in experience	-	(5,779)
Change in assumptions	-	(2,591)
Total	\$ 2,562	\$ (8,370)

The City reported \$2,562 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

Year ended December 31:		
2019	\$	(580)
2020		(580)
2021		(580)
2022		(580)
2023		(4,401)
Thereafter		(1,649)
	<u>\$</u>	<u>(8,370)</u>

F. Other Post-Employment Benefits

Health Care Benefit Provided by Plan

The City offers a single-employer OPEB plan. For eligible retirees (age 60 to 65 with service), the City provides a flat subsidy per month, based on the premium of the High Deductible Health Plan (HDHP) of the current fiscal year. The monthly subsidy was equal to \$411.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.06%. The discount rate was based on the Bond Buyer GO Bond 20 Year Index rate as of September 30, 2018.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.06%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current rate:

1% Decrease (3.06%)	Current Single Rate Assumption 4.06%	1% Increase (5.06%)
<u>\$ 905,279</u>	<u>\$ 824,528</u>	<u>\$ 752,562</u>

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Healthcare Cost Trend

1% Decrease (4.00%)	Current Healthcare Cost Trend (5.00%)	1% Increase (6.00%)
\$ 739,472	\$ 824,528	\$ 925,521

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 9/30/2018	\$ 772,802
Changes for the year:	
Service Cost	57,162
Interest	31,781
Benefit payments	(37,217)
Net changes	51,726
Balance at 9/30/2019	\$ 824,528

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$88,943. There were no deferred inflows or outflows related to this plan.

Employees covered by benefit terms

At the September 30, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Status</u>	<u>Employee</u>	<u>Employee & Spouse</u>
Inactive employees or beneficiaries currently receiving benefits	2	-
Active employees	106	46
Total	108	46

Funding Status and Funding Progress

Actuarial valuations of an ongoing program 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 Program and the annual required contributions of the employer are subject to continual revision as actual results are

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The current valuation dated and measured as of September 30, 2019 uses the mortality table: RPG 2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial Methods and Assumptions

There have been no substantive changes in the retiree plan since the last full valuation. Therefore, the interim-year projection study is based on the census information, benefit schedules and costs for the fiscal year 2018 actuarial valuation for the development of the GASB 75 disclosures related to OPEB benefits for the year ended September 30, 2019 and roll forward using a measurement date of September 30, 2019.

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the Program members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Asset Valuation Method	N/A
Discount Rate	4.06%
Inflation Rate	3.00%
Salary Growth	3.5%
Healthcare Cost Trend Rate (Initial/Ultimate)	5.0% for medical

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

G. Restatement

Due to accounting errors in accounts receivable, net pension, OPEB liabilities, capital assets, and accounts payable, the City restated its beginning net position/fund balance within governmental activities, business-type activities, the component unit, and the funds listed below.

	<u>Street</u>	<u>Hotel</u>	<u>PEG</u>	<u>Governmental Funds</u>
Prior year end net position/fund balance, as reported	\$ 1,768,195	\$ 127,280	\$ 265,035	\$ 13,313,227
Adjustment to franchise receivable	153,616	-	6,885	160,501
Adjustment to accounts payable	-	(2,713)	-	(2,713)
Restated net position/fund balance	<u>\$ 1,921,811</u>	<u>\$ 124,567</u>	<u>\$ 271,920</u>	<u>\$ 13,471,015</u>

	<u>Water & Sewer</u>	<u>Airport</u>	<u>Civic Center</u>	<u>Business-Type Activities</u>
Prior year end net position, as reported	\$ 33,728,791	\$ 9,402,226	\$ 882,919	\$ 44,013,936
Adjustment to accounts receivable	567,886	-	-	567,886
Adjustments to capital assets	125,379	14,017	(57,205)	82,191
Adjustments to OPEB	(52,416)	1,538	(32,017)	(82,895)
Adjustments to net pension	(12,971)	(2,678)	(10,547)	(26,196)
Restated net position balance	<u>\$ 34,356,669</u>	<u>\$ 9,415,103</u>	<u>\$ 783,150</u>	<u>\$ 44,554,922</u>

	<u>Governmental Activities</u>	<u>Component Unit Activities</u>
Prior year end net position/fund balance, as reported	\$ 21,346,201	\$ 8,501,884
Adjustment to franchise receivable	160,502	-
Adjustment to accounts payable	(2,709)	-
Adjustments to capital assets	(880,846)	(375,878)
Adjustments to OPEB	83,693	2,353
Adjustments to net pension	1,010,555	(14,700)
Restated net position balance	<u>\$ 21,717,396</u>	<u>\$ 8,113,659</u>

H. Subsequent Events

On February 13, 2020, The City issued a refunding general obligation Series 2020 bond for \$2,900,000. Due to a bond premium on issuance, the issuance resulted in proceeds of \$3,324,939 that were used to refund the prior bond and for debt issuance costs. The refunding bond refunded \$3,170,000 of principal owed for the Series 2010 certificate of obligation. The refunding 2020 general obligation bond bears interest at 2% - 4% and is payable in annual installments through 2030.

