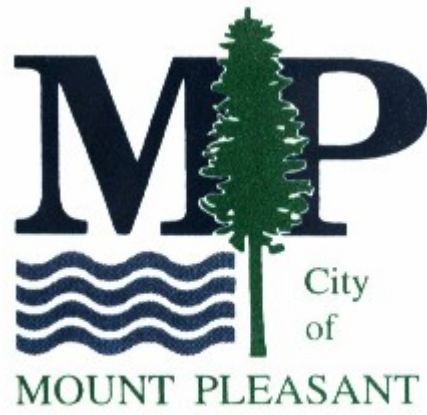


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

City of Mount Pleasant, Texas

City Manager
Mike Ahrens



**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**CITY OF MOUNT PLEASANT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION





501 N. Madison
Mount Pleasant, Texas 75455

March 14, 2017

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

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Mount Pleasant, Texas, for the year ended September 30, 2016, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified (“clean”) opinion on the City of Mount Pleasant’s financial statements for the year ended September 30, 2016. The independent auditor’s report is located in the beginning of the financial section of the CAFR.

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

GENERAL INFORMATION – CITY OF MOUNT PLEASANT

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Mount Pleasant is the largest municipality in the County and serves as the regional economic center for a three county area. Major industries in the area include farming, poultry farming and processing, livestock, oil, lignite and manufacturing. According to the 2010 census, the City's population is 15,564.

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

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

MAJOR INITIATIVES

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

- Two new police officer positions were added to the Police Department to allow for dedicated traffic enforcement/ narcotics interdiction activities.
- The City purchased a parking lot behind the 100 block of N Jefferson for use as public parking.
- The Criminal Investigations Building located in the 500 block of N Jefferson was purchased. The building had previously been leased.
- Engineering work has been completed on a new wastewater interceptor line on the south side of the City.
- Work on the NW 12 – Phased 2 street construction project is underway.
- A new splash pad was installed at Oaklawn Park.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

General Governmental Functions

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

<u>Tax Rate</u>	
2012-2013	\$0.3165
2013-2014	\$0.3433
2014-2015	\$0.3437
2015-2016	\$0.3437
2015-2017	\$0.3437

OTHER INFORMATION

Acknowledgements

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

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

Respectfully submitted,

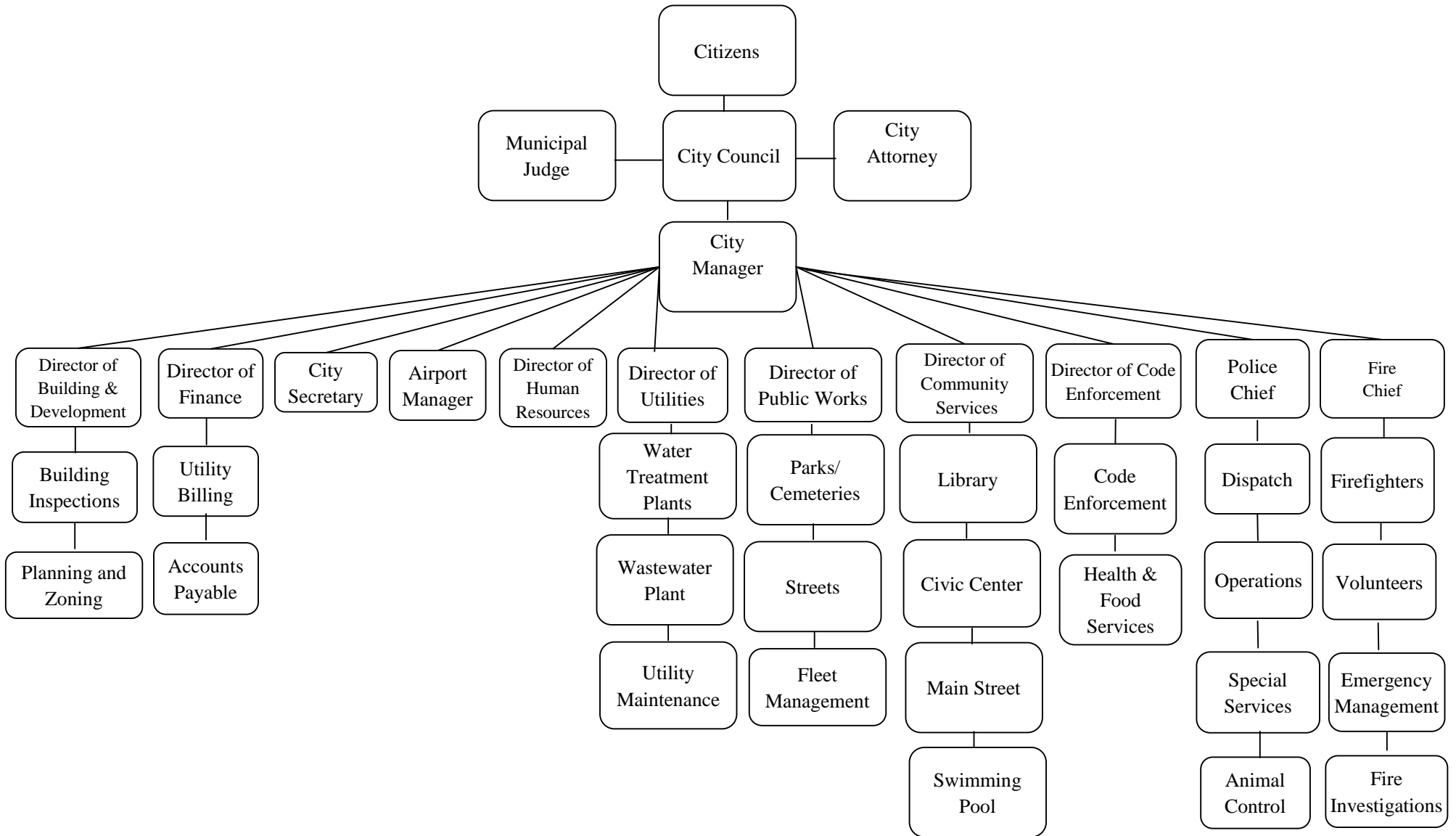


Mike Ahrens
CITY MANAGER



Scott Walters
DIRECTOR OF FINANCE

ORGANIZATION CHART



**CITY OF MOUNT PLEASANT, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

City Council

**Dr. Paul O. Meriwether, Mayor
Robert Nance, Mayor Pro-Tem
Erman Hensel, Council Member, Place 2
Michael McGahee, Council Member, Place 3
Tim Dale, Council Member, Place 4
Brian Heavner, Council Member, Place 5**

Administrative Staff

**Mike Ahrens, City Manager
Scott Walters, Director of Finance**



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

March 20, 2017

Independent Auditor's Report

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas ("City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the TMRS Funding Progress and Contributions, Schedule of Changes in Net Pension Liability, and Other Post-Employment Benefits Plan on pages 7 – 17 and 63 - 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Pleasant, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2017, on our consideration of the City of Mount Pleasant, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Pleasant, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.



CITY OF MOUNT PLEASANT, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2016

As management of the City of Mount Pleasant ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative:

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$66,782,176 (net position). Of this amount, \$3,156,527, or 5%, is restricted for certain purposes. The remaining balance (unrestricted net position) of \$2,146,084, or 3%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal practices.
- The City's total net position decreased by (\$485,679). This is due to the decrease in Business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,486,512, a decrease of (\$473,355), or 5%, in comparison with the prior year. \$1,929,929, or 23% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$2,048,570 was 22% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations decreased by (\$192,548) during the current fiscal year.

Overview of the Financial Statements

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

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Basic Financial Statements

The first two statements (pages 21-23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 24-31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 32-59). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 63-65) is provided to show details about the City's pension plan and post-employment benefits.

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

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

The City of Mount Pleasant adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budgets are a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Debt Service Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 24-27 of this report. The General Fund Budgetary Comparison Schedule can be found on page 28.

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 32 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits, net pension liability and post-employment benefits to its employees. This information is on pages 63-65 of this report.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Other Information

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 68–71 in this report. Budgetary comparison schedules for the Debt Service Fund and Street Fund can be found on pages 72–73 in this report.

New Pronouncements – The following statements for GASB were effective for the City in the fiscal year ending September 30, 2016:

GASB Statement No. 72, "Fair Value Measurement and Application" addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and, also, provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The implementation of this Statement does not result in any changes to the City's financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The implementation of this statement is included in the Required Supplementary Information as provided by TMRS.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" is to address the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55 and amends Statement No. 62. The implementation of this Statement does not result in any changes to the City's financial statements.

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

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans", that replaces Statement No. 43 and amends Statement No. 57 will be implemented as required by GASB during the fiscal year September 30, 2017.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions", that replaces Statement No. 45 and amends Statement No. 57 and 74 will be implemented in fiscal year ending September 30, 2018 as required.

GASB Statement No. 77, "Tax Abatement Disclosures" is to assist in assessing whether a government's current-year revenues were sufficient to pay for current-year services, whether a government complied with finance-related legal and contractual obligations, where a government's financial resources come from and how it uses them, and a government's financial position and economic condition and how they have change over time. The City is in the process of evaluating the potential changes to the financial statements as a result of the implementation of this statement in fiscal year ending September 30, 2017.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,352,612	\$ 9,816,699	\$ 5,927,343	\$ 7,739,831	\$ 15,279,955	\$ 17,556,530
Capital assets	27,315,386	26,891,762	66,286,366	66,875,704	93,601,752	93,767,466
Total assets	<u>36,667,998</u>	<u>36,708,461</u>	<u>72,213,709</u>	<u>74,615,535</u>	<u>108,881,707</u>	<u>111,323,996</u>
Deferred outflow - pension	3,256,874	2,284,197	1,244,190	895,044	4,501,064	3,179,241
Long-term liabilities	16,761,459	16,011,352	28,374,920	29,252,597	45,136,379	45,263,949
Other liabilities	740,464	706,961	435,734	828,137	1,176,198	1,535,098
Total liabilities	<u>17,501,923</u>	<u>16,718,313</u>	<u>28,810,654</u>	<u>30,080,734</u>	<u>46,312,577</u>	<u>46,799,047</u>
Deferred inflow - pension	206,980	316,121	81,038	120,215	288,018	436,336
Net position:						
Investment in capital assets	19,049,789	18,343,148	42,429,776	41,898,179	61,479,565	60,241,327
Restricted	1,501,525	1,553,240	1,655,002	2,125,320	3,156,527	3,678,560
Unrestricted	1,664,655	2,061,836	481,429	1,286,131	2,146,084	3,347,967
Total net position	<u>\$22,215,969</u>	<u>\$21,958,224</u>	<u>\$44,566,207</u>	<u>\$45,309,630</u>	<u>\$66,782,176</u>	<u>\$67,267,854</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$66,782,176 as of September 30, 2016. The City's net position decreased by (\$485,679), excluding prior period adjustments, for the fiscal year ended September 30, 2016.

Net invested in capital assets:

The largest portion, \$61,479,565, or 93%, reflects the City's investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

The restricted net position of \$3,156,527, or 5%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: \$2,419,091, or 76.6%, for debt service requirements, capital improvements of \$90,619, or 2.9%, use by public safety, \$2,422, or 0.1%, library use of \$1,267, or 0.0%; court use of \$171,771, or 5.4%, use tourism of, \$119,245, or 3.8%, community development of \$107,946, or 3.4%; restricted for use for the cemetery of \$21,378, or 0.7%, and business development of \$222,788, or 7.1%.

Unrestricted net position:

Unrestricted net position of \$2,146,084, or 3%, is available to fund City programs to citizens and debt to creditors. The significant decrease in unrestricted net position is due, in part, to the City's portion of the street improvements for the State's loop project in governmental activities.

CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

CHANGES IN NET POSITION

	Governmental Activities		Business Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 1,244,005	\$ 1,297,926	\$ 10,763,007	\$ 10,983,062	\$ 12,007,012	\$ 12,280,988
Operating grants and contributions	691,059	578,337	27,612	22,336	718,671	600,673
Capital grants and contributions	-	173,136	-	-	-	173,136
General Revenues:						
Property taxes	3,074,506	2,960,832	-	-	3,074,506	2,960,832
Sales taxes	4,302,977	3,926,335	-	-	4,302,977	3,926,335
Franchise taxes	1,179,533	1,255,336	-	-	1,179,533	1,255,336
Other taxes	583,520	568,608	-	-	583,520	568,608
Investment income	34,226	8,286	22,617	6,514	56,843	14,800
Royalties	376,883	388,322	-	-	376,883	388,322
Miscellaneous	572,289	157,458	56,380	145,916	628,669	303,374
Total revenues	<u>12,058,998</u>	<u>11,314,576</u>	<u>10,869,616</u>	<u>11,157,828</u>	<u>22,928,614</u>	<u>22,472,404</u>
Expenses:						
General government	2,008,181	1,710,938	-	-	2,008,181	1,710,938
Public safety	6,540,258	5,883,502	-	-	6,540,258	5,883,502
Library	611,154	564,061	-	-	611,154	564,061
Public services and operations	621,795	562,802	-	-	621,795	562,802
Parks and recreation	690,461	648,587	-	-	690,461	648,587
Public works	1,826,322	1,740,343	-	-	1,826,322	1,740,343
Interest on long-term debt	259,199	277,200	-	-	259,199	277,200
Utility	-	-	9,057,408	8,687,050	9,057,408	8,687,050
Airport	-	-	1,275,439	1,392,013	1,275,439	1,392,013
Civic center	-	-	524,076	527,406	524,076	527,406
Total expenses	<u>12,557,370</u>	<u>11,387,433</u>	<u>10,856,923</u>	<u>10,606,469</u>	<u>23,414,293</u>	<u>21,993,902</u>
Change in net position before transfers	(498,372)	(72,857)	12,693	551,359	(485,679)	478,502
Transfers	<u>756,116</u>	<u>650,975</u>	<u>(756,116)</u>	<u>(650,975)</u>	<u>-</u>	<u>-</u>
Change in net position	257,744	578,118	(743,423)	(99,616)	(485,679)	478,502
Net position - beginning of year	21,958,225	22,836,111	45,309,630	46,301,633	67,267,855	69,137,744
Prior period adjustments	-	(1,456,004)	-	(892,387)	-	(2,348,391)
Net position - end of year	<u>\$ 22,215,969</u>	<u>\$ 21,958,225</u>	<u>\$ 44,566,207</u>	<u>\$ 45,309,630</u>	<u>\$ 66,782,176</u>	<u>\$ 67,267,855</u>

Governmental activities increased net position by \$257,744. This is due in large part to the increase in property and sales taxes.

Business-type activities decreased net position by (\$743,423). This is due to a decrease in revenues in the Utility Fund and the Airport Fund.

