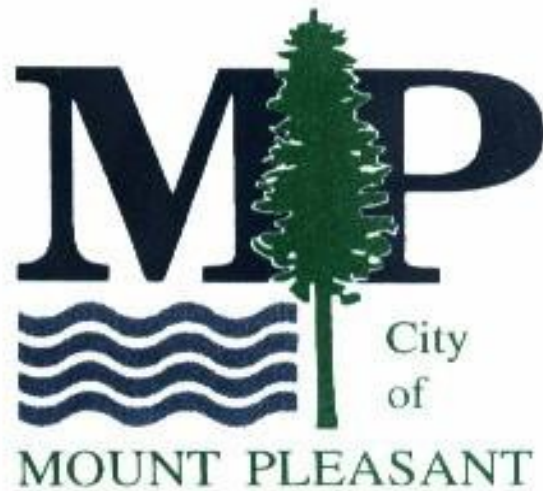


**CITY OF MOUNT PLEASANT, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**PREPARED BY THE FINANCE DEPARTMENT**  
**OF THE CITY OF MOUNT PLEASANT, TEXAS**



**CITY OF MOUNT PLEASANT, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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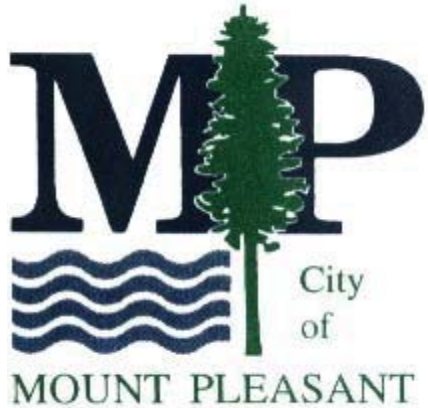
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## **INTRODUCTORY SECTION**



501 N. Madison  
Mount Pleasant, Texas 75455

May 14, 2019

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, 2018, 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.

Henry & Peters CPA, P.C. have issued an unqualified (“clean”) opinion on the City of Mount Pleasant’s financial statements for the year ended September 30, 2018. 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 local economy continues to be in a growth mode as reflected in steadily increasing sales tax receipts and new residential and commercial building permits. The City expects continued growth as economic conditions continue to appear favorable.

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:

- The City issued \$9 million in tax-supported Certificates of Obligation to fund the construction of a new regional sports complex, new animal shelter and replacement of the police communications system.
- The City received approval of two ½ million dollar grants from Texas Parks and Wildlife for the construction of the new regional sports complex.
- Construction of the Southside Wastewater Interceptor line was completed.
- The Silver Creek Lift Station upsize was completed.
- Construction began on the new Animal Shelter.
- Construction began on the new Regional Sports Complex.

### 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>	
2013-2014	\$0.3433
2014-2015	\$0.3437
2015-2016	\$0.3437
2016-2017	\$0.3437
2017-2018	\$0.3712