City of Mount Pleasant, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Beginning in March 2020, the City began dealing with the COVID 19 national disaster. The City is still in the midst of the disaster and determining the impact to the City, and will adjust their plans accordingly as more information becomes available.

There were no additional material subsequent events through April 30, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mount Pleasant, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 3,181,954	\$ 3,181,954	\$ 3,182,732	\$ 778
Sales tax	4,623,200	4,623,200	4,764,917	141,717
Mixed beverage tax	32,500	32,500	36,344	3,844
Franchise and local taxes	53,730	53,730	56,378	2,648
License and permits	75,700	75,700	76,210	510
Charges for services	1,162,975	1,162,975	1,150,610	(12,365)
Intergovernmental revenue	12,500	12,500	39,131	26,631
Fines and forfeitures	1,424,600	924,600	902,940	(21,660)
Investment income	90,000	90,000	89,695	(305)
Royalties	1,061,340	1,061,340	982,394	(78,946)
Other revenues	75,000	75,000	292,173	217,173
Total Revenues	<u>11,793,499</u>	<u>11,293,499</u>	<u>11,573,524</u>	<u>280,025</u>
<u>Expenditures</u>				
Current:				
General government	1,224,151	1,244,651	1,224,449	20,202
Public safety	8,569,234	8,570,992	8,677,288	(106,296)
Public service	280,517	315,272	299,245	16,027
Public works	162,141	167,141	164,461	2,680
Parks and recreation	816,639	865,901	871,651	(5,750)
Library	418,945	423,945	393,873	30,072
Debt service:				
Principal	12,365	12,365	12,178	187
Interest and fiscal charges	-	-	185	(185)
Total Expenditures	<u>11,483,992</u>	<u>11,600,267</u>	<u>11,643,330</u>	<u>(43,063) *</u>
Revenues Over (Under) Expenditures	<u>309,507</u>	<u>(306,768)</u>	<u>(69,806)</u>	<u>236,962</u>

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

City of Mount Pleasant, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	738,468	737,542	734,274	(3,268)
Transfers (out)	(49,315)	(198,815)	(272,686)	(73,871) *
Sale of capital assets	20,000	20,000	-	(20,000)
Total Other				
Financing Sources (Uses)	<u>709,153</u>	<u>558,727</u>	<u>461,588</u>	<u>(97,139)</u>
Net Change in Fund Balance	<u>\$ 1,018,660</u>	<u>\$ 251,959</u>	<u>391,782</u>	<u>\$ 139,823</u>
Beginning fund balance			<u>2,623,911</u>	
Ending Fund Balance			<u><u>\$ 3,015,693</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

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City of Mount Pleasant, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND

For the Year Ended September 30, 2019

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Franchise tax	\$ 1,197,100	\$ 1,098,948	\$ (98,152)
Investment income	40,000	43,302	3,302
Other revenues	-	47,631	47,631
Total Revenues	1,237,100	1,189,881	(47,219)
<u>Expenditures</u>			
Current:			
Public works	1,240,721	1,038,644	202,077
Debt service:			
Principal	335,000	335,000	-
Interest and fiscal charges	117,213	117,213	-
Capital outlay	581,400	51,699	529,701
Total Expenditures	2,274,334	1,542,556	731,778
Revenues Over (Under) Expenditures	(1,037,234)	(352,675)	684,559
<u>Other Financing Sources (Uses)</u>			
Transfers in	905,520	883,003	(22,517)
Transfers (out)	(221,797)	(208,824)	12,973
Sale of capital assets	5,000	-	(5,000)
Total Other Financing Sources (Uses)	688,723	674,179	(14,544)
Net Change in Fund Balance	\$ (348,511)	321,504	\$ 670,015
Beginning fund balance		1,921,811	
Ending Fund Balance		\$ 2,243,315	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Mount Pleasant, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended December 31,