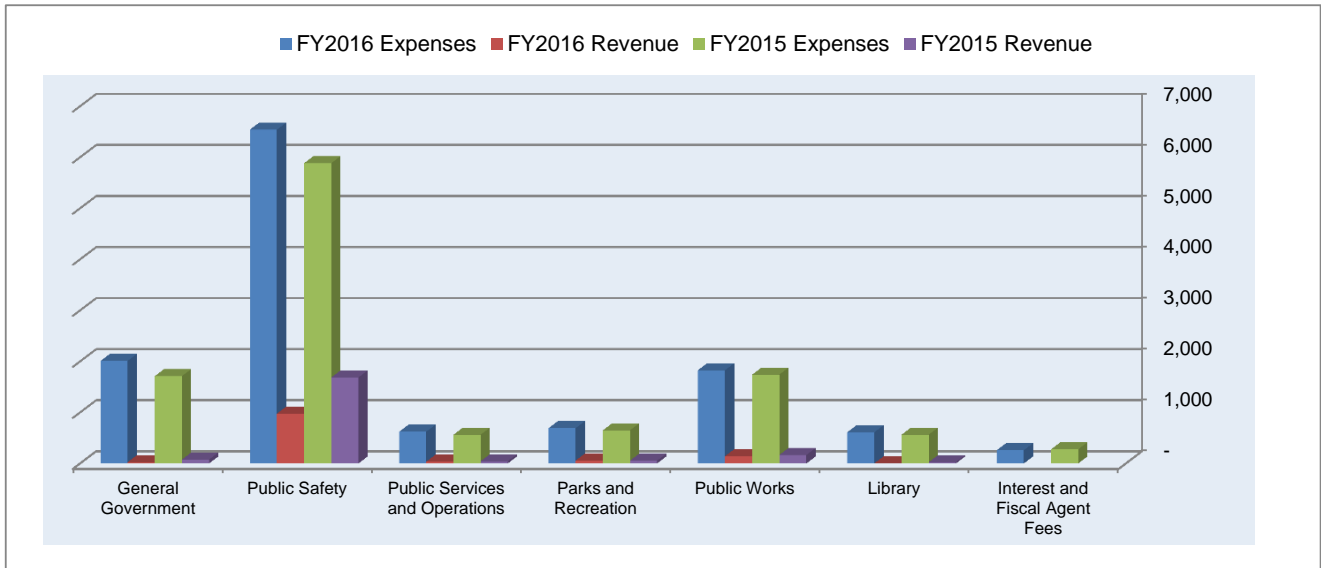
**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Governmental-type activities - Governmental-type activities increased the City's net position by \$257,744. A key elements of this increase is as follows:

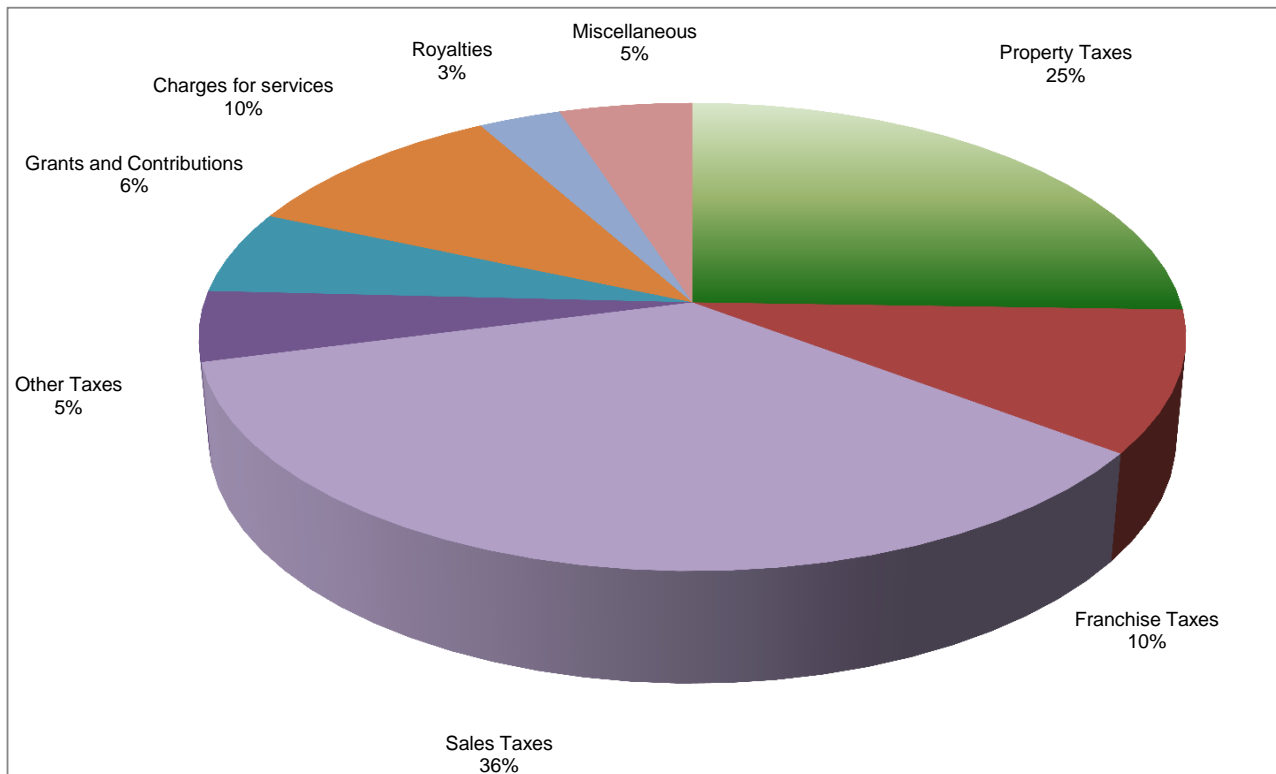
The collection of property and sales taxes increased \$490,316, or 7%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

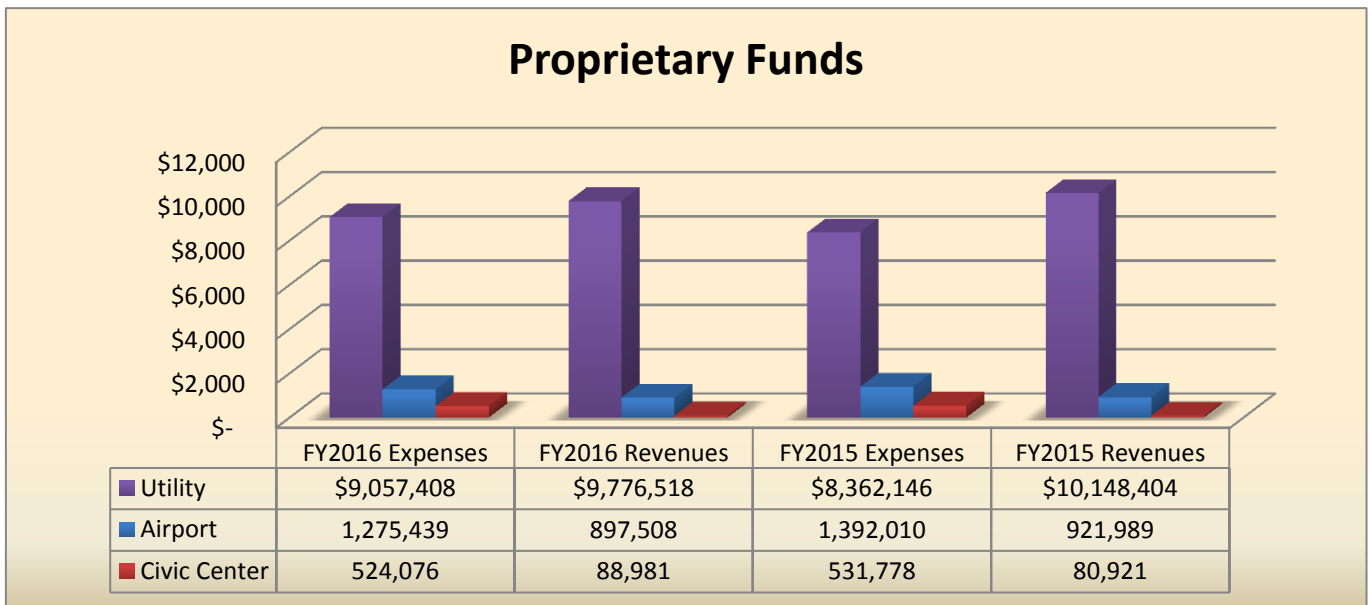


**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

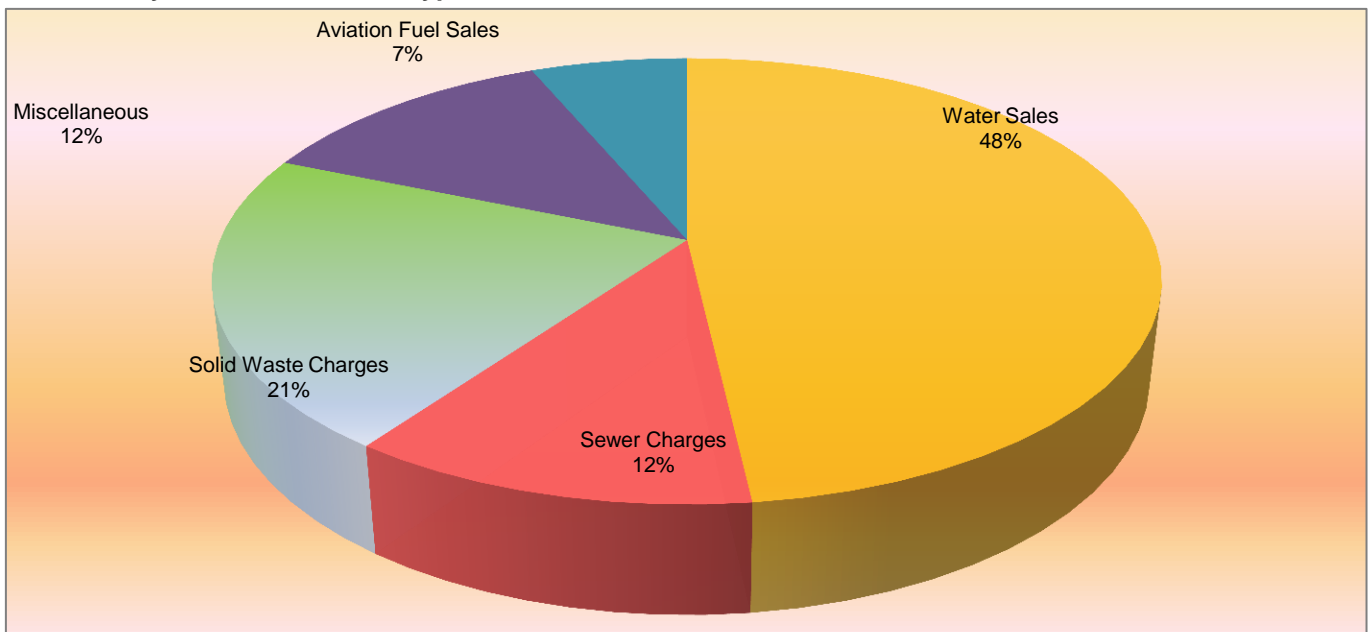
Business-type Activities - Business-type activities decreased the City's net position by (\$743,423). A key for this decrease is as follows:

Total expenses increased (\$1,169,937), or (10%).

Expenditures and Program Revenues - Business-type Activities
(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Financial Analysis of the City's Funds

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

Governmental Funds

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

At September 30, 2016, the City's governmental funds reported total fund balances of \$8,486,512, a 5% decrease in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Nonspendable fund balance of \$6,161, or 0.1%, of total fund balance consists of amounts that are not spendable in form and are contractually required to be maintained intact. These are prepaid expenses for worker's compensation insurance.
- Restricted fund balances of \$1,410,481, or 16.6%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$171,771, or 12.2%, for court use;
 - \$764,089, or 54.1%, for debt service requirements;
 - \$107,946, or 7.7%, for community development;
 - \$21,378, or 1.5%, for cemetery;
 - \$112,509, or 8.%, for tourism;
 - \$222,788, or 15.8%, for business development, and;
 - \$10,000, or 0.7%, for the library.
- Committed fund balance of \$19,252, or 0.2%, of total fund balance is for public safety. This was approved by the City Council to recover costs for expenditures incurred by the volunteer fire department attending to the scene of an accident.
- Assigned fund balance of \$5,120,689, or 60.3%, of total fund balance consists of the following:
 - \$4,317,044, or 84.2%, is for capital projects;
 - \$276,259, or 5.4%, is for community development;
 - \$221,577, or 4.4%, is for public safety;
 - \$301,302, or 5.9%, is for park improvements, and;
 - \$4,507, or 0.1%, is for the library.
- Unassigned fund balance of \$1,929,929, or 23%, of total fund balance, represents residual available fund balances that have not been restricted, committed or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,048,570, compared to \$1,928,156 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 22% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (9%), or (\$568,527), to \$5,476,669 with the following significant changes:

- The fund balance of the Street Fund decreased (19%), or (\$853,043), primarily as a result of less franchise tax.
- The fund balance of the Other Governmental Funds increased 19%, or \$284,516, primarily as a result of the sale of land.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$481,429, a (63%) decrease from the prior year. This is due to increased expenses.

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, totals \$93,601,752 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total decrease in capital assets for the current fiscal year was approximately .17%.

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

- Clarifier rehabilitation
- Sewer Line Replacement
- Completion of splash pads
- 2016 Street project

**Capital Assets
(net of accumulated depreciation)
September 30, 2016**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,436,233	\$ 1,436,233	\$ 8,779,228	\$ 8,772,848	\$ 10,215,461	\$ 10,209,081
Construction in Progress	289,902	230,285	492,354	3,396,939	782,256	3,627,224
Machinery & Equipment	1,714,552	1,686,049	2,055,279	2,321,222	3,769,831	4,007,271
Buildings & Improvements	9,111,687	8,820,373	36,798,745	34,282,951	45,910,432	43,103,324
Infrastructure	14,763,012	14,718,822	18,160,760	18,101,744	32,923,772	32,820,566
Total	<u>\$ 27,315,386</u>	<u>\$ 26,891,762</u>	<u>\$ 66,286,366</u>	<u>\$ 66,875,704</u>	<u>\$ 93,601,752</u>	<u>\$ 93,767,466</u>

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

Long-term Debt - As of September 30, 2016, the City had \$44,601,054 in long-term obligations. This represents a decrease of (\$192,548) in comparison with the prior year.

**Outstanding Debt
General Obligation Bonds, Revenue Bonds and Certificates of Obligation
September 30, 2016**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$ -	\$ -	\$ 25,913,032	\$ 27,144,548	\$ 25,913,032	\$ 27,144,548
Certificates of Obligation	9,986,344	10,448,100	-	-	9,986,344	10,448,100
Capital Lease	11,642	24,005	11,642	24,005	23,284	48,010
OPEB Obligation	1,649,622	1,649,622	619,531	618,924	2,269,153	2,268,546
Net Pension Liability	4,521,268	3,399,197	1,695,425	1,292,653	6,216,693	4,691,850
Total	<u>\$ 16,168,876</u>	<u>\$ 15,520,924</u>	<u>\$ 28,239,630</u>	<u>\$ 29,080,130</u>	<u>\$ 44,408,506</u>	<u>\$ 44,601,054</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Budgetary Highlights

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

General Fund revenues collected were significantly more than budget projections. General Fund expenditures were 3% more than budgeted.

Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2016-2017:

- The budget for all funds totals \$29,666,579.
- The adopted property tax rate for FY2016-2017 remains at \$0.3437 per \$100 valuation.
- Property tax, sales tax, and franchise tax collections increased \$492,693, or 7%, over the previous year. There have been no proposed increases for water/wastewater fees.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	\$ 5,892,059	\$ 2,888,683	\$ 8,780,742	\$ 2,806,740
Receivables, net of allowance for uncollectibles	1,055,480	664,212	1,719,692	240,327
Prepaid expense	6,160	-	6,160	-
Restricted assets:				
Cash and cash equivalents	2,398,913	2,374,448	4,773,361	-
Capital assets not being depreciated				
Land	1,436,233	8,779,228	10,215,461	1,628,156
Construction in progress	289,902	492,354	782,256	-
Capital assets, net of accumulated depreciation:				
Machinery and equipment	1,714,552	2,055,279	3,769,831	-
Buildings and improvements	9,111,687	36,798,745	45,910,432	2,544,436
Infrastructure	14,763,012	18,160,760	32,923,772	2,005,852
Total Assets	36,667,998	72,213,709	108,881,707	9,225,511
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources-pension	3,256,874	1,244,190	4,501,064	96,564
LIABILITIES				
Accounts payable	382,719	193,669	576,388	87,965
Accrued liabilities	216,283	61,822	278,105	5,559
Accrued interest payable	92,474	14,824	107,298	-
Customer deposits	-	152,315	152,315	-
Other liabilities	48,988	13,104	62,092	124
Non-current liabilities:				
Due within one year:				
Compensated absences	26,180	8,210	34,390	-
Capital lease payable	11,642	11,642	23,284	-
Notes payable	-	-	-	228,065
Bonds payable	-	1,260,000	1,260,000	-
Certificates of obligation	470,000	-	470,000	-
Due in more than one year:				
Net OPEB obligation	1,649,622	619,531	2,269,153	51,780
Net pension liability	4,521,268	1,695,425	6,216,693	128,177
Compensated absences	566,403	127,080	693,483	21,275
Notes payable	-	-	-	2,192,751
Bonds payable	-	24,653,032	24,653,032	-
Certificates of obligation	9,516,344	-	9,516,344	-
Total Liabilities	17,501,923	28,810,654	46,312,577	2,715,696
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-pension	206,980	81,038	288,018	5,751
NET POSITION				
Net investment in capital assets	19,049,789	42,429,776	61,479,565	3,757,628
Restricted for:				
Debt service	764,089	1,655,002	2,419,091	-
Capital improvements	90,619	-	90,619	-
Public safety	2,422	-	2,422	-
Library	1,267	-	1,267	-
Court Use	171,771	-	171,771	-
Hotel/Motel	119,245	-	119,245	-
PEG fees	107,946	-	107,946	-
Cemetery	21,378	-	21,378	-
Development	222,788	-	222,788	-
Unrestricted	1,664,655	481,429	2,146,084	2,843,000
Total Net Position	\$ 22,215,969	\$ 44,566,207	\$ 66,782,176	\$ 6,600,628

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,008,181	\$ 25,078	\$ 34,896	\$ -
Public Safety	6,540,258	977,419	636,113	-
Library	611,154	4,286	16,200	-
Public services and operations	621,795	36,498	3,850	-
Parks and recreation	690,461	57,559	-	-
Public works	1,826,322	143,165	-	-
Interest on long-term debt	259,199	-	-	-
Total governmental activities	12,557,370	1,244,005	691,059	-
Business-type Activities:				
Utility	9,057,408	9,776,518	-	-
Airport	1,275,439	897,508	27,612	-
Civic center	524,076	88,981	-	-
Total business-type activities	10,856,923	10,763,007	27,612	-
Total primary government	23,414,293	12,007,012	718,671	-
Component Unit				
Industrial Development Corporation	951,119	-	-	-
Total component unit	\$ 951,119	\$ -	\$ -	\$ -

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

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

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (1,948,207)	\$ -	\$ (1,948,207)	\$ -
(4,926,726)	-	(4,926,726)	-
(590,668)	-	(590,668)	-
(581,447)	-	(581,447)	-
(632,902)	-	(632,902)	-
(1,683,157)	-	(1,683,157)	-
(259,199)	-	(259,199)	-
<u>(10,622,306)</u>	<u>-</u>	<u>(10,622,306)</u>	<u>-</u>
-	719,110	719,110	-
-	(350,319)	(350,319)	-
-	(435,095)	(435,095)	-
<u>-</u>	<u>(66,304)</u>	<u>(66,304)</u>	<u>-</u>
<u>(10,622,306)</u>	<u>(66,304)</u>	<u>(10,688,610)</u>	<u>-</u>
-	-	-	(951,119)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (951,119)</u>
\$ 3,074,506	\$ -	\$ 3,074,506	\$ -
4,302,977	-	4,302,977	1,434,326
546,859	-	546,859	-
1,179,533	-	1,179,533	-
36,661	-	36,661	-
34,226	22,617	56,843	9,247
376,883	-	376,883	-
572,289	56,380	628,669	-
756,116	(756,116)	-	-
<u>10,880,050</u>	<u>(677,119)</u>	<u>10,202,931</u>	<u>1,443,573</u>
257,744	(743,423)	(485,679)	492,454
21,958,225	45,309,630	67,267,855	6,108,174
<u>\$ 22,215,969</u>	<u>\$ 44,566,207</u>	<u>\$ 66,782,176</u>	<u>\$ 6,600,628</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,374,207	\$ 2,013,861	\$ 1,503,991	\$ 5,892,059
Receivables, net of allowance for uncollectibles	1,018,332	-	37,148	1,055,480
Cash and cash equivalents - restricted	171,774	1,732,389	494,750	2,398,913
Prepaid expense	6,160	-	-	6,160
Total Assets	<u>3,570,473</u>	<u>3,746,250</u>	<u>2,035,889</u>	<u>9,352,612</u>
LIABILITIES				
Accounts payable	203,569	42,593	136,557	382,719
Accrued liabilities	216,283	-	-	216,283
Accrued interest payable	-	-	126,300	126,300
Other liabilities	48,968	19.95	-	48,988
Total Liabilities	<u>468,820</u>	<u>42,613</u>	<u>262,857</u>	<u>774,290</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	91,810	-	-	91,810
Total Deferred Inflows of Resources	<u>91,810</u>	<u>-</u>	<u>-</u>	<u>91,810</u>
Fund Balances				
Nonspendable:				
Prepaid items	6,161	-	-	6,161
Restricted for:				
Court use	171,771	-	-	171,771
Debt service	764,089	-	-	764,089
Community development	-	-	107,946	107,946
Cemetery	-	-	21,378	21,378
Hotel/Motel	-	-	112,509	112,509
Development	-	-	222,788	222,788
Library	-	-	10,000	10,000
Committed to:				
Public safety	19,252	-	-	19,252
Assigned to:				
Capital projects	-	3,703,637	613,407	4,317,044
Community development	-	-	276,259	276,259
Public safety	-	-	221,577	221,577
Parks	-	-	301,302	301,302
Library	-	-	4,507	4,507
Unassigned	2,048,570	-	(118,641)	1,929,929
Total Fund Balance	<u>3,009,843</u>	<u>3,703,637</u>	<u>1,773,032</u>	<u>8,486,512</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,570,473</u>	<u>\$ 3,746,250</u>	<u>\$ 2,035,889</u>	<u>\$ 9,352,612</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds balance sheet	\$ 8,486,512
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,078,245
Accumulated depreciation has not been included in the governmental fund financial statements.	(21,762,859)
Long-term debt, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(9,896,642)
Premiums and discounts on issuance of debt are not recognized in the balance sheet for governmental funds.	(101,344)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(592,583)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(1,649,622)
Deferred inflows/outflows of resources for pension are not reported in the fund financial statements.	3,049,894
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(4,521,268)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	91,810
The portion of accrued interest payable that do not require current financial resources are not reported as expenditures in the government-wide financial statements.	<u>33,826</u>
Net position of governmental activities - statement of net position	<u><u>\$ 22,215,969</u></u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,793,468	\$ -	\$ 305,277	\$ 3,098,745
Sales	4,302,977	-	-	4,302,977
Hotel	-	-	546,859	546,859
Beverage	36,661	-	-	36,661
Franchise	-	1,179,533	25,078	1,204,611
Fines and forfeitures	959,116	-	-	959,116
Licenses and permits	68,674	-	-	68,674
Charge for services	168,547	-	-	168,547
Donations	4,938	-	34,312	39,250
Grant	-	-	41,381	41,381
Intergovernmental revenue	593,365	-	17,062	610,427
Royalties	-	376,883	-	376,883
Investment income	13,048	17,210	3,969	34,227
Miscellaneous	79,868	2,663	536,024	618,555
Total revenues	9,020,662	1,576,289	1,509,962	12,106,913
EXPENDITURES				
Current:				
General government	858,920	-	266,233	1,125,153
Public safety	6,544,291	-	77,316	6,621,607
Library	312,493	-	7,520	320,013
Public works	149,769	1,157,132	-	1,306,901
Public services and operations	642,273	-	42,506	684,779
Parks and recreation	683,548	-	9,500	693,048
Capital outlays:				
General government	3,651	-	-	3,651
Public safety	59,816	-	92,726	152,542
Library	31,967	-	10,876	42,843
Public works	-	1,344,219	-	1,344,219
Parks and recreation	20,296	-	375,015	395,311
Debt service:				
Principal retirement	12,363	320,000	135,000	467,363
Interest	-	136,713	122,487	259,200
Total expenditures	9,319,387	2,958,064	1,139,179	13,416,630
Excess (deficiency) of revenues over expenditures	(298,725)	(1,381,775)	370,783	(1,309,717)
OTHER FINANCING SOURCES (USES)				
Transfers	388,102	525,478	(86,267)	827,313
Sale of assets	5,795	3,254	-	9,049
Issuance of capital lease	-	-	-	-
Total other financing sources (uses)	393,897	528,732	(86,267)	836,362
Net change in fund balances	95,172	(853,043)	284,516	(473,355)
Fund balances, beginning	2,914,671	4,556,680	1,488,516	8,959,867
Fund balances, ending	\$ 3,009,843	\$ 3,703,637	\$ 1,773,032	\$ 8,486,512

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

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (473,355)
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	1,973,883
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,470,701)
Current year long-term debt principal payments on contractual obligations and bonds are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	467,363
Premium and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in government-wide financial statements	6,756
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(102,155)
In governmental fund financial statements, the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	9,049
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	(24,238)
Reclassification of assets not recognized in the fund financial statements.	(88,605)
Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governments funds.	(40,253)
Change in net position - statement of activities	<u>\$ 257,744</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,764,827	\$ 2,764,827	\$ 2,793,468	\$ 28,641
Sales	4,049,218	4,049,218	4,302,977	253,759
Other	32,000	32,000	36,661	4,661
Fines and Forfeitures	708,000	708,000	959,116	251,116
Licenses and Permits	65,700	65,700	68,674	2,974
Charge for Services	157,000	157,000	168,547	11,547
Donations	7,500	7,500	4,938	(2,562)
Intergovernmental Revenue	565,599	565,599	593,365	27,766
Investment Income	5,000	5,000	13,048	8,048
Miscellaneous	100,000	100,000	79,868	(20,132)
Total Revenues	8,454,844	8,454,844	9,020,662	565,818
EXPENDITURES				
Current:				
General Government	817,482	817,482	858,920	(41,438)
Public Safety:				
Police	3,900,287	3,900,287	4,129,647	(229,360)
Fire	2,358,529	2,358,529	2,414,644	(56,115)
Total Public Safety	6,258,816	6,258,816	6,544,291	(285,475)
Library	311,949	311,949	312,493	(544)
Public Works	147,751	147,751	149,769	(2,018)
Public Services and Operations	616,293	616,293	642,273	(25,980)
Parks and Recreation	713,927	713,927	683,548	30,379
Capital Outlays	242,616	242,616	115,730	126,886
Principal Payments	-	-	12,363	(12,363)
Total Expenditures	9,108,834	9,108,834	9,319,387	(210,553)
Excess (deficiency) of revenues over (under) expenditures	(653,990)	(653,990)	(298,725)	355,265
Other Financing Sources (Uses)				
Transfers	441,973	441,973	388,102	(53,871)
Sale of assets	10,000	10,000	5,795	(4,205)
Total Other Financing Sources (uses)	451,973	451,973	393,897	(58,076)
Net Change in Fund Balance	(202,017)	(202,017)	95,172	297,189
Fund Balance, October 1	2,914,671	2,914,671	2,914,671	
Fund Balance, September 30	\$ 2,712,654	\$ 2,712,654	\$ 3,009,843	

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,559,772	\$ 129,791	\$ 199,120	\$ 2,888,683
Receivables, net of uncollectibles	663,782	-	430	664,212
Restricted assets:				
Cash and cash equivalents	2,374,448	-	-	2,374,448
Total current assets	<u>5,598,002</u>	<u>129,791</u>	<u>199,550</u>	<u>5,927,343</u>
Noncurrent assets:				
Capital Assets:				
Land	6,953,503	1,825,725	-	8,779,228
Buildings	28,338,749	3,661,441	1,343,800	33,343,990
Improvements	8,326,729	7,223,892	273,221	15,823,842
Infrastructure	28,589,354	2,012,104	-	30,601,458
Vehicles	821,796	280,382	15,723	1,117,901
Machinery & equipment	6,781,156	136,417	315,835	7,233,408
Construction in progress	492,354	-	-	492,354
Less: accumulated depreciation	(25,262,707)	(4,891,492)	(951,616)	(31,105,815)
Total noncurrent assets	<u>55,040,934</u>	<u>10,248,469</u>	<u>996,963</u>	<u>66,286,366</u>
Total assets	<u><u>60,638,936</u></u>	<u><u>10,378,260</u></u>	<u><u>1,196,513</u></u>	<u><u>72,213,709</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources-pension	974,996	97,185	172,009	1,244,190
LIABILITIES				
Current liabilities:				
Accounts payable	172,646	6,315	14,708	193,669
Accrued liabilities	48,235	5,589	7,998	61,822
Other liabilities	13,104	-	-	13,104
Liabilities payable from restricted assets:				
Accrued interest payable	14,651	-	173	14,824
Customer deposits	152,315	-	-	152,315
Compensated absences - current	6,532	-	1,678	8,210
Capital lease payable-current	11,642	-	-	11,642
Bonds payable - current	1,260,000	-	-	1,260,000
Total current liabilities payable from restricted assets:	<u>1,445,140</u>	<u>-</u>	<u>1,851</u>	<u>1,446,991</u>
Total current liabilities	<u>1,679,125</u>	<u>11,904</u>	<u>24,557</u>	<u>1,715,586</u>
Noncurrent liabilities:				
Net OPEB obligation	509,737	56,406	53,388	619,531
Net pension liability	1,323,125	128,659	243,641	1,695,425
Compensated absences	85,700	25,901	15,479	127,080
Capital lease payable	-	-	-	-
Bonds payable	24,653,032	-	-	24,653,032
Total noncurrent liabilities	<u>26,571,594</u>	<u>210,966</u>	<u>312,508</u>	<u>27,095,068</u>
Total liabilities	<u><u>28,250,719</u></u>	<u><u>222,870</u></u>	<u><u>337,065</u></u>	<u><u>28,810,654</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-pension	62,596	5,704	12,738	81,038
NET POSITION				
Net invested in capital assets	31,184,344	10,248,469	996,963	42,429,776
Restricted for:				
Debt Service	1,655,002	-	-	1,655,002
Unrestricted	461,271	(1,598)	21,756	481,429
Total Net Position	<u><u>\$ 33,300,617</u></u>	<u><u>\$ 10,246,871</u></u>	<u><u>\$ 1,018,719</u></u>	<u><u>\$ 44,566,207</u></u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Utility Fund</u>	<u>Airport Fund</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES:				
Charges for services	\$ 9,765,963	\$ 891,248	\$ 88,982	\$ 10,746,193
Operating grant revenue	-	27,612	-	27,612
Miscellaneous	54,683	562	1,135	56,380
Total operating revenues	<u>9,820,646</u>	<u>919,422</u>	<u>90,117</u>	<u>10,830,185</u>
OPERATING EXPENSES:				
Personal services	2,045,054	213,525	347,361	2,605,940
Supplies and materials	571,856	446,180	42,586	1,060,622
Maintenance and repair	696,910	16,375	11,728	725,013
Contractual services	3,529,320	49,881	59,048	3,638,249
Depreciation	1,830,196	549,477	63,358	2,443,031
Total operating expenses	<u>8,673,336</u>	<u>1,275,438</u>	<u>524,081</u>	<u>10,472,855</u>
Operating income (loss)	<u>1,147,310</u>	<u>(356,016)</u>	<u>(433,964)</u>	<u>357,330</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of assets	10,555	6,260	-	16,815
Interest revenue	21,773	-	844	22,617
Interest expense	(384,070)	-	-	(384,070)
Total nonoperating revenues (expenses)	<u>(351,742)</u>	<u>6,260</u>	<u>844</u>	<u>(344,638)</u>
Income (loss) before transfers and capital contributions	795,568	(349,756)	(433,120)	12,692
Transfers	<u>(1,077,092)</u>	<u>(50,000)</u>	<u>370,977</u>	<u>(756,115)</u>
Change in net position	(281,524)	(399,756)	(62,143)	(743,423)
Net Position, October 1	33,582,141	10,646,627	1,080,862	45,309,630
Net Position, September 30	<u>\$ 33,300,617</u>	<u>\$ 10,246,871</u>	<u>\$ 1,018,719</u>	<u>\$ 44,566,207</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,166,952	\$ 891,248	\$ 88,982	\$ 11,147,182
Cash received from other sources	54,684	28,173	1,135	83,992
Cash paid to employees	(2,070,832)	(212,343)	(349,228)	(2,632,403)
Cash paid to suppliers	(5,200,378)	(512,755)	(110,317)	(5,823,450)
Net cash provided (used) by operating activities	<u>2,950,426</u>	<u>194,323</u>	<u>(369,428)</u>	<u>2,775,321</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,077,092)	(50,000)	370,977	(756,115)
Net cash provided (used) by non-capital financing activities	<u>(1,077,092)</u>	<u>(50,000)</u>	<u>370,977</u>	<u>(756,115)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,745,412)	(91,466)	-	(1,836,878)
Issuance of debt	(12,363)	-	-	(12,363)
Principal paid on long-term debt	(1,231,516)	-	-	(1,231,516)
Interest paid on long-term debt	(384,072)	-	-	(384,072)
Net cash (used for) capital & related financing activities	<u>(3,373,363)</u>	<u>(91,466)</u>	<u>-</u>	<u>(3,464,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	21,772	-	844	22,616
Net cash provided by investing activities	<u>21,772</u>	<u>-</u>	<u>844</u>	<u>22,616</u>
Net increase (decrease) in cash and cash equivalents	(1,478,257)	52,857	2,393	(1,423,007)
Cash and cash equivalents at beginning of year	6,412,477	76,934	196,727	6,686,138
Cash and cash equivalents at end of year	<u>\$ 4,934,220</u>	<u>\$ 129,791</u>	<u>\$ 199,120</u>	<u>\$ 5,263,131</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,147,310	\$ (356,016)	\$ (433,964)	\$ 357,330
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,830,196	549,477	63,358	2,443,031
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	401,169	-	-	401,169
Increase (decrease) in liabilities:				
Accounts payable	(402,687)	(319)	695	(402,311)
Customer deposits	(180)	-	-	(180)
Pension/OPEB liabilities	(25,778)	1,181	483	(24,114)
Other liabilities	396	-	-	396
Total adjustments	<u>1,803,116</u>	<u>550,339</u>	<u>64,536</u>	<u>2,417,991</u>
Net cash provided (used) by operating activities	<u>\$ 2,950,426</u>	<u>\$ 194,323</u>	<u>\$ (369,428)</u>	<u>\$ 2,775,321</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