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,

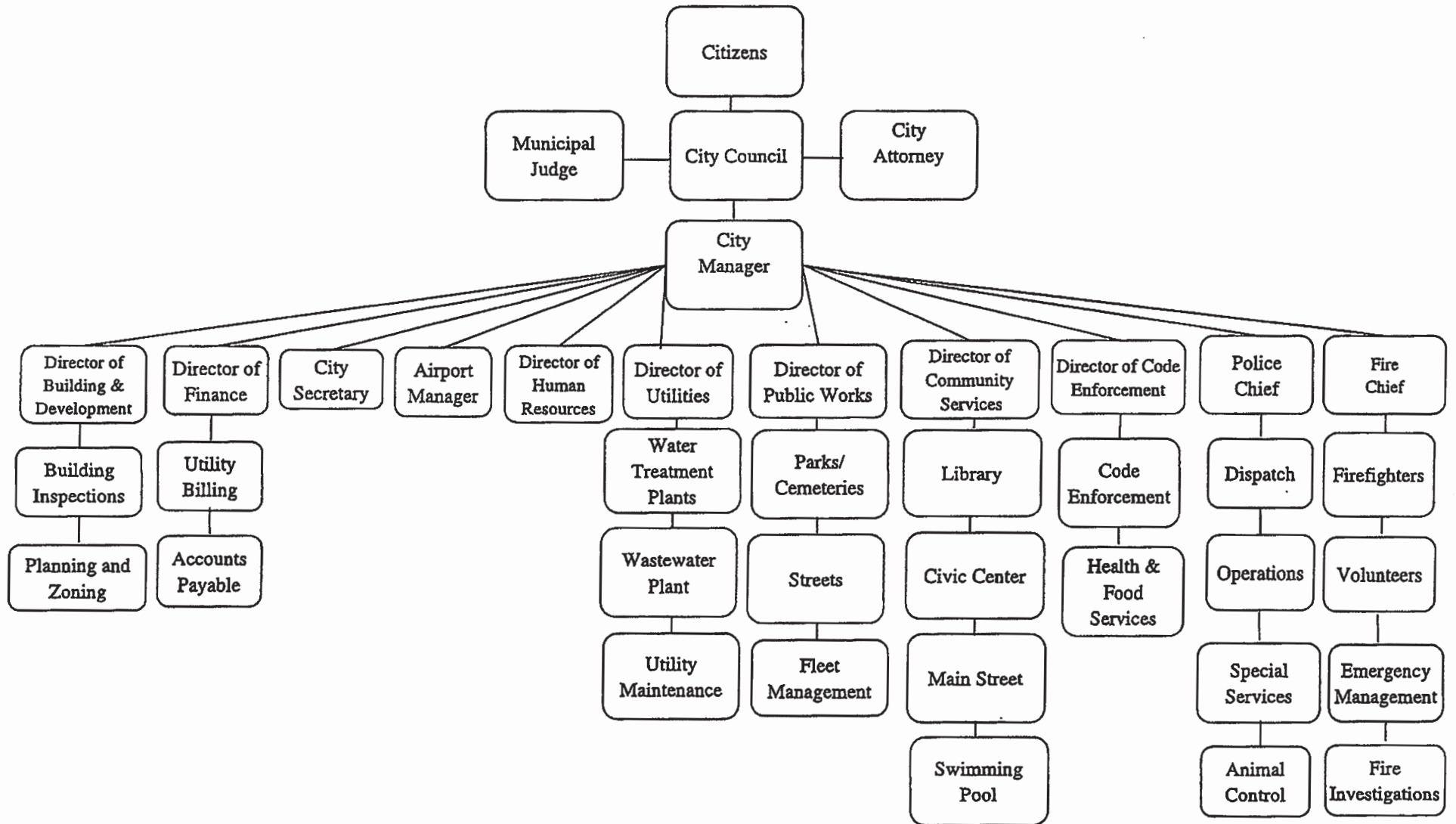


Mike Ahrens  
CITY MANAGER



Scott Walters  
DIRECTOR OF FINANCE

# ORGANIZATION CHART





CITY OF MOUNT PLEASANT, TEXAS  
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CITY COUNCIL

Dr. Paul O. Meriwether, Mayor

Robert Nance, Mayor Pro-Tem

Danny Muskrat, 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

Darleen Durant, City Secretary

Scott Walters, Director of Finance

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas, as of and for the year ended September 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 and the schedules of changes in net pension liability and net OPEB liability and related ratios and schedules of contributions on pages 3-8, and 51-55 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 combining fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has 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 May 24, 2019, on our consideration of 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 the 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 City of Mount Pleasant, Texas' internal control over financial reporting and compliance.