	¹ 2018	2017	2016
Total pension liability			
Service cost	\$ 1,429,608	\$ 1,329,605	\$ 1,227,492
Interest	2,516,855	2,344,212	2,180,101
Differences between expected and actual experience	262,972	(25,061)	(1,282)
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(1,206,054)	(1,076,107)	(976,083)
Net change in total pension liability	3,003,381	2,572,649	2,430,228
Total pension liability - beginning	\$ 37,174,963	\$ 34,602,314	\$ 32,172,086
Total pension liability - ending (a)	\$ 40,178,344	\$ 37,174,963	\$ 34,602,314
Plan fiduciary net position			
Contributions - employer	\$ 1,262,297	1,202,940	1,094,829
Contributions - members	579,795	543,965	499,271
Net investment income	(981,247)	3,907,476	1,746,137
Benefit payments, including refunds of participant contributions	(1,206,054)	(1,076,107)	(976,083)
Administrative expenses	(18,947)	(20,234)	(19,713)
Other	(990)	(1,025)	(1,062)
Net change in plan fiduciary net position	(365,146)	4,557,015	2,343,379
Plan fiduciary net position - beginning	32,727,610	28,170,595	25,827,216
Plan fiduciary net position - ending (b)	\$ 32,362,464	\$ 32,727,610	\$ 28,170,595
Fund's net pension liability - ending (a) - (b)	\$ 7,815,880	\$ 4,447,353	\$ 6,431,719
Plan fiduciary net position as a percentage of the total pension liability	80.55%	88.04%	81.41%
Covered payroll	\$ 8,282,780	\$ 7,770,922	\$ 7,132,436
Fund's net position as a percentage of covered payroll	94.36%	57.23%	90.18%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>2015</u>	<u>2014</u>
\$	1,115,182	\$ 1,011,813
	2,111,839	1,979,099
	(293,769)	(196,764)
	160,204	-
	<u>(1,065,821)</u>	<u>(833,264)</u>
	2,027,635	1,960,884
\$	<u>30,144,451</u>	<u>\$ 28,183,567</u>
\$	<u>32,172,086</u>	<u>\$ 30,144,451</u>
	1,058,856	1,056,491
	463,831	445,241
	37,417	1,336,903
	(1,065,821)	(833,264)
	(22,790)	(13,956)
	<u>(1,126)</u>	<u>(1,147)</u>
	470,367	1,990,268
	25,356,849	23,366,581
\$	<u>25,827,216</u>	<u>\$ 25,356,849</u>
\$	<u>6,344,870</u>	<u>\$ 4,787,602</u>
	80.28%	84.12%
\$	6,626,153	\$ 6,360,582
	95.75%	96.33%

City of Mount Pleasant, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	¹ <u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Actuarially determined employer contributions	\$ 1,267,196	\$ 1,252,188	\$ 1,104,101	\$ 1,017,114
Contributions in relation to the actuarially determined contribution	\$ 1,267,196	\$ 1,252,188	\$ 1,104,101	\$ 1,017,114
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 8,377,947	\$ 8,186,857	\$ 7,132,436	\$ 6,626,153
Employer contributions as a percentage of covered payroll	15.13%	15.30%	15.48%	15.35%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2015</u>	<u>9/30/2014</u>
\$ 1,016,421	\$ 1,018,823
<u>\$ 1,016,421</u>	<u>\$ 1,018,823</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 6,360,582	\$ 6,133,792
15.98%	16.61%

City of Mount Pleasant, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN Years Ended December 31,

	¹ 2018	2017
Total OPEB liability		
Service cost	\$ 18,222	\$ 14,765
Interest	13,303	12,968
Differences between expected and actual experience	(6,872)	-
Changes of assumptions	(30,116)	33,349
Benefit payments, including refunds of participant contributions	(4,141)	(3,885)
Net change in total OPEB liability	(9,604)	57,197
Total OPEB liability - beginning	\$ 394,830	\$ 337,633
Total OPEB liability - ending	² \$ 385,226	\$ 394,830
Covered payroll	\$ 8,282,780	\$ 7,770,922
Fund's net position as a percentage of covered payroll	4.65%	5.08%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

City of Mount Pleasant, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM RETIREE HEALTHCARE Years Ended December 31,

	¹ 2018	2017
Total OPEB liability		
Service cost	\$ 57,162	\$ 54,440
Interest	31,781	30,878
Benefit payments, including refunds of participant contributions	(37,217)	(37,219)
Net change in total OPEB liability	51,726	48,099
Total OPEB liability - beginning	\$ 772,802	\$ 724,703
Total OPEB liability - ending	² \$ 824,528	\$ 772,802
Covered payroll	\$ 8,282,780	\$ 7,280,738
Fund's net position as a percentage of covered payroll	9.95%	10.61%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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OTHER SUPPLEMENTARY INFORMATION