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

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

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

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

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

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of net activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are separated from business-type activities, which rely on fees and charges for services.

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation (continued)

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

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

3. Measurement Focus, Basis of Accounting

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

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

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

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

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

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

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

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

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

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

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

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

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

b. Receivable and Payable Balances

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

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

c. Prepaid Items

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

d. Restricted Assets

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

e. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2016 no interest was capitalized.

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

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

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

f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has two items that qualify in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify in this category. One of these items arise only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary Statement of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

g. Compensated Absences

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

h. Long-term Obligations

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

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

i. Fund Equity

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

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

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

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

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

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 16.67% of expenditures, with 8.34% or less being cause for concern. As the end of fiscal year 2016, the City is in compliance with this minimum fund balance policy.

- j. Net Position Flow Assumption

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

- k. Fund Balance Flow Assumption

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

- l. Federal and State Grants

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

- m. Pensions

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

In general, the City recognizes a net pension liability that represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2015. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

m. Pensions (continued)

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

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

n. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2016, the City had a tax rate of \$0.3437 per \$100 assessed valuation based upon the maximum rates described above.

o. Comparative Data/Reclassification

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

p. Interfund Activity

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

q. Use of Estimates

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

r. Program Revenues

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

s. Program Expenses

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

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service Fund	\$ (118,641)	Expenditures exceed revenues

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

B. COMPLIANCE AND ACCOUNTABILITY (continued)

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 28 and other informational budgets are presented in the supplementary information section.

The following procedures are followed in establishing the budgetary data:

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

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

C. DEPOSITS AND INVESTMENTS

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

Cash Deposits

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$13,554,103 and the bank balance was \$16,554,870. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$3,916,498.

At September 30, 2016, the City's investments in TexPool and LOGIC were \$8,981,181 for investment balance and book balance. Detail of these investments is described below in the 'Investment' section.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. DEPOSITS AND INVESTMENTS (continued)

Cash and investments as of September 30, 2016 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 8,780,742
Restricted cash and cash equivalents	4,773,361
Total cash and cash equivalents	<u>\$ 13,554,103</u>
Governmental - Restricted Cash	
Municipal Court	\$ 171,771
PEG funds	107,946
Library grant	1,267
Hotel tax - tourism	119,245
Cemetery	21,379
Rural Development	222,788
Public safety	14,468
Debt service	7,660
Capital improvement	1,732,389
Total cash and cash equivalents	<u>\$ 2,398,913</u>
Business-type- Restricted Cash	
Customer Deposits	\$ 152,315
Debt Service	154,049
Capital projects	2,024,292
TWDB funds-capital projects	43,792
Total cash and cash equivalents	<u>\$ 2,374,448</u>
Total Restricted Cash	<u>\$ 4,773,361</u>

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Currently all of the City's investments are with the Texas Local Investment Pool and LOGIC Investments. TexPool financial statements can be found at www.texpool.com and LOGIC Investments financial statements can be found at www.logic.org.

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. DEPOSITS AND INVESTMENTS

Investments (continued)

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

Interest Rate Risk

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

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 2,661,036	44	N/A	AAA-m
LOGIC	7,736,738	45	N/A	AAA-m
	<u>\$10,397,774</u>			

As of September 30, 2016 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

D. RECEIVABLES

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

	General	Other Governmental	Utility	Civic	Total
Receivables:					
Taxes	\$ 826,912	\$ 37,148	\$ -	\$ -	\$ 864,060
Fees and Charges	1,510,155	91,215	693,984	430	2,295,784
Gross Receivables	2,337,067	128,363	693,984	430	3,159,844
Less: allowance for uncollectibles	(1,318,735)	(91,215)	(30,202)	-	(1,440,152)
Net Total Receivables	<u>\$ 1,018,332</u>	<u>\$ 37,148</u>	<u>\$ 663,782</u>	<u>\$ 430</u>	<u>\$ 1,719,692</u>

The Proprietary Fund accounts receivable includes unbilled charges for services of \$355,222 rendered as of fiscal year end.

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2016 was as follows:

Governmental Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 1,436,233	\$ -	\$ -	\$ -	\$ 1,436,233
Construction in Progress	230,286	(296,059)	355,675	-	289,902
Total capital assets, not being depreciated	1,666,519	(296,059)	355,675	-	1,726,135
Capital assets, being depreciated:					
Buildings	7,758,079	-	-	-	7,758,079
Improvements	6,337,312	296,059	374,220	(23,465)	6,984,126
Infrastructure	24,791,594	-	508,416	-	25,300,010
Machinery	4,093,719	-	615,237	(144,971)	4,563,985
Vehicles	2,684,640	-	112,566	(51,295)	2,745,911
Total capital assets being depreciated	45,665,344	296,059	1,610,439	(219,731)	47,352,111
Less accumulated depreciation for:					
Buildings	(2,014,814)	-	(167,222)	-	(2,182,036)
Improvements	(3,260,204)	-	(191,248)	2,970	(3,448,482)
Infrastructure	(10,072,771)	-	(464,226)	-	(10,536,997)
Machinery	(2,884,864)	-	(454,186)	144,971	(3,194,079)
Vehicles	(2,207,447)	-	(193,819)	-	(2,401,266)
Total accumulated depreciation	(20,440,100)	-	(1,470,701)	147,941	(21,762,860)
Total capital assets, being depreciated, net	25,225,244	296,059	139,738	(71,790)	25,589,251
Governmental activities capital assets, net	<u>\$ 26,891,763</u>	<u>\$ -</u>	<u>\$ 495,413</u>	<u>\$ (71,790)</u>	<u>\$ 27,315,386</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

E. CAPITAL ASSETS (continued)

Business-type Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 8,772,848	\$ -	\$ 6,380	\$ -	\$ 8,779,228
Construction in Progress	3,396,939	(4,422,772)	1,518,187	-	492,354
Total capital assets, not being depreciated	<u>12,169,787</u>	<u>(4,422,772)</u>	<u>1,524,567</u>	<u>-</u>	<u>9,271,582</u>
Capital assets, being depreciated:					
Buildings	33,537,277	-	-	-	33,537,277
Improvements	13,670,201	3,835,458	137,000	-	17,642,659
Infrastructure	28,002,041	587,314	-	-	28,589,355
Machinery	7,164,463	-	88,568	(3,900)	7,249,131
Vehicles	1,028,539	-	209,479	(102,021)	1,135,997
Total capital assets being depreciated	<u>83,402,521</u>	<u>4,422,772</u>	<u>435,047</u>	<u>(105,921)</u>	<u>88,154,419</u>
Less accumulated depreciation for:					
Buildings	(7,903,032)	-	(737,828)	-	(8,640,860)
Improvements	(5,021,495)	-	(718,837)	-	(5,740,332)
Infrastructure	(9,900,297)	-	(528,298)	-	(10,428,595)
Machinery	(4,964,802)	-	(380,127)	-	(5,344,929)
Vehicles	(906,978)	-	(77,941)	-	(984,919)
Total accumulated depreciation	<u>(28,696,604)</u>	<u>-</u>	<u>(2,443,031)</u>	<u>-</u>	<u>(31,139,635)</u>
Total capital assets, being depreciated, net	<u>54,705,917</u>	<u>4,422,772</u>	<u>(2,007,984)</u>	<u>(105,921)</u>	<u>57,014,784</u>
Business-type activities capital asset, net	<u>\$ 66,875,704</u>	<u>\$ -</u>	<u>\$ (483,417)</u>	<u>\$ (105,921)</u>	<u>\$ 66,286,366</u>

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

Governmental activities:	
Administration	\$ 70,594
Municipal Court	21,766
Public Services	16,914
Library	305,170
Police Department	198,986
Fire Department	191,485
Parks & Recreation	61,622
Streets	604,164
Total depreciation expense - governmental activities	<u>\$ 1,470,701</u>
Business-type activities:	
Utility	\$ 1,830,196
Airport	549,477
Civic Center	63,358
Total depreciation expense - business-type activities	<u>\$ 2,443,031</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

E. CAPITAL ASSETS (continued)

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2016. The projects include water system improvements, sewer interceptor, a lift station and other projects.

Commitments for construction in progress are composed of the following:

	Spent to Date	Remaining Commitment
FM 400 Sewer Interceptor	\$ 42,299	\$ 900,000
CR 1312 Old NW 12 Phase II	289,902	1,929,705
I-30 WTP & LBS Scada Improv	19,134	54,300
Belt Press	23,672	244,300
Priefert Lift Station	234,334	228,600
Other projects	172,915	-
	<u>\$ 782,256</u>	<u>\$ 3,356,905</u>

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	\$ 10,340,000	\$ -	\$ (455,000)	\$ 9,885,000	\$ 470,000
	10,340,000	-	(455,000)	9,885,000	470,000
Add deferred amounts:					
For Bond Issuance Premium	(42,371.00)	-	2,648	(39,723)	-
For Bond Issuance Discount	150,471.00	-	(9,404)	141,067	-
Total Bonds Payable	10,448,100	-	(461,756)	9,986,344	470,000
Capital lease payable	24,005	24,005	(12,363)	11,642	11,642
Compensated absences	490,428	344,402	(242,247)	592,583	26,180
Other postemployment benefit obligation	1,649,622	282,976	(282,976)	1,649,622	-
Net pension liability	3,399,197	1,122,071	-	4,521,268	-
Governmental activity Long-term Debt	<u>\$ 16,011,352</u>	<u>\$ 1,773,454</u>	<u>\$ (999,342)</u>	<u>\$ 16,761,459</u>	<u>\$ 507,822</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bonds	\$ 22,790,000	\$ 115,000	\$ (625,000)	\$ 22,280,000	\$ 640,000
Revenue Refunding Bonds	4,250,000	-	(610,000)	3,640,000	620,000
Total Bonds Payable	27,040,000	115,000	(1,235,000)	25,920,000	1,260,000
Add deferred amounts:					
For Bond Issuance Premium	3,747	-	(1,250)	2,497	-
For Bond Issuance Discount	(14,199)	-	4,734	(9,465)	-
Total Bonds Payable	27,029,548	115,000.00	(1,231,516)	25,913,032	1,260,000
Capital lease payable	24,005	24,005	(12,363)	11,642	11,642
Compensated absences	172,467	62,032	(99,209)	135,290	8,210
Other postemployment benefit obligation	619,531	101,941	(101,941)	619,531	-
Net pension liability	1,292,653	402,772	-	1,695,425	-
Business-type activity Long-term Debt	<u>\$ 29,138,204</u>	<u>\$ 705,750</u>	<u>\$ (1,445,029)</u>	<u>\$ 28,374,920</u>	<u>\$ 1,279,852</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

F. LONG-TERM OBLIGATIONS (continued)

Compensated Absences

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

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding			Amounts Outstanding September 30, 2016	Due Within One Year
			September 30, 2015	Issued	Retired		
2010 Cert Oblig	2.00%	\$ 4,500,000	\$ 3,985,000	\$ -	\$ (135,000)	\$ 3,850,000	\$ 145,000
2012 Comb Tax & Rev	2%-2.75%	7,115,000	6,355,000	-	(320,000)	6,035,000	325,000
Total Bonds Payable		<u>11,615,000</u>	<u>10,340,000</u>	<u>-</u>	<u>(455,000)</u>	<u>9,885,000</u>	<u>470,000</u>
Capital lease payable		28,127	24,005	-	(12,363)	11,642	11,642
Compensated absences		-	490,428	344,402	(242,247)	592,583	26,180
Other postemployment benefit obligation		-	1,649,622	282,976	(282,976)	1,649,622	-
Net pension liability		-	3,399,197	1,122,071	-	4,521,268	-
Totals		<u>\$11,643,127</u>	<u>\$ 15,903,252</u>	<u>\$ 1,749,449</u>	<u>\$ (992,586)</u>	<u>\$ 16,660,115</u>	<u>\$ 507,822</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2017	\$ 470,000	\$ 255,850	\$ 725,850
2018	490,000	245,675	735,675
2019	515,000	234,825	749,825
2020	540,000	223,075	763,075
2021	565,000	210,275	775,275
2022-2026	3,245,000	827,560	4,072,560
2027-2031	3,620,000	337,119	3,957,119
2032	440,000	6,050	446,050
Totals	<u>\$ 9,885,000</u>	<u>\$ 2,340,429</u>	<u>\$ 12,225,429</u>

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

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

Capital Lease

The City entered into a capital lease agreement for copiers in August 2016. The lease will be repaid over three years at an interest rate of 1.50%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year ending September 30:	Minimum Obligation
2017	\$ 11,915
Total minimum lease payments	11,915
Less: amount representing interest	(273)
	<u>\$ 11,642</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

F. LONG-TERM OBLIGATIONS (continued)

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding	Issued	Retired	Amounts Outstanding	Due Within One Year
			September 30, 2015			September 30, 2016	
2006 Utility Refund	4.88%	\$ 3,320,000	\$ 2,510,000	\$ -	\$ (190,000)	\$ 2,320,000	\$ 190,000
2008 Utility Revenue	1.00%	24,785,000	22,790,000	115,000	(625,000)	22,280,000	640,000
2010 Rev Refunding	1.00%	3,295,000	1,740,000	-	(420,000)	1,320,000	430,000
Total Bonds Payable		31,400,000	27,040,000	115,000	(1,235,000)	25,920,000	1,260,000
Capital lease payable		28,127	24,005	-	(12,363)	11,642	11,642
Compensated Absences			172,467	62,032	(99,209)	135,290	8,210
Other postemployment benefit obligation			619,531	101,941	(101,941)	619,531	-
Net pension liability			1,292,653	402,772	-	1,695,425	-
Totals		<u>\$31,428,127</u>	<u>\$ 29,148,656</u>	<u>\$ 681,745</u>	<u>\$ (1,448,513)</u>	<u>\$ 28,381,888</u>	<u>\$ 1,279,852</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2017	\$ 1,260,000	\$ 314,483	\$ 1,574,483
2018	1,285,000	285,818	1,570,818
2019	1,320,000	256,464	1,576,464
2020	1,375,000	230,438	1,605,438
2021	1,395,000	208,463	1,603,463
2022-2026	7,300,000	704,363	8,004,363
2027-2031	8,365,000	215,000	8,580,000
2032-2033	3,620,000	-	3,620,000
Totals	<u>\$ 25,920,000</u>	<u>\$ 2,215,029</u>	<u>\$ 28,135,029</u>

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

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

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

Capital Lease

The City entered into a capital lease agreement for copiers in August 2015. The lease will be repaid over three years at an interest rate of 1.50%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year ending September 30:	Minimum Obligation
2017	\$ 11,915
Total minimum lease payments	11,915
Less: amount representing interest	(273)
	<u>\$ 11,642</u>

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

G. OPERATING LEASES

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

The other operating lease for the City is under contract obligations for office equipment. The future minimum lease payments for this lease is \$2,060 a month. This lease was signed in August 2015 for a period of 5 years.