Henry E. Peters, PC

Longview, Texas  
May 24, 2019



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

As management of the City of Mount Pleasant, we offer readers of the City of Mount Pleasant financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found at the beginning of this report.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$65,360,137 (*net position*). Of this amount, \$2,685,918 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,496,847, of which \$(682,742) was a decrease in the current year net position and \$2,179,589 was a restatement of beginning net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,313,227. Approximately 18 percent of this total amount, \$2,429,775, is available for spending at the government's discretion (unassigned fund balance).
- The City's total long term debt increased by \$4,322,250 during the current fiscal year. This is due directly to a new series of combination Tax and Revenue Certificate of Obligation of \$8,440,000, with a premium of \$764,930, being issued in December of 2017.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City'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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accumulated sick leave for employees retiring with 10 years of service).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). For audit purposes, the governmental activities of the City include the City's basic services such as public safety, parks and recreation, and general administration. The business-type activities of the City include the City's water and sewer system, airport, and civic center activity.

The government-wide financial statements include, not only the City itself (known as the primary government), but a legally separate component unit, Mount Pleasant Industrial Development Corporation (IDC).

The government-wide financial statements can be found on pages 9-11 of this report

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Once divided into these two categories, each fund is classified as a major fund or a nonmajor fund. A fund is classified as a major fund when it meets each of the two following criteria:

**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CONTINUED**

- Total assets, liabilities, revenues or expenditures of that individual governmental or proprietary fund are at least 10 percent of the corresponding element total (assets, deferred inflows, liabilities, deferred outflows, revenues or expenditures) for all funds of that category or type (that is total governmental or total proprietary funds).
- The same element that met the 10 percent criterion above is at least 5 percent of the corresponding element total for all governmental and proprietary funds combined.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, street fund, and construction bond fund, which are considered to be major funds. Data from the other governmental funds (special revenue and debt service) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, activities associated with the airport and the civic center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility fund, the airport fund, and the civic center.

The basic proprietary fund financial statements can be found on pages 18-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide statements and in the fund financial statements. The notes to the financial statements can be found on pages 22-50 of this report.

**Government-wide Overall Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. By far the largest portion of the City's net position (84 percent) reflects its investment in capital assets (e.g. land, construction in progress, building and systems, and equipment and other) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CONTINUED**

**STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other Assets	\$ 14,081,429	\$ 7,798,640	\$ 5,669,274	\$ 5,770,218	\$ 19,750,703	\$ 13,568,858
Capital Assets	32,313,173	28,798,742	63,962,748	64,829,557	96,275,921	93,628,299
Total Assets	46,394,602	36,597,382	69,632,022	70,599,775	116,026,624	107,197,157
Deferred outflows of resources	347,881	1,606,145	437,513	520,912	785,394	2,127,057
Current liabilities	1,722,005	1,630,686	2,247,098	1,962,922	3,969,103	3,593,608
Noncurrent liabilities	22,359,490	16,023,084	23,411,076	25,625,004	45,770,566	41,648,088
Total Liabilities	24,081,495	17,653,770	25,658,174	27,587,926	49,739,669	45,241,696
Deferred inflows of resources	1,314,787	165,539	397,425	53,689	1,712,212	219,228
Net position:						
Net investment in						
Capital Assets	14,140,261	19,752,903	40,598,234	40,163,100	54,738,495	59,916,003
Restricted	7,765,128	2,770,138	170,596	1,839,739	7,935,724	4,609,877
Unrestricted	(559,188)	(2,138,823)	3,245,106	1,476,233	2,685,918	(662,590)
Total net position	\$ 21,346,201	\$ 20,384,218	\$ 44,013,936	\$ 43,479,072	\$ 65,360,137	\$ 63,863,290

An additional portion of the City's net position (approximately 12.14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,685,918) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole. However, for the governmental activities, the government is reporting a negative unrestricted net position, indicating that their available resources are either invested in capital or are restricted for specific use.