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**City of Mount Pleasant, Texas
Combining Statements**

City of Mount Pleasant, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	Debt Service	Hotel/Motel Occupancy	Cemetary	Police Seizure	Rural Development
<u>Assets</u>					
Cash and cash equivalents	\$ -	\$ 110,705	\$ 21,751	\$ 32,005	\$ 231,107
Receivables (net)	7,190	39,509	-	-	-
Restricted cash	47,080	-	-	117,166	-
Due from other funds	-	-	-	-	-
Total Assets	\$ 54,270	\$ 150,214	\$ 21,751	\$ 149,171	\$ 231,107
<u>Liabilities</u>					
Accounts payable	-	44,208	4,502	118,020	-
Total Liabilities	-	44,208	4,502	118,020	-
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	7,190	-	-	-	-
Total Deferred Inflows of Resources	7,190	-	-	-	-
<u>Fund Balances</u>					
Restricted for:					
Community Improvements	-	-	-	-	-
Public education channels	-	-	-	-	-
Hotel/motel	-	106,006	-	-	-
Development	-	-	-	-	231,107
Cemetary	-	-	17,249	-	-
Debt Service	47,080	-	-	-	-
Public safety	-	-	-	31,151	-
Assigned to:					
Public safety	-	-	-	-	-
Community improvements	-	-	-	-	-
Library	-	-	-	-	-
Total Fund Balances	47,080	106,006	17,249	31,151	231,107
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 54,270	\$ 150,214	\$ 21,751	\$ 149,171	\$ 231,107

<u>Police</u>	<u>Library</u>	<u>PEG Funds</u>	<u>Community Improvements</u>	<u>Capital Replacement</u>	<u>Firemen's</u>	<u>Total Nonmajor Governmental</u>
\$ 25,405	\$ 10,808	\$ 167,312	\$ 69,368	\$ -	\$ -	\$ 668,461
8,754	-	6,879	-	-	-	62,332
8,509	-	-	-	-	-	172,755
-	-	128,180	272,204	-	-	400,384
<u>\$ 42,668</u>	<u>\$ 10,808</u>	<u>\$ 302,371</u>	<u>\$ 341,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,932</u>
4,152	-	-	-	-	-	170,882
<u>4,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,882</u>
-	-	-	-	-	-	7,190
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,190</u>
-	-	302,371	-	-	-	302,371
-	-	-	-	-	-	-
-	-	-	-	-	-	106,006
-	-	-	-	-	-	231,107
-	-	-	-	-	-	17,249
-	-	-	-	-	-	47,080
-	-	-	-	-	-	31,151
38,516	-	-	-	-	-	38,516
-	-	-	341,572	-	-	341,572
-	10,808	-	-	-	-	10,808
<u>38,516</u>	<u>10,808</u>	<u>302,371</u>	<u>341,572</u>	<u>-</u>	<u>-</u>	<u>1,125,860</u>
<u>\$ 42,668</u>	<u>\$ 10,808</u>	<u>\$ 302,371</u>	<u>\$ 341,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,932</u>

City of Mount Pleasant, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	<u>Debt Service</u>	<u>Hotel/Motel Occupancy</u>	<u>Cemetary</u>	<u>Police Seizure</u>	<u>Rural Development</u>
<u>Revenues</u>					
Taxes:					
Property	\$ 588,419	\$ -	\$ 20,751	\$ -	\$ -
Hotel	-	522,918	-	-	-
Utility franchise fees	-	-	-	-	-
Donations	-	5,000	-	-	-
Investment income	2,837	-	-	1,488	3,913
Intergovernmental revenue	-	-	-	-	-
Other revenue	3,477	12,049	841	8,505	-
Total Revenues	<u>594,733</u>	<u>539,967</u>	<u>21,592</u>	<u>9,993</u>	<u>3,913</u>
<u>Expenditures</u>					
General government	1,151	247,972	41,475	-	-
Public Safety	-	-	-	109,737	-
Culture and Recreation	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt service:					
Principal	205,000	-	-	-	-
Interest and fiscal charges	571,746	-	-	-	-
Total Expenditures	<u>777,897</u>	<u>247,972</u>	<u>41,475</u>	<u>109,737</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(183,164)</u>	<u>291,995</u>	<u>(19,883)</u>	<u>(99,744)</u>	<u>3,913</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	200,000	40,000	-	-	-
Transfers (out)	-	(350,556)	-	-	-
Sale of capital assets	-	-	12,000	-	-
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>(310,556)</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	16,836	(18,561)	(7,883)	(99,744)	3,913
Beginning fund balances	30,244	124,567	25,132	130,895	227,194
Ending Fund Balances	<u>\$ 47,080</u>	<u>\$ 106,006</u>	<u>\$ 17,249</u>	<u>\$ 31,151</u>	<u>\$ 231,107</u>