H. PENSION PLAN

1. Plan Description

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

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

2. Benefits Provided

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

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

Plan provisions for the City were as follows:

	Plan Year	
	2015	2016
Employee deposit rate	7.00%	7.00%
Matching Ratio (City to Employee):	2-1	2-1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

H. PENSION PLAN

2. Benefits Provided (continued)

Employees covered by benefit terms:

At December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Number of:	Plan Year	
	2015	2014
Inactive employees or beneficiaries currently receiving benefits	87	80
Inactive employees entitled to but not yet receiving benefits	82	78
Active employees	153	145
Total	322	303

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.17% and 15.53% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$1,017,114 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2015, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 10.5% including inflation
Investment rate of Return	6.75%

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income. In order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

H. PENSION PLAN

4. Net Pension Liability (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL 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 TPL.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption	7.75%
<u>\$11,403,045</u>	<u>\$ 6,344,870</u>	<u>\$ 2,252,996</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

H. PENSION PLAN (continued)

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,316,944.

At September 30, 2016, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ -	\$ 225,609
Changes in actuarial assumptions	123,034	-
Difference between projected and actual investment earnings	1,390,050	-
Contributions subsequent to the measurement date of December 31, 2015	811,937	-
	<u>\$ 2,325,021</u>	<u>\$ 225,609</u>

\$811,937 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:

December 31	
2016	\$ 331,693
2017	331,693
2018	357,832
2019	337,909
2020	-
Thereafter	-
Total	<u>\$ 1,359,127</u>

4. Group-term Life Insurance

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$11,927, \$12,085, and \$11,564, respectively, which equaled the required contributions each year.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

I. OTHER POST-EMPLOYMENT BENEFITS

1. Plan Description

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

2. Benefits Provided

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

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

	Plan Year	
	10/1/2015	10/1/2014
As of September 30, 2016, group plan membership consisted of:		
Retirees receiving benefits paid by the City	3	3
Retirees receiving benefits paid by themselves	2	2
Active employees	145	145
Total	150	150

3. Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. The City contributes \$426 per month for retirees between the ages of 62 and 65 for retiree-only coverage. Participants retiring prior to age 62 are required to pay the full cost of coverage. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

I. OTHER POST-EMPLOYMENT BENEFITS (continued)

4. Annual OPEB Cost and Net OPEB Obligation

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

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

This includes the component unit net OPEB obligations at fiscal year end of \$51,780.

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

Fiscal Year Ended	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Discount rate	4.0%	4.0%	4.0%
Annual OPEB Cost	\$ 425,863	\$ 425,863	\$ 369,448
Percentage of Annual OPEB Cost Contributed	13.21%	13.21%	18.94%
Net OPEB Obligation	\$ 2,320,323	\$ 2,320,323	\$ 1,950,701

5. Funding Status and Funding Progress

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

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

6. Actuarial Methods and Assumptions

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

In the October 1, 2014 actuarial valuation, the projected credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate for valuing liabilities and a level healthcare cost trend rate of 6%. Both rates include a 3% inflating assumption. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2015 was 28 years.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. FIREMENT'S RELIEF PENSION FUND

The City funds 100% of the required contributions for the Firemen's Pension Fund on behalf of the volunteer firefighters who have elected to become members. Certain qualifications must be met in order to receive the benefit. Upon retirement or qualifications for benefits, a retiree is entitled to receive \$300 per year (beneficiaries receive \$200 annually). Currently, there are five retirees and six beneficiaries receiving this benefit from the State Fireman's Pension Fund. This fund expensed \$1,100 in the current fiscal year for retirement benefits.

K. HEALTH CARE COVERAGE

During the year ended September 30, 2016, employees of the City were covered by a health and dental insurance plan. The City contributed \$484 per month per employee for employee coverage and \$392 (50% of the cost) for dependent's health insurance. The City contributed \$29 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent dental coverage. Health insurance is provided by Blue Cross Blue Shield, while dental insurance is provided by Cigna.

L. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2015-2016.

M. LITIGATION

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

N. ADDITIONAL WATER AND SEWER INFORMATION

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

Gallons Pumped	2,902,169,000
Gallons Billed	2,630,461,000

The City purchases its water from the Titus County Fresh Water Supply District and Franklin County Water District. The cost for water purchases is calculated based upon the previous year's usage. The City's total cost for water purchases for this current year was \$521,052. This was a slight decrease in cost of water purchased of \$15,155, or 3%, from the previous year.

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

O. TRANSFERS

Transfers between funds during the year were as follows:

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 2,069,511
Street Fund	603,359	
Other Governmental Funds	710,036	
	<u>\$ 1,313,395</u>	<u>\$ 2,069,511</u>
Utility	1,077,093	-
Airport	50,000	-
Civic Center	-	370,977
	<u>\$ 1,127,093</u>	<u>\$ 370,977</u>

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

P. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2016 up through March 20, 2017, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

**CITY OF MOUNT PLEASANT, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Q. MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION

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

1. Deposits and Investments

Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 2,806,740</u>
Savings and checking accounts	\$ 623,333
Investment Pools	<u>2,183,407</u>
Total cash and cash equivalents	<u>\$ 2,806,740</u>

Investments

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

Currently all of the IDC's investments are with TexPool and LOGIC Investments, both described above.

Interest Rate Risk

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

As of September 30, 2016, the IDC had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 1,422,641	44	N/A	AAA-m
LOGIC	760,766	45	N/A	AAA-m
	<u>\$ 2,183,407</u>			

As of September 30, 2016, the IDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

Concentration of Credit Risk

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

R. MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION

1. Deposits and Investments (continued)

Custodial Credit Risk

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

As of September 30, 2016, the IDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

2. Receivables

The IDC had only one account receivable at the end of the fiscal year end representing sales tax owed from the City in the amount of \$240,327. No allowance for uncollectible is recorded.

3. Capital Assets

Capital asset activity for the period ended September 30, 2016 was as follows:

Governmental Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	\$ 1,628,156	\$ -	\$ -	\$ -	\$ 1,628,156
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated:	<u>1,628,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,628,156</u>
Capital assets, being depreciated:					
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>-</u>	<u>5,850,334</u>
Less accumulated depreciation for:					
Buildings	(99)	-	(40,805)	-	(40,904)
Improvements	(679,732)	-	(85,935)	-	(765,667)
Infrastructure	(443,488)	-	(49,987)	-	(493,475)
Total accumulated depreciation	<u>(1,123,319)</u>	<u>-</u>	<u>(176,727)</u>	<u>-</u>	<u>(1,300,046)</u>
Total capital assets, being depreciated, net	<u>4,727,015</u>	<u>-</u>	<u>(176,727)</u>	<u>-</u>	<u>4,550,288</u>
Governmental activities capital assets, net	<u>\$ 6,355,171</u>	<u>\$ -</u>	<u>\$ (176,727)</u>	<u>\$ -</u>	<u>\$ 6,178,444</u>

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

R. MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION (continued)

4. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding		Retired	Amounts Outstanding		Due Within One Year
			September 30, 2015	Issued		September 30, 2016	September 30, 2016	
2012 IDC Taxable	5.2%	\$ 1,175,500	\$ 963,775	\$ -	\$ (142,870)	\$ 820,905	\$ 148,071	
2012 IDC NonTaxable	3.4%	2,076,835	1,675,860	-	(75,949)	1,599,911	79,994	
Total Notes Payable		3,252,335	2,639,635	-	(218,819)	2,420,816	228,065	
Net Pension Liability			95,752	32,425	-	128,177	-	
Compensated Absence			21,275	7,572	(7,572)	21,275	-	
Other postemployment oblig			51,780	-	-	51,780	-	
		<u>\$ 3,252,335</u>	<u>\$ 2,808,442</u>	<u>\$ 39,997</u>	<u>\$ (226,391)</u>	<u>\$ 2,622,048</u>	<u>\$ 228,065</u>	

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Requirements
2017	\$ 228,065	\$ 94,405	\$ 322,470
2018	237,438	85,031	322,469
2019	247,216	75,254	322,470
2020	278,724	151,107	429,831
2021	278,724	151,107	429,831
2022-2026	807,925	604,428	1,412,353
2027-2029	342,724	302,214	644,938
Totals	<u>\$ 2,420,816</u>	<u>\$ 1,463,546</u>	<u>\$ 3,884,362</u>

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

\$2,076,835 Tax-Exempt Loan was issued to refinance the 2005 NonTaxable loan for the purpose of providing funds to the Industrial Development Corporation to pay the costs of improvements to streets, roads, utilities, drainage, telecommunication, and other related improvements to be constructed to service the land acquisition and the costs of debt issuance.

5. Pension Plan

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

\$23,908 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2016, the IDC recognized pension expense of \$26,876.

6. Subsequent events

The IDC has evaluated all events or transactions that occurred after September 30, 2016 up through March 20, 2017, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	Actuarial Accrued Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll
2014	12/31/2013	\$ 22,071,339	\$ 28,183,567	\$ 6,112,228	78.3%	\$ 6,133,792	99.6%
2015	12/31/2014	24,372,372	30,144,451	5,772,079	80.9%	6,360,582	90.7%
2016	12/31/2015	26,392,994	32,172,086	5,779,092	82.0%	6,626,153	87.2%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,017,114	\$ 1,016,421	\$ 1,018,823
Contributions in relation to the actuarially determined contribution	<u>\$ 1,017,114</u>	<u>\$ 1,016,421</u>	<u>\$ 1,018,823</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 6,626,153	\$ 6,360,582	\$ 6,133,792
Contributions as a percentage of covered employee payroll	15.35%	15.98%	16.61%

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

**CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

	<u>12/31/2015</u>	<u>12/31/2014</u>
Total pension liability		
Service cost	\$ 1,115,182	\$ 1,011,813
Interest (on the Total Pension Liability)	2,111,839	1,979,099
Changes of benefit terms	-	-
Difference between expected and actual experience	(293,769)	(196,764)
Change of assumptions	160,204	-
Benefit payments, including refund of employee contributions	(1,065,821)	(833,264)
Net Change in Total Pension Liability	<u>2,027,635</u>	<u>1,960,884</u>
Total Pension Liability - Beginning	<u>30,144,451</u>	<u>28,183,567</u>
Total Pension Liability - Ending (a)	<u><u>\$ 32,172,086</u></u>	<u><u>\$ 30,144,451</u></u>
 Plan Fiduciary Net Position		
Contributions - employers	\$ 1,058,856	\$ 1,056,491
Contributions - employees	463,831	445,241
Net investment income	37,417	1,336,903
Benefit payments, including refund of employee contributions	(1,065,821)	(833,264)
Administrative expense	(22,790)	(13,956)
Other	(1,126)	(1,147)
Net Change in Plan Fiduciary Net Position	<u>470,367</u>	<u>1,990,268</u>
Plan Fiduciary Net Position - Beginning	<u>25,356,849</u>	<u>23,366,581</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 25,827,216</u></u>	<u><u>\$ 25,356,849</u></u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 6,344,870</u>	<u>\$ 4,787,602</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.28%	84.12%
Covered Employee Payroll	\$ 6,626,153	\$ 6,360,582
Net Pension Liability as a Percentage of Covered Employee Payroll	95.75%	75.27%

Notes to Schedule:

N/A

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

**CITY OF MOUNT PLEASANT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability-Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
2009	10/1/2008	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 5,265,395 *	31.9%
2010	10/1/2008	1,680,130	1,680,130	0.0%	5,853,728 *	28.7%
2011	10/1/2010	2,828,456	2,828,456	0.0%	5,738,115 *	49.3%
2012	10/1/2010	2,828,456	2,828,456	0.0%	5,665,505 *	49.9%
2013	10/1/2012	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%
2014	10/1/2012	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%
2015	10/1/2014	3,164,384	3,164,384	0.0%	5,657,617 *	55.9%
2016	10/1/2014	3,164,384	3,164,384	0.0%	5,657,617 *	55.9%

ANNUAL REQUIRED CONTRIBUTION (ARC)

Actuarial Valuation Date	10/1/2015
Service Cost	\$ 277,687
Unfunded Actuarial Accrued Liability Amortization	184,942
Annual Required Contributions	<u>\$ 462,629</u>

* Payroll information is as of December 31 for each year shown above.
 Note: Actuarial information updated every three years.