**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CONTINUED**

**STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,681,724	\$ 1,668,572	\$ 12,274,587	\$ 11,283,774	\$ 13,956,311	\$ 12,952,346
Operating grants and contributions	1,142,032	757,224	26,972	7,506	1,169,004	764,730
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	3,258,505	3,058,493	-	-	3,258,505	3,058,493
Sales taxes	4,564,492	4,386,891	-	-	4,564,492	4,386,891
Other taxes	1,782,838	1,729,597	-	-	1,782,838	1,729,597
Investment income	262,404	80,535	64,522	41,094	326,926	121,629
Royalty income	547,225	536,862	-	-	547,225	536,862
Miscellaneous income	545,064	114,768	164,635	291,889	709,699	406,657
Gain on sale of assets	21,575	-	14,925	-	36,500	-
<b>Total Revenues</b>	<b>13,805,859</b>	<b>12,332,942</b>	<b>12,545,641</b>	<b>11,624,263</b>	<b>26,351,500</b>	<b>23,957,205</b>
Expenses:						
General government	3,013,630	2,995,635	-	-	3,013,630	2,995,635
Public safety	8,408,833	7,159,767	-	-	8,408,833	7,159,767
Public Works	1,960,212	1,762,260	-	-	1,960,212	1,762,260
Public services and operations	804,786	704,173	-	-	804,786	704,173
Parks and recreation	847,436	701,994	-	-	847,436	701,994
Interest and fiscal charges	573,410	278,863	-	-	573,410	278,863
Utility	-	-	9,544,722	9,534,141	9,544,722	9,534,141
Airport	-	-	1,410,670	1,284,235	1,410,670	1,284,235
Civic	-	-	470,543	507,477	470,543	507,477
<b>Total Expenses</b>	<b>15,608,307</b>	<b>13,602,692</b>	<b>11,425,935</b>	<b>11,325,853</b>	<b>27,034,242</b>	<b>24,928,545</b>
Excess (deficiency) before transfers	(1,802,448)	(1,269,750)	1,119,706	298,410	(682,742)	(971,340)
Transfers in (out)	969,895	848,173	(969,895)	(848,173)	-	-
Increase (decrease) in net position	(832,553)	(421,577)	149,811	(549,763)	(682,742)	(971,340)
Net position, beginning	20,384,218	22,218,885	43,479,072	44,566,207	63,863,290	66,785,092
Prior period adjustments (Note 11)	1,794,536	(1,413,090)	385,053	(537,372)	2,179,589	(1,950,462)
<b>Net position, ending</b>	<b>\$ 21,346,201</b>	<b>\$ 20,384,218</b>	<b>\$ 44,013,936</b>	<b>\$ 43,479,072</b>	<b>\$ 65,360,137</b>	<b>\$ 63,863,290</b>

**Governmental activities.** Governmental activities during the year decreased the City's net position by \$(410,976).

**Business-type activities.** Business-type activities during the year increased the City's net position by \$699,574.

**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CONTINUED**

**Financial Analysis of the Government'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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$13,313,227. Approximately 18% of this amount or \$2,429,775 constitutes unassigned fund balance, which is available for spending at the government's discretion. Restricted fund balance represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation. The City's fund balance is restricted by debt covenants for future debt service, by enabling legislation for municipal court fines collected, and for other special revenue type restrictions. Committed fund balance represents amounts that can only be used for specific purpose because of formal action by the city council. The city council has committed \$23,231 for public safety. The remainder of fund balance is considered non dispensable to represent amounts that cannot be spent because they are either not in spendable form or are legally required to remain intact. In the case of the City, the non-spendable fund balance of \$15,215 which represents pre-paid items at year-end.

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 \$2,399,531, while total fund balance reached \$2,623,911.

The fund balance of the City's General Fund decreased by \$161,840 during the current fiscal year.

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

Net position of the utility fund at the end of the year amounted to \$33,728,791, net position for the airport fund amounted to \$9,402,226, and net position for the civic center fund amounted to \$882,919. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business type activities.

**General Fund Budgetary highlights**

As the City completed the year, its General Fund (as presented in balance sheet on page 12) reported a fund balance of \$2,623,911, which is an increase of \$170,608 over the final budgeted amount. Revenues were \$245,873 more than anticipated, making up for the additional expenses not anticipated of \$94,898, for a net increase of \$170,608.