<u>Police</u>	<u>Library</u>	<u>PEG Funds</u>	<u>Community Improvements</u>	<u>Capital Replacement</u>	<u>Firemen's</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609,170
-	-	-	-	-	-	522,918
-	-	27,854	-	-	-	27,854
140	2,660	-	-	-	-	7,800
-	-	2,597	-	5,445	-	16,280
118,061	-	-	-	-	-	118,061
1,650	-	-	5,000	-	-	31,522
<u>119,851</u>	<u>2,660</u>	<u>30,451</u>	<u>5,000</u>	<u>5,445</u>	<u>-</u>	<u>1,333,605</u>
-	-	-	12,413	-	-	303,011
191,037	-	-	-	-	925	301,699
-	1,048	-	-	-	-	1,048
-	-	-	36,532	-	-	36,532
-	-	-	-	-	-	205,000
-	-	-	-	-	-	571,746
<u>191,037</u>	<u>1,048</u>	<u>-</u>	<u>48,945</u>	<u>-</u>	<u>925</u>	<u>1,419,036</u>
<u>(71,186)</u>	<u>1,612</u>	<u>30,451</u>	<u>(43,945)</u>	<u>5,445</u>	<u>(925)</u>	<u>(85,431)</u>
84,055	-	-	-	-	925	324,980
-	-	-	-	(662,249)	-	(1,012,805)
-	-	-	-	-	-	12,000
<u>84,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662,249)</u>	<u>925</u>	<u>(675,825)</u>
12,869	1,612	30,451	(43,945)	(656,804)	-	(761,256)
25,647	9,196	271,920	385,517	656,804	-	1,887,116
<u>\$ 38,516</u>	<u>\$ 10,808</u>	<u>\$ 302,371</u>	<u>\$ 341,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,860</u>

City of Mount Pleasant, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2019

		Industrial Development District
<u>Assets</u>		
Cash and cash equivalents	\$	4,952,389
Receivables, net		273,319
Total Assets	\$	5,225,708
 <u>Liabilities</u>		
Accounts payable	\$	17,944
Accrued liabilities		10,859
Total Liabilities		28,803
 <u>Fund Balances</u>		
Restricted for:		
Economic development		5,196,905
Total Fund Balance		5,196,905
Total Liabilities, Deferred Inflows, and Fund Balance	\$	5,225,708

City of Mount Pleasant, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNIT

September 30, 2019

Fund Balance \$ 5,196,905

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	1,628,156
Capital assets - net depreciable	4,037,763

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Pension contributions	21,650
Pension outflows	41,988
OPEB outflows	57

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.

OPEB liability inflows	(188)
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Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Net pension liability	(175,148)
OPEB liability	(16,169)
Long-term debt due within one year	(257,415)
Long-term debt due in more than one year	(1,455,790)

Net Position of the Discretely Presented Component Unit	\$ 9,021,809
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City of Mount Pleasant, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2019

	<u>Industrial Development District</u>
Revenues	
Sales tax	\$ 1,588,306
Investment income	66,500
Other revenue	29,998
Total Revenues	<u>1,684,804</u>
Expenditures	
Current:	
Economic Development	505,897
Debt Service:	
Principal	247,285
Interest and fiscal charges	74,941
Total Expenditures	<u>828,123</u>
Total Revenues	
Over (Under) Expenditures	856,681
Other Financing Sources (Uses)	
Transfers (out)	(10,000)
Total Other Financing Sources (Uses)	<u>(10,000)</u>
Net Change in Fund Balance	846,681
Beginning fund balance	4,350,224
Ending Fund Balance	<u>\$ 5,196,905</u>

City of Mount Pleasant, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

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

Net changes in fund balance	\$	846,681
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense		(172,194)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(12,534)
OPEB expense		(1,088)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments expensed		247,285
Change in Net Position of the Discretely Presented Component Unit	\$	908,150

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