SUPPLEMENTARY INFORMATION

**CITY OF MOUNT PLEASANT, TEXAS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Funds</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>Police Funds</u>
ASSETS								
Cash and investments:								
Unrestricted	\$ 613,407	\$ -	\$ -	\$ 268,215	\$ -	\$ -	\$ -	\$ 28,568
Restricted	-	7,659	21,378	-	222,788	-	119,247	14,465
Receivables, net of allowance for uncollectibles:	-	-	-	-	-	-	37,148	-
Total assets	<u>\$ 613,407</u>	<u>\$ 7,659</u>	<u>\$ 21,378</u>	<u>\$ 268,215</u>	<u>\$ 222,788</u>	<u>\$ -</u>	<u>\$ 156,395</u>	<u>\$ 43,033</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 88,787	\$ -	\$ -	\$ 43,886	\$ 884
Accrued interest payable	-	126,300	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>126,300</u>	<u>-</u>	<u>88,787</u>	<u>-</u>	<u>-</u>	<u>43,886</u>	<u>884</u>
FUND BALANCES								
Restricted for:								
Community improvements	-	-	-	-	-	-	-	-
Cemetery	-	-	21,378	-	-	-	-	-
Hotel/Motel	-	-	-	-	-	-	112,509	-
Development	-	-	-	-	222,788	-	-	-
Library	-	-	-	-	-	-	-	-
Assigned to:								
Capital projects	613,407	-	-	-	-	-	-	-
Community improvements	-	-	-	-	-	-	-	-
Public safety	-	-	-	179,428	-	-	-	42,149
Parks	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Unassigned	-	(118,641)	-	-	-	-	-	-
Total Fund Balances	<u>613,407</u>	<u>(118,641)</u>	<u>21,378</u>	<u>179,428</u>	<u>222,788</u>	<u>-</u>	<u>112,509</u>	<u>42,149</u>
Total Liabilities and Fund Balances	<u>\$ 613,407</u>	<u>\$ 7,659</u>	<u>\$ 21,378</u>	<u>\$ 268,215</u>	<u>\$ 222,788</u>	<u>\$ -</u>	<u>\$ 156,395</u>	<u>\$ 43,033</u>

**CITY OF MOUNT PLEASANT, TEXAS
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 SEPTEMBER 30, 2016**

<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
\$ 301,302	\$ 16,240	\$ -	\$ -	\$ 175,555	\$ 100,704	\$ 1,503,991
-	1,267	-	-	-	107,946	494,750
-	-	-	-	-	-	37,148
<u>\$ 301,302</u>	<u>\$ 17,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,555</u>	<u>\$ 208,650</u>	<u>\$ 2,035,889</u>
\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 136,557
-	-	-	-	-	-	126,300
<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,857</u>
-	-	-	-	-	107,946	107,946
-	-	-	-	-	-	21,378
-	-	-	-	-	-	112,509
-	-	-	-	-	-	222,788
-	10,000	-	-	-	-	10,000
-	-	-	-	-	-	613,407
-	-	-	-	175,555	100,704	276,259
-	-	-	-	-	-	221,577
301,302	-	-	-	-	-	301,302
-	4,507	-	-	-	-	4,507
-	-	-	-	-	-	(118,641)
<u>301,302</u>	<u>14,507</u>	<u>-</u>	<u>-</u>	<u>175,555</u>	<u>208,650</u>	<u>1,773,032</u>
<u>\$ 301,302</u>	<u>\$ 17,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,555</u>	<u>\$ 208,650</u>	<u>\$ 2,035,889</u>

**CITY OF MOUNT PLEASANT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Capital Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Cemetery Fund</u>	<u>Police Seizure Funds</u>	<u>Rural Development Fund</u>	<u>Hobbs Fund</u>	<u>Hotel/Tourism Funds</u>	<u>Police Funds</u>
REVENUE								
Taxes:								
Property	\$ -	\$ 268,758	\$ 36,519	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	546,859	-
Franchise	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	7,725	20,554
Intergovernmental revenues	-	-	-	-	-	-	-	58,443
Investment income	2,221	180	-	515	634	-	-	-
Miscellaneous	-	1,544	10,563	202,720	-	-	4,886	31,888
Total revenues	<u>2,221</u>	<u>270,482</u>	<u>47,082</u>	<u>203,235</u>	<u>634</u>	<u>-</u>	<u>559,470</u>	<u>110,885</u>
EXPENDITURES								
Current:								
General government	-	750	-	-	-	-	256,283	-
Public Safety	-	-	-	12,621	-	-	-	63,596
Parks and recreation	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	2,716	-	-
Public services and operations	-	-	42,506	-	-	-	-	-
Debt service:								
Principal retirement	-	135,000	-	-	-	-	-	-
Interest	-	122,487	-	-	-	-	-	-
Capital outlays	38,013	-	-	38,925	-	-	-	15,787
Total expenditures	<u>38,013</u>	<u>258,237</u>	<u>42,506</u>	<u>51,546</u>	<u>-</u>	<u>2,716</u>	<u>256,283</u>	<u>79,383</u>
Excess (deficiency) of revenues over (under) expenditures	(35,792)	12,245	4,576	151,689	634	(2,716)	303,187	31,502
Other Revenues and Financing Sources (Uses)								
Transfers	100,000	-	-	(11,390)	-	-	(375,977)	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(11,390)</u>	<u>-</u>	<u>-</u>	<u>(375,977)</u>	<u>-</u>
Net Change in Fund Balances	64,208	12,245	4,576	140,299	634	(2,716)	(72,790)	31,502
Fund Balances, October 1	549,199	(130,886)	16,802	39,129	222,154	2,716	185,299	10,647
Fund Balances, September 30	<u>\$ 613,407</u>	<u>\$ (118,641)</u>	<u>\$ 21,378</u>	<u>\$ 179,428</u>	<u>\$ 222,788</u>	<u>\$ -</u>	<u>\$ 112,509</u>	<u>\$ 42,149</u>

**CITY OF MOUNT PLEASANT, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Park Improvements Fund</u>	<u>Library Fund</u>	<u>Firemen's Relief Fund</u>	<u>Building Fund</u>	<u>Community Improvements</u>	<u>Peg Funds</u>	<u>Total Other Governmental Funds</u>
REVENUE							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305,277
Hotel	-	-	-	-	-	-	546,859
Franchise	-	-	-	-	-	25,078	25,078
Donations	-	6,033	-	-	-	-	34,312
Intergovernmental revenues	-	-	-	-	-	-	58,443
Investment income	-	-	-	-	-	419	3,969
Miscellaneous	259,950	1,268	-	-	23,205	-	536,024
Total revenues	<u>259,950</u>	<u>7,301</u>	<u>-</u>	<u>-</u>	<u>23,205</u>	<u>25,497</u>	<u>1,509,962</u>
EXPENDITURES							
Current:	-	-	-	-	-	-	-
General government	-	-	-	-	9,200	-	266,233
Public Safety	-	-	1,100	-	-	-	77,317
Parks and recreation	9,500	-	-	-	-	-	9,500
Libraries	-	4,804	-	-	-	-	7,520
Public services and operations	-	-	-	-	-	-	42,506
Debt service:							
Principal retirement	-	-	-	-	-	-	135,000
Interest	-	-	-	-	-	-	122,487
Capital outlays	40,504	10,876	-	-	334,511	-	478,616
Total expenditures	<u>50,004</u>	<u>15,680</u>	<u>1,100</u>	<u>-</u>	<u>343,711</u>	<u>-</u>	<u>1,139,179</u>
Excess (deficiency) of revenues over (under) expenditures	209,946	(8,379)	(1,100)	-	(320,506)	25,497	370,783
Other Revenues and Financing Sources (Uses)							
Transfers	-	-	1,100	-	200,000	-	(86,267)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>(86,267)</u>
Net Change in Fund Balances	209,946	(8,379)	-	-	(120,506)	25,497	284,516
Fund Balances, October 1	91,356	22,886	-	-	296,061	183,153	1,488,516
Fund Balances, September 30	<u>\$ 301,302</u>	<u>\$ 14,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,555</u>	<u>\$ 208,650</u>	<u>\$ 1,773,032</u>

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 265,170	\$ 265,170	\$ 268,759	\$ 3,589
Miscellaneous	1,570	1,570	1,723	153
Total Revenues	<u>266,740</u>	<u>266,740</u>	<u>270,482</u>	<u>3,742</u>
EXPENDITURES				
General Government	750	750	750	-
Debt service:				
Principal retirement	135,000	135,000	135,000	-
Interest	131,500	131,500	122,487	9,013
Total Expenditures	<u>267,250</u>	<u>267,250</u>	<u>258,237</u>	<u>9,013</u>
Net Change in Fund Balances	(510)	(510)	12,245	12,755
Fund Balance, October 1	(130,886)	(130,886)	(130,886)	
Fund Balance, September 30	<u>\$ (131,396)</u>	<u>\$ (131,396)</u>	<u>\$ (118,641)</u>	

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - STREET FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Taxes:				
Franchise	\$ 1,400,000	\$ 1,400,000	\$ 1,179,533	\$ (220,467)
Royalties	390,000	390,000	376,883	(13,117)
Investment income	3,500	3,500	17,210	13,710
Miscellaneous	760,000	760,000	2,663	(757,337)
Total Revenues	<u>2,553,500</u>	<u>2,553,500</u>	<u>1,576,289</u>	<u>(977,211)</u>
EXPENDITURES				
Current:				
Public works	1,557,700	1,557,700	1,157,132	400,568
Capital outlays	3,225,750	3,225,750	1,344,219	1,881,531
Debt service:				
Principal retirement	320,000	320,000	320,000	-
Interest	137,112	137,112	136,713	399
Total Expenditures	<u>5,240,562</u>	<u>5,240,562</u>	<u>2,958,064</u>	<u>2,282,498</u>
Excess (deficiency) of revenues (under) expenditures	(2,687,062)	(2,687,062)	(1,381,775)	1,305,287
Other Financing Sources (uses)				
Transfers	(214,673)	(214,673)	525,478	740,151
Sale of Assets	-	-	3,254	3,254
Total Other Financing Sources (uses)	<u>(214,673)</u>	<u>(214,673)</u>	<u>528,732</u>	<u>743,405</u>
Net Change in Fund Balances	(2,901,735)	(2,901,735)	(853,043)	2,048,692
Fund Balance, October 1	4,556,680	4,556,680	4,556,680	
Fund Balance, September 30	<u>\$ 1,654,945</u>	<u>\$ 1,654,945</u>	<u>\$ 3,703,637</u>	

**CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016**

	IDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,806,741
Receivables, net of allowance for uncollectibles	240,327
Total Assets	<u>3,047,068</u>
Liabilities	
Accounts payable	87,965
Accrued expenses	5,559
Total Liabilities	<u>93,648</u>
Fund Balances	
Unassigned	2,953,420
Total Fund Balances	<u>2,953,420</u>
Total Liabilities and Fund Balances	<u>\$ 3,047,068</u>

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds balance sheet	\$ 2,953,420
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,478,490
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,300,047)
Accrued liabilities for OPEB and net pension obligations have not been included in the fund financial statements.	(179,957)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	90,813
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(21,275)
Notes Payable have not been included in the governmental fund financial statements.	<u>(2,420,816)</u>
Net assets of governmental activities - statement of net position	<u><u>\$ 6,600,628</u></u>

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	IDC Operating Fund
REVENUE	
Sales taxes	\$ 1,434,326
Investment income	9,247
Total Revenues	<u>1,443,573</u>
EXPENDITURES	
Current:	
Economic development	668,829
Debt service:	
Principal retirement	218,820
Interest	104,400
Total Expenditures	<u>992,049</u>
Net change in fund balance	451,524
Fund Balance, October 1	2,501,896
Fund Balance, September 30	<u>\$ 2,953,420</u>

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
MOUNT PLEASANT INDUSTRIAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Net change in fund balance - statement of revenues, expenditures and
changes in fund balance - governmental funds** \$ 451,524

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets. (176,727)

Current year changes in long-term liability for pension and OPEB do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (1,163)

Current year long-term debt principal payments on certificates of obligation are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements. 218,820

Change in net position - statement of activities \$ 492,454

**CITY OF MOUNT PLEASANT, TEXAS
 BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 1,326,500	\$ 1,326,500	\$ 1,434,326	\$ 107,826
Investment Income	2,000	2,000	9,247	7,247
Total Revenues	<u>1,328,500</u>	<u>1,328,500</u>	<u>1,443,573</u>	<u>115,073</u>
EXPENDITURES				
Current:				
Economic Development	344,485	344,485	668,829	(324,344)
Debt Service:				
Principal Retirement	219,077	219,077	218,820	257
Interest	103,393	103,393	104,400	(1,007)
Total Expenditures	<u>666,955</u>	<u>666,955</u>	<u>992,049</u>	<u>(325,094)</u>
Net Change in Fund Balance	661,545	661,545	451,524	(210,021)
Fund Balance, October 1	<u>2,501,896</u>	<u>2,501,896</u>	<u>2,501,896</u>	
Fund Balance, September 30	<u>\$ 3,163,441</u>	<u>\$ 3,163,441</u>	<u>\$ 2,953,420</u>	

STATISTICAL SECTION (UNAUDITED)



STATISTICAL SECTION (unaudited)

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

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

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.



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

Table 1

	FISCAL YEAR				
	2007	2008	2009	2010	2011
Governmental activities:					
Net investment in capital assets	\$ 17,881	\$ 18,876	\$ 19,226	\$ 20,682	\$ 21,209
Restricted	179	180	145	496	442
Unrestricted	8,934	8,877	1,722	83	(888)
Total governmental activities net position	<u>26,994</u>	<u>27,933</u>	<u>21,093</u>	<u>21,261</u>	<u>20,763</u>
Business-type activities:					
Net investment in capital assets	19,811	22,735	31,122	31,779	37,381
Restricted	818	4,677	4,001	566	1,375
Unrestricted	10,813	8,234	173	5,194	2,156
Total business-type activities net position	<u>31,442</u>	<u>35,646</u>	<u>35,296</u>	<u>37,539</u>	<u>40,912</u>
Primary government:					
Net investment in capital assets	37,692	41,611	50,348	52,461	58,590
Restricted	997	4,857	4,146	1,062	1,817
Unrestricted	19,747	17,111	1,895	5,277	1,268
Total primary government net position	<u>\$ 58,436</u>	<u>\$ 63,579</u>	<u>\$ 56,389</u>	<u>\$ 58,800</u>	<u>\$ 61,675</u>

	FISCAL YEAR				
	2012	2013	2014	2015	2016
Governmental activities:					
Net investment in capital assets	\$ 19,274	\$ 21,730	\$ 18,382	\$ 18,343	\$ 19,050
Restricted	543	1,477	851	1,553	1,501
Unrestricted	2,782	2,695	3,603	2,062	1,665
Total governmental activities net position	<u>22,599</u>	<u>25,902</u>	<u>22,836</u>	<u>21,958</u>	<u>22,216</u>
Business-type activities:					
Net investment in capital assets	38,655	39,616	42,881	41,898	42,430
Restricted	1,375	2,028	1,928	2,125	1,655
Unrestricted	3,523	3,578	1,493	1,286	481
Total business-type activities net position	<u>43,553</u>	<u>45,222</u>	<u>46,302</u>	<u>45,309</u>	<u>44,566</u>
Primary government:					
Net investment in capital assets	57,929	61,346	61,263	60,241	61,480
Restricted	1,918	3,505	2,779	3,678	3,156
Unrestricted	6,305	6,273	5,096	3,348	2,146
Total primary government net position	<u>\$ 66,152</u>	<u>\$ 71,124</u>	<u>\$ 69,138</u>	<u>\$ 67,267</u>	<u>\$ 66,782</u>

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

	FISCAL YEAR				
	2007	2008	2009	2010	2011
EXPENSES					
Governmental activities:					
General government	\$ 1,283,198	\$ 1,280,245	\$ 1,346,187	\$ 1,419,361	\$ 1,580,066
Public Safety	4,052,324	4,424,296	5,154,158	5,528,736	5,542,704
Development	388,354	858,365	449,828	-	-
Public Services	2,661,479	2,817,683	400,319	550,832	560,268
Parks and Recreation	736,348	600,649	661,703	645,176	589,451
Public Works	1,466,573	2,398,964	1,690,435	1,888,613	1,712,499
Library	300,073	276,983	318,521	317,184	345,792
Other	18,010	53,199	-	-	-
Interest and Agent Fees	31,259	26,815	214,731	14,278	140,926
Unallocated Depreciation	-	-	-	-	-
Total governmental activities expenses	<u>10,937,618</u>	<u>12,737,199</u>	<u>10,235,882</u>	<u>10,364,180</u>	<u>10,471,706</u>
Business-type activities:					
Water and Sewer	5,307,797	5,949,711	7,427,555	7,712,928	7,892,475
Airport Fund	1,178,710	1,329,657	925,797	1,058,856	1,254,857
Civic Center	263,134	298,228	304,972	332,033	352,766
Total business-type activities expenses	<u>6,749,641</u>	<u>7,577,596</u>	<u>8,658,324</u>	<u>9,103,817</u>	<u>9,500,098</u>
Total primary government expenses	<u>17,687,259</u>	<u>20,314,795</u>	<u>18,894,206</u>	<u>19,467,997</u>	<u>19,971,804</u>
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	-	-	-	-	5,900
Public Safety	-	-	773,541	1,096,930	822,194
Public Services	839,664	358,054	18,507	21,799	19,086
Public Works	2,285,018	2,439,669	124,595	111,243	109,390
Parks and Recreation	36,781	48,378	39,970	46,975	57,973
Library	5,361	7,434	7,418	6,380	5,858
Other	345,214	320,988	-	-	-
Capital grants and contributions	982,291	-	17,709	90,680	42,939
Operating grants and contributions	38,551	35,986	20,434	11,434	44,016
Total governmental activities program revenues	<u>4,532,880</u>	<u>3,210,509</u>	<u>1,002,174</u>	<u>1,385,441</u>	<u>1,107,356</u>
Business-type activities:					
Charge for services:					
Water and Sewer	7,504,058	7,633,306	9,529,053	10,920,944	10,727,984
Airport Fund	1,027,580	1,128,997	573,912	738,353	805,360
Civic Center	72,162	81,239	72,089	67,397	77,367
Operating grants and contributions	-	-	12,419	5,134	3,451
Capital grants and contributions	324,814	3,192,494	-	79,516	1,521,436
Total business-type activities program services	<u>8,928,614</u>	<u>12,036,036</u>	<u>10,187,473</u>	<u>11,811,344</u>	<u>13,135,598</u>
Total primary government program revenues	<u>13,461,494</u>	<u>15,246,545</u>	<u>11,189,647</u>	<u>13,196,785</u>	<u>14,242,954</u>
NET (EXPENSE)/REVENUE					
Governmental activities	(6,404,738)	(9,526,690)	(9,233,708)	(8,978,739)	(9,364,350)
Business-type activities	2,178,973	4,458,440	1,529,149	2,707,527	3,635,500
Total primary government program net expenses	<u>\$ (4,225,765)</u>	<u>\$ (5,068,250)</u>	<u>\$ (7,704,559)</u>	<u>\$ (6,271,212)</u>	<u>\$ (5,728,850)</u>

Table 2

FISCAL YEAR				
2012	2013	2014	2015	2016
\$ 710,022	\$ 1,005,623	\$ 1,035,616	\$ 1,710,938	\$ 2,008,181
5,454,951	5,949,251	5,918,178	5,883,502	6,540,258
-	-	-	-	-
589,987	644,860	711,463	562,802	611,154
636,896	635,751	699,388	648,588	621,795
2,027,932	1,986,283	5,366,980	1,740,343	690,461
429,421	789,171	562,332	564,061	1,826,322
-	-	-	-	-
191,196	193,767	278,887	277,200	259,199
-	-	-	-	-
<u>10,040,405</u>	<u>11,204,706</u>	<u>14,572,844</u>	<u>11,387,434</u>	<u>12,557,370</u>
7,814,169	7,967,467	8,637,099	8,687,052	9,057,408
1,417,079	1,448,971	1,426,482	1,392,013	1,275,439
335,127	390,400	501,263	527,404	524,076
<u>9,566,375</u>	<u>9,806,838</u>	<u>10,564,844</u>	<u>10,606,469</u>	<u>10,856,923</u>
<u>19,606,780</u>	<u>21,011,544</u>	<u>25,137,688</u>	<u>21,993,903</u>	<u>23,414,293</u>
96,024	20,240	27,081	25,770	25,078
742,336	640,974	851,275	1,007,322	977,419
23,164	26,731	49,334	37,142	36,498
130,850	127,103	147,847	166,749	143,165
56,012	54,941	50,167	54,339	57,559
5,856	7,722	8,492	6,604	4,286
-	-	-	-	-
-	115,798	35,000	173,136	-
127,092	455,778	551,299	578,337	691,059
<u>1,181,334</u>	<u>1,449,287</u>	<u>1,720,495</u>	<u>2,049,399</u>	<u>1,935,064</u>
11,352,828	11,137,004	9,838,779	10,004,701	9,776,518
890,522	1,033,470	968,808	898,846	897,508
69,904	97,670	102,401	79,515	88,981
6,799	2,497	15,432	22,336	27,612
259,637	670,989	1,264,583	-	-
<u>12,579,690</u>	<u>12,941,630</u>	<u>12,190,003</u>	<u>11,005,398</u>	<u>10,790,619</u>
<u>13,761,024</u>	<u>14,390,917</u>	<u>13,910,498</u>	<u>13,054,797</u>	<u>12,725,683</u>
(8,859,071)	(9,755,419)	(12,852,349)	(9,338,035)	(10,622,306)
3,013,315	3,134,792	1,625,159	398,929	(66,304)
<u>\$ (5,845,756)</u>	<u>\$ (6,620,627)</u>	<u>\$ (11,227,190)</u>	<u>\$ (8,939,106)</u>	<u>\$ (10,688,610)</u>

(continued)

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

	FISCAL YEAR					
	2007	2008	2009	2010	2011	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION						
Governmental activities:						
Taxes:						
Property	\$ 2,106,528	\$ 2,329,224	\$ 2,434,536	\$ 2,599,962	\$ 2,510,012	\$ 2,534,546
Sales	4,186,940	4,246,476	4,925,639	3,377,527	3,241,174	3,439,300
Non-property	789,919	871,223	543,610	333,761	343,781	572,785
Franchise	1,445,317	1,337,432	1,289,741	1,324,057	1,265,651	1,231,092
Investment Income	463,537	282,970	75,320	17,323	18,453	10,738
Intragovernmental	46,093	120,536	299,460	-	-	-
Donations	-	-	1,950	-	-	-
Miscellaneous	91,443	124,488	706,811	88,359	150,080	170,200
Contractual Income	372,959	376,630	322,898	393,733	398,190	407,160
Royalties	-	-	-	332,918	346,002	379,497
Sale of Assets	12,063	136,844	11,035	35,838	-	-
Transfers	(549,075)	393,911	205,260	541,348	592,655	488,437
Total governmental activities	<u>8,965,724</u>	<u>10,219,734</u>	<u>10,816,260</u>	<u>9,044,826</u>	<u>8,865,998</u>	<u>9,233,755</u>
Business-type activities:						
Investment Income	280,799	262,560	94,341	21,041	17,113	19,112
Donations	1,550	1,450	-	-	-	-
Miscellaneous	228,754	103,212	126,610	83,327	65,707	54,636
Extraordinary Income	-	-	-	-	-	-
Intragovernmental Revenue	-	-	-	25,000	248,000	-
Sale of Assets	26,117	56,247	1,529	6,702	-	-
Transfers	549,075	(393,911)	(205,260)	(541,348)	(592,655)	(488,437)
Total business-type activities	<u>1,086,295</u>	<u>29,558</u>	<u>17,220</u>	<u>(405,278)</u>	<u>(261,835)</u>	<u>(414,689)</u>
Total primary government	<u>10,052,019</u>	<u>10,249,292</u>	<u>10,833,480</u>	<u>8,639,548</u>	<u>8,604,163</u>	<u>8,819,066</u>
CHANGE IN NET POSITION						
Governmental activities	2,560,986	693,044	1,582,552	66,087	(498,352)	374,684
Business-type activities	3,265,268	4,487,998	1,546,369	2,302,249	3,373,665	2,598,626
	<u>\$ 5,826,254</u>	<u>\$ 5,181,042</u>	<u>\$ 3,128,921</u>	<u>\$ 2,368,336</u>	<u>\$ 2,875,313</u>	<u>\$ 2,973,310</u>

Table 2
(continued)

FISCAL YEAR			
2013	2014	2015	2016
\$ 2,521,965	\$ 2,825,580	\$ 2,960,832	\$ 3,074,506
3,506,284	3,751,025	3,926,335	4,302,977
520,940	574,896	568,608	583,520
1,229,627	1,269,554	1,255,336	1,179,533
22,489	8,892	8,286	34,226
-	-	-	-
-	-	-	-
128,022	137,542	157,458	572,289
-	-	-	-
382,347	380,154	388,322	376,883
-	-	-	-
843,608	839,197	650,975	756,116
<u>9,155,282</u>	<u>9,786,840</u>	<u>9,916,152</u>	<u>10,880,050</u>
13,394	8,058	6,514	22,617
-	-	-	-
77,738	285,030	145,916	56,380
-	-	-	-
-	-	-	-
-	-	-	-
<u>(843,608)</u>	<u>(839,197)</u>	<u>(650,975)</u>	<u>(756,116)</u>
<u>(752,476)</u>	<u>(546,109)</u>	<u>(498,545)</u>	<u>(677,119)</u>
<u>8,402,806</u>	<u>9,240,731</u>	<u>9,417,607</u>	<u>10,202,931</u>
(600,137)	(3,065,509)	578,117	257,744
<u>2,382,316</u>	<u>1,079,050</u>	<u>(99,616)</u>	<u>(743,423)</u>
<u>\$ 1,782,179</u>	<u>\$ (1,986,459)</u>	<u>\$ 478,501</u>	<u>\$ (485,679)</u>

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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Other Taxes	Total
2007	\$ 2,106,528	\$ 4,186,940	\$ 1,445,317	\$ 789,919	\$ 8,528,704
2008	2,329,224	4,246,476	1,337,432	871,223	8,784,355
2009	2,434,536	4,925,639	1,289,741	543,610	9,193,526
2010	2,599,962	3,377,527	1,324,057	333,761	7,635,307
2011	2,510,012	3,241,174	1,265,651	343,761	7,360,598
2012	2,534,546	3,439,300	1,231,092	572,785	7,777,723
2013	2,521,965	3,506,284	1,229,627	520,940	7,778,816
2014	2,825,580	3,751,025	1,269,554	574,896	8,421,055
2015	2,960,832	3,926,335	1,255,336	568,608	8,711,111
2016	3,074,506	4,302,977	1,179,533	583,520	9,140,536

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

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

Table 4

	FISCAL YEAR				
	2007	2008	2009	2010	2011
General Fund					
Nonspendable-prepaid items	\$ -	\$ -	\$ -	\$ 113,827	\$ 26,853
Restricted					
Court use	-	-	101,778	133,765	150,827
Unassigned	3,929,646	3,331,839	2,921,056	2,299,481	2,087,125
Total General Fund	3,929,646	3,331,839	3,022,834	2,547,073	2,264,805
All other governmental funds					
Restricted for:					
Debt Service	604,274	-	-	28,040	9,603
Capital projects	(70,852)	-	42,958	4,458,789	2,527,107
Hotel/Motel					92,501
Assigned to:					
Public Safety	5,231	-	-	-	189,162
Capital projects	2,874,441	3,503,803	3,641,851	897,707	3,345,688
Other	260,653	434,084	156,688	-	-
Unassigned	1,316,608	2,048,894	2,356,786	3,180,482	226,845
Total all other governmental funds	\$ 4,990,355	\$ 5,986,781	\$ 6,198,283	\$ 8,565,018	\$ 6,390,906

	FISCAL YEAR				
	2012	2013	2014	2015	2016
General Fund					
Nonspendable-prepaid items	\$ 20,233	\$ 15,241	\$ 7,202	\$ 23,253	\$ 6,161
Restricted					
Court use	139,736	182,868	115,753	143,626	171,771
Debt Service	-	790,691	168,520	803,085	764,089
Committed - Public Safety	-	-	-	16,551	19,252
Unassigned	2,323,844	1,427,882	2,164,685	1,928,156	2,048,570
Total General Fund	2,483,813	2,416,682	2,456,160	2,914,671	3,009,843
All other governmental funds					
Restricted for:					
Debt Service	-	-	-	-	-
Community Development	-	-	-	82,868	107,946
Cemetery	-	-	-	16,802	21,378
Hotel/Motel	177,899	151,067	187,686	185,299	112,509
Business Development	221,636	221,850	221,994	222,154	222,788
Capital projects	3,602	7,297,379	2,278,490	-	-
Library	-	-	-	10,000	10,000
Assigned to:					
Public Safety	146,115	103,004	67,380	49,776	221,577
Capital projects	3,599,623	2,920,571	3,251,938	5,105,879	4,317,044
Community Development	-	-	-	396,346	276,259
Library	36,190	26,393	21,864	15,602	4,507
Parks	-	235,886	202,787	91,356	301,302
Other	-	-	112,007	-	-
Unassigned	(53,431)	(106,717)	(134,924)	(130,886)	(118,641)
Total all other governmental funds	\$ 4,131,634	\$10,849,433	\$ 6,209,222	\$ 6,045,196	\$ 5,476,669

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

	FISCAL YEAR				
	2007	2008	2009	2010	2011
REVENUES					
Property taxes	\$ 2,106,528	\$ 2,329,225	\$ 2,235,914	\$ 2,645,678	\$ 2,499,765
Non-Property taxes	789,919	871,223	543,610	333,761	343,781
Sales tax	4,186,941	4,246,475	4,925,639	3,377,527	3,241,174
Franchise taxes	1,445,317	1,337,432	1,289,741	1,324,057	1,265,651
Fines and Forfeitures	7,911	8,934	780,959	1,103,310	828,052
Licenses and Permits	99,811	115,768	55,387	41,225	39,300
Charge for Services	3,057,660	2,689,823	127,685	138,792	147,149
Intergovernmental revenues-local & state	1,020,842	156,522	337,603	93,156	78,575
Grants	-	-	-	-	-
Donations	-	-	1,950	8,957	8,380
Contractual Income	372,959	376,630	322,898	393,733	398,190
Royalties	-	-	-	332,918	346,002
Investment Income	463,537	279,327	72,272	14,886	18,453
Miscellaneous	520,736	507,665	729,986	123,744	171,448
Total Revenues	14,072,161	12,919,024	11,423,644	9,931,744	9,385,920
EXPENDITURES					
General government	1,090,496	1,192,567	1,220,006	1,003,716	889,954
Public Safety	3,836,416	4,156,469	4,888,084	5,227,464	5,236,970
Public Works	1,538,019	2,049,886	2,658,388	1,370,795	1,095,753
Public Services and Operations	3,406,353	3,537,461	400,319	550,832	560,268
Parks and Recreation	-	260	577,867	570,569	581,013
Library	-	-	264,823	260,577	285,258
Economic Development	1,896,700	504,754	324,005	-	-
Capital Outlay	1,585,423	815,497	601,649	2,428,539	3,571,300
Debt Service					
Principal Retirement	475,009	556,896	590,909	190,000	115,000
Interest and other charges	270,652	243,600	216,257	8,764	106,341
Total Expenditures	14,099,068	13,057,390	11,742,307	11,611,256	12,441,857
OTHER FINANCING SOURCES (USES):					
Transfers	(502,983)	247,606	205,260	541,348	592,656
Debt Proceeds	-	-	-	4,500,000	-
Debt Issuance Costs	-	-	-	(42,210)	-
Sale of Assets	12,063	174,468	17,069	132,721	5,900
Total other financing sources (uses)	(490,920)	422,074	222,329	5,131,859	598,556
NET CHANGE IN FUND BALANCES	\$ (517,827)	\$ 283,708	\$ (96,334)	\$ 3,452,347	\$ (2,457,381)
Debt service as a percentage of noncapital expenditures	6.34%	7.00%	7.81%	2.21%	2.56%

Table 5

FISCAL YEAR				
2012	2013	2014	2015	2016
\$ 2,549,057	\$ 2,634,672	\$ 2,745,472	\$ 2,960,832	\$ 3,098,745
572,785	520,940	574,896	568,608	583,520
3,439,300	3,506,284	3,751,025	3,926,335	4,302,977
1,231,092	1,249,867	1,296,635	1,281,106	1,204,611
748,191	648,697	752,660	890,505	959,116
58,924	55,023	74,102	94,035	68,674
151,102	153,752	173,247	164,194	168,547
114,148	374,681	476,189	662,968	610,427
-	68,160	35,222	47,730	41,381
12,944	12,937	39,888	40,775	39,250
407,160	-	-	-	-
379,497	382,347	380,154	388,322	376,883
10,738	22,489	8,892	8,286	34,227
218,758	128,020	182,215	280,880	618,555
<u>9,893,696</u>	<u>9,757,869</u>	<u>10,490,597</u>	<u>11,314,576</u>	<u>12,106,913</u>
819,678	935,336	951,490	1,023,895	1,125,153
5,121,102	5,430,193	5,682,460	5,818,590	6,621,607
1,291,359	1,201,706	4,803,732	1,243,239	1,306,901
589,987	632,170	686,206	574,836	684,779
570,019	562,024	596,964	621,345	693,048
289,086	301,417	313,559	328,002	320,013
-	-	-	-	-
3,734,979	1,750,310	2,243,319	1,490,095	1,938,566
80,000	240,000	410,000	434,121	467,363
191,196	257,064	312,713	277,200	259,200
<u>12,687,406</u>	<u>11,310,220</u>	<u>16,000,443</u>	<u>11,811,323</u>	<u>13,416,630</u>
488,437	843,608	839,197	650,976	827,313
-	7,160,000	-	-	-
-	-	-	28,127	-
265,009	195,211	69,917	112,129	9,049
<u>753,446</u>	<u>8,198,819</u>	<u>909,114</u>	<u>791,232</u>	<u>836,362</u>
<u>\$ (2,040,264)</u>	<u>\$ 6,646,468</u>	<u>\$ (4,600,732)</u>	<u>\$ 294,485</u>	<u>\$ (473,355)</u>
<u>3.12%</u>	<u>5.48%</u>	<u>5.54%</u>	<u>7.40%</u>	<u>6.76%</u>

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

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential Property	Commercial Property						
2008	\$ 344,979,828	\$ 372,361,440	\$ 216,962,284	\$ 193,715,363	\$ 740,588,189	\$ 0.309927	\$ 934,303,552	79.27%
2009	383,894,230	404,783,387	235,590,065	219,299,308	804,968,374	0.310000	1,073,303,703	78.59%
2010	400,602,235	453,232,169	236,708,994	248,789,262	841,754,136	0.310000	1,073,303,703	77.19%
2011	491,211,615	329,674,800	253,413,324	255,929,330	818,370,409	0.310000	1,073,303,703	76.18%
2012	372,323,968	454,511,662	218,024,227	251,304,726	793,555,131	0.316500	1,073,303,703	75.95%
2013	370,349,021	460,541,821	242,412,861	265,044,461	808,259,242	0.316500	1,073,303,703	75.31%
2014	382,278,082	505,820,208	196,777,198	268,324,956	816,550,532	0.343300	1,084,875,488	75.27%
2015	314,803,249	517,758,489	277,414,497	259,605,301	850,370,934	0.343700	1,109,976,235	76.61%
2016	323,248,259	552,798,716	302,583,248	271,046,415	907,583,808	0.343700	1,178,630,223	77.00%

Source: Titus County Appraisal District

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

¹ Includes tax-exempt property

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

**CITY OF MOUNT PLEASANT, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST NINE FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)
(UNAUDITED)**

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates *			
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Mt Pleasant Independent School District	Titus County	Northeast Texas Community College	Titus County Regional Medical Hospital
2008	\$ 0.291394	\$ 0.01853	\$ 0.309927	\$ 1.195	\$ 0.33928	\$ 0.091582	\$ 0.1308
2009	0.285000	0.02500	0.310000	1.184	0.33900	0.097119	0.1287
2010	0.285000	0.02500	0.310000	1.184	0.33900	0.097119	0.1287
2011	0.285000	0.02500	0.310000	1.184	0.33900	0.097119	0.1287
2012	0.290900	0.02560	0.316500	1.225	0.38720	0.099997	0.1440
2013	0.288600	0.02790	0.316500	1.203	0.39990	0.100000	0.1440
2014	0.313500	0.02980	0.343300	1.212	0.41820	0.099500	0.1590
2015	0.313900	0.02980	0.343700	1.212	0.44750	0.130000	0.1719
2016	0.313900	0.02980	0.343700	1.212	0.44750	0.130000	0.1719

Source: Titus County Appraisal District

Note 1: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

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

**CITY OF MOUNT PLEASANT, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2016
 (unaudited)**

Table 8

Taxpayer	Total Assessed Taxable Value 2016 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Pilgrims	\$ 88,594,680	1	9.76%
Priefert Mfg Company	51,069,620	2	5.63%
Newly Weds Food	22,620,990	3	2.49%
AEP Southwestern Electric Power	10,428,630	4	1.15%
Dekoran Wire & Cable Inc	8,932,820	5	0.98%
Wal-Mart Real Estate Business	8,295,489	6	0.91%
Wal-Mart Stores East Inc	6,744,406	7	0.74%
Pilgrim Bank	6,395,496	8	0.70%
Lowes Home Center Inc	6,318,930	9	0.70%
Trans texas Tire LLC	<u>6,069,027</u>	10	<u>0.67%</u>
	<u>\$ 215,470,088</u>		<u>23.74%</u>
 Total Assessed Valuation	 <u>\$ 907,583,808</u>		

Source: Titus County Appraisal District

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

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2008	\$ 2,303,544	\$ 2,240,007	97.24%	\$ 51,031	\$ 2,291,038	99.46%
2009	2,409,604	2,313,054	95.99%	37,610	2,350,664	97.55%
2010	2,592,967	2,467,744	95.17%	46,703	2,514,447	96.97%
2011	2,474,082	2,403,455	97.15%	59,243	2,462,698	99.54%
2012	2,511,602	2,424,374	96.53%	73,753	2,498,127	99.46%
2013	2,558,141	2,424,374	94.77%	97,243	2,521,617	98.57%
2014	2,803,218	2,678,998	95.57%	51,929	2,730,927	97.42%
2015	2,922,725	2,838,201	97.11%	-	2,838,201	97.11%
2016	3,119,366	2,997,798	96.10%	51,157	3,048,955	97.74%

Source: Titus County Appraisal District

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

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

Table 10

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Obligation	Other Obligations	General Obligation Bonds	Certificates of Obligation	Revenue Bonds (2)	Other Obligations			
2008	\$ 370,000	\$ 4,344,214	\$ 4,550,000	\$ 175,000	\$ 8,370,000	\$ -	\$ 17,809,214	8.36%	1,186
2009	190,000	3,933,305	3,550,000	120,000	8,100,000	-	15,893,305	7.37%	1,045
2010	4,500,000	-	2,535,000	60,000	12,838,986	-	19,933,986	9.24%	1,311
2011	4,385,000	-	1,290,000	-	22,017,139	-	27,692,139	11.55%	1,797
2012	4,305,000	-	-	-	30,685,490	-	34,990,490	14.05%	2,248
2013	11,303,617	-	-	-	29,528,277	-	40,831,894	15.87%	2,539
2014	10,887,111	-	-	-	28,346,064	-	39,233,175	15.22%	2,435
2015	10,448,100	24,005	-	-	27,144,548	24,005	37,640,658	14.91%	2,339
2016	9,986,344	11,642	-	-	25,913,032	11,642	35,922,660	14.23%	2,232

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

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

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

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

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

Table 11

Fiscal Year	Estimated Population	Taxable Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Funds	Net Outstanding Debt	% of Net Outstanding Debt to Assessed Value	Net Outstanding Debt per Capita
2008	15,011	\$ 740,588,189	\$ 12,920,000	\$ 1,505,000	\$ 11,415,000	1.54%	\$ 760
2009	15,202	804,970,374	11,650,000	1,568,601	10,081,399	1.25%	663
2010	15,202	841,754,136	19,933,987	1,608,598	18,325,389	2.18%	1,205
2011	15,564	1,011,350,098	27,692,139	9,603	27,682,536	2.74%	1,779
2012	15,564	793,555,131	34,990,490	1,374,923	33,615,567	4.24%	2,160
2013	16,081	808,259,242	40,831,894	2,818,474	38,013,420	4.70%	2,364
2014	16,113	816,550,532	39,233,175	2,096,277	37,136,898	4.55%	2,305
2015	16,091	850,370,934	37,592,648	2,928,405	34,664,243	4.08%	2,154
2016	16,091	907,583,808	35,859,276	161,709	35,697,567	3.93%	2,218

Source:

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2016
 (unaudited)**

Table 12

Governmental Subdivision	Net Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Harts Bluff ISD	\$ -	47.20%	\$ -
Titus County	134,175,000 *	38.70%	51,925,725
Northeast Texas Community College	27,511,029 *	22.56%	6,206,488
Mt Pleasant Independent School District	<u>42,776,991 *</u>	51.59%	<u>22,068,650</u>
	<u>\$ 204,463,020</u>		80,200,863
City of Mt Pleasant			<u>37,592,648</u>
			<u>\$ 117,793,511</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>12.98%</u>
Per capita overlapping bonded debt			<u>\$ 7,320</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2015, prepared by the Municipal Advisory Council.

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

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

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

Table 13

	FISCAL YEAR				
	2007	2008	2009	2010	2011
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.309927	0.309927	0.3100	0.3100	0.3100
Available Tax Rate	<u>\$ 2.19007</u>	<u>\$ 2.19007</u>	<u>\$ 2.1900</u>	<u>\$ 2.1900</u>	<u>\$ 2.1900</u>

	FISCAL YEAR				
	2012	2013	2014	2015	2016
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3165	0.3165	0.3437	0.3437	0.3437
Available Tax Rate	<u>\$ 2.1835</u>	<u>\$ 2.1835</u>	<u>\$ 2.1563</u>	<u>\$ 2.1563</u>	<u>\$ 2.1563</u>

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 907,583,808
Add back exempt real property	271,046,415
Total assessed value	<u>\$ 1,178,630,223</u>
 Debt limit (10% of total assessed value)	 \$ 117,863,022
 Debt applicable to limit:	
General obligation bonds	37,592,648
Less: Amount set aside for repayment of general obligation debt	 161,709
Total net debt applicable to limit	<u>37,430,939</u>
 Legal debt margin	 <u>\$ 80,432,083</u>

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

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue ^c	Debt Service		Times Coverage
				Principal	Interest	
2008	\$ 7,704,792	\$ 4,960,520	\$ 2,744,272	\$ 270,000	\$ 333,255	4.55
2009	9,595,035	5,982,739	3,612,296	215,000	325,055	6.69
2010	11,002,858	6,334,436	4,668,422	4,500,000	351,946	0.96
2011	11,742,128	7,942,319	3,799,809	1,530,000	405,109	1.96
2012	11,402,491	6,364,400	5,038,091	1,160,000	363,185	3.31
2013	12,402,521	7,856,676	4,545,845	1,185,000	339,910	2.98
2014	10,126,495	6,849,580	3,276,915	1,205,000	368,329	2.08
2015	10,148,404	7,129,738	3,018,666	1,235,000	342,428	1.91
2016	9,820,646	6,843,140	2,977,506	1,260,000	341,483	1.86

Note:

^a Total Revenues does not include non-operating revenues

^b Operating Expenses only-no transfers or depreciation

^c Includes Principal and Interest

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

**CITY OF MOUNT PLEASANT, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST NINE FISCAL YEARS
 (unaudited)**

Table 15

<u>Fiscal Year</u>	<u>Estimated Population ¹</u>	<u>Personal Income</u>	<u>Per Capita Income ²</u>	<u>Average Age ³</u>	<u>Grade School Enrollment ⁴</u>	<u>Unemployment Rate ⁵</u>
2008	15,011	\$ 213,006,090	\$ 14,190	30.1	3,415	3.70%
2009	15,202	215,716,380	14,190	32.0	3,418	9.60%
2010	15,202	215,716,380	14,190	32.0	3,388	7.00%
2011	15,564	239,856,804	15,411	29.9	3,405	7.60%
2012	15,564	249,024,000	16,000	29.9	3,370	7.00%
2013	16,081	257,296,000	16,000	29.9	3,255	6.50%
2014	16,113	257,808,000	16,000	28.3	3,276	6.90%
2015	16,091	253,626,342	15,762	29.2	3,381	5.73%
2016	N/A	N/A	N/A	30.1	3,415	6.90%

Sources:

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

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

**CITY OF MOUNT PLEASANT, TEXAS
 PRINCIPAL EMPLOYERS
 SEPTEMBER 30, 2016
 (unaudited)**

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Pilgrim's Pride	3,197
Mount Pleasant ISD	1,003
Priefert Mfg., Inc.	924
Titus Regional Medical Center	700
Luminant Electric Generation and Mining	210
Big Tex Trailer Mfg., Inc.	650
Walmart	384
AEP/SWEPCO	170
City of Mount Pleasant	160
Diamond C Trailers	310

Source: Economic Development Office

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

Table 17

Full-time Equivalent Employees for Fiscal Year

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	5	5	5	5	5	6	4	4	4
Public Safety									
<i>Municipal Court</i>	4	4	4	3	3	3	3	3	3
<i>Police</i>	40	42	42	42	42	42	41	44	45
<i>Fire</i>	23	23	23	23	23	23	23	26	26
Planning/Building & Development	4	4	4	1	1	1	1	1	1
Library	4	4	4	4	4	4	4	5	5
Parks and Recreation	7	8	8	8	7	7	9	9	9
Public Works									
<i>Streets</i>	10	10	10	10	10	10	10	10	10
<i>Engineering</i>	3	2	1	1	1	1	1	1	1
<i>Maintenance</i>	6	6	7	7	7	7	7	7	7
Public Services									
<i>Animal Control</i>	3	3	3	3	3	3	3	3	4
<i>Code Enforcement</i>	4	4	4	4	4	4	4	4	4
Water/Wastewater									
<i>Administration</i>	5	5	4	4	4	4	4	4	6
<i>Water</i>	8	8	7	7	8	8	9	9	10
<i>Wastewater</i>	2	3	3	3	3	3	3	3	3
<i>Utility Department</i>	15	15	14	14	15	15	15	15	14
Civic Center	4	4	4	4	4	4	4	4	5
Airport	3	3	3	3	3	3	3	3	3
Economic Development	1	1	1	1	1	2	2	2	2
	<u>151</u>	<u>154</u>	<u>151</u>	<u>147</u>	<u>148</u>	<u>150</u>	<u>150</u>	<u>157</u>	<u>162</u>

Source: City of Mt Pleasant's Operating Budget

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

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

Table 18

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety									
Municipal Court									
Number of cases filed	8,055	6,347	7,594	6,096	5,310	7,318	7,517	5,807	7,668
Police									
Physical Arrests	1,560	1,630	1,535	1,632	1,469	1,416	1,256	961	1440
Traffic Violations	5,159	4,002	4,385	3,984	3,568	3,610	3,493	6,073	9,899
Fire									
Number of calls answered	958	973	1,311	1,360	1,351	1,380	1,166	1,064	1,092
Number of inspections	569	778	472	474	242	330	488	401	388
Animal Control									
Number of calls	2,027	2,312	2,115	1,807	938	1,015	781	774	834
Public Works									
Number of streets maintained	272	264	272	272	272	293	293	250	282
Water									
New connections	26	14	25	12	28	23	25	120	17
Average daily consumption (millions of gallons)	7.3	6.7	7.1	7.9	7.2	7.3	7.8	6	6.45
Wastewater									
Average daily sewage treatment (millions of gallons)	1.9	2.1	1.6	1.4	1.6	1.8	1.7	2.1	2.1

Source: City departments

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

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

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

Table 19

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety									
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2
Streets (miles)	85	85	85	85	85	105.3	105.9	110.4	110.4
Parks and Recreation									
Parks (acreage)	187.9	187.9	187.9	187.9	187.9	188.08	188.08	188.08	188.08
Number of playgrounds	6	6	6	6	6	6	6	6	6
Number of baseball/softball fields maintained	20	20	20	20	20	20	20	20	20
Water									
Water main (miles)	200	200	200	200	200	205	205	205	205
Number of fire hydrants	650	900	900	900	900	900	900	900	900
Storage capacity (millions of gallons)	6.2	6.2	6.2	6.2	6.2	7.2	7.2	7.6	7.6
Sewer									
Sanitary sewers (miles)	185	185	185	185	185	185	185	185	190
Airport									
Runways maintained (feet)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000

Source: City departments

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