**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, 2018, amounted to \$66,068,193 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, equipment and other.

**Capital Assets, Net of Accumulated Depreciation  
September 30**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,575,678	\$ 1,575,678	\$ 8,779,228	\$ 8,779,228	\$ 10,354,906	\$ 10,354,906
Construction in progress	2,372,902 *	1,633,195	194,151	253,925	2,567,053	1,887,120
Building and system	26,818,824 *	23,980,573	52,345,053	53,135,908	79,163,877	77,116,481
Equipment and other	1,545,769 *	1,609,296	2,644,316	2,660,496	4,190,085	4,269,792
<b>Total Net Capital Assets</b>	<b>\$ 32,313,173</b>	<b>\$ 28,798,742</b>	<b>\$ 63,962,748</b>	<b>\$ 64,829,557</b>	<b>\$ 96,275,921</b>	<b>\$ 93,628,299</b>

\* These amounts have been adjusted for the prior period adjustment discussed in Note 11.

Additional information on the City's capital assets can be found in note 3 on pages 32-34 of this report.

**CITY OF MOUNT PLEASANT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CONTINUED**

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$47,859,976. Of this amount, \$23,050,933 was outstanding for the governmental funds and \$24,809,043 was outstanding for the business-type funds. The increase in the governmental activities can be attributed primarily to the issuance of bonds in the amount \$8,440,000 plus a premium on the bonds of \$764,930. This increase however was offset by a combined decrease of \$2,222,106 in the actuarially determined net pension obligation and other post-employment benefit obligation.

The decrease in debt in the business-type activities can be attributed directly to the combined decrease of \$852,186 in the actuarially determined net pension obligation and other post-employment benefit obligation, as well as a reduction in outstanding bonds due to the annual debt service payments.

**OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 13,820,000	\$ 5,710,000	\$ 2,410,000	\$ 3,080,000	\$ 16,230,000	\$ 8,790,000
Revenue bonds	-	-	20,975,000	21,625,000	20,975,000	21,625,000
Certificates of obligation	3,545,000	3,705,000	-	-	3,545,000	3,705,000
Bond premium (discount)	784,568	94,588	(52,570)	(59,141)	731,998	35,447
Capital Leases	23,344	35,260	23,343	35,260	46,687	70,520
Compensated absences	691,033	608,771	142,907	131,345	833,940	740,116
Net Pension Liability	3,255,521	4,759,472	1,092,170	1,543,613	4,347,691	6,303,085
Other post-employment benefits	931,467	1,649,622	218,193	618,936	1,149,660	2,268,558
<b>Total</b>	<b>\$ 23,050,933</b>	<b>\$ 16,562,713</b>	<b>\$ 24,809,043</b>	<b>\$ 26,975,013</b>	<b>\$ 47,859,976</b>	<b>\$ 43,537,726</b>

Additional information on the City's long-term debt can be found in note 4 on pages 35-38 of this report.

**Economic Factors and Next Year's Budget and Rates**

Factors considered in preparing the City's 2019 fiscal year budget were:

- The total budget for FY 2019 is \$36,728,116. Of this amount \$11,533,307 is appropriated for the General Fund and \$11,240,764 is appropriated in the Utilities Fund.
- General Fund revenues are projected to increase by \$863,647, or 7.71%, over FY 2018 total revenues. This is primarily due to a change in budgeting of the landfill gate fees from the Street Fund to General Fund in the amount of \$561,340. In addition, property tax revenues are projected to increase by \$239,454, or 8.37%, due to increased valuations. Sales tax revenues are projected to grow by \$80,580, or 2%, due to strength in the local economy.
- The property tax rate increased from .3437 per hundred valuation to .3712 per hundred valuation. This increase is due solely to an increase in the debt rate from .0297 to .0577 to enable service of the debt from the Series 2017 Certificates of Obligation. The Maintenance and Operations (M&O) portion of the property tax remained the same at .3115 per hundred valuation.
- Capital project spending is distributed among the various funds of the City. The FY 2019 budget includes projects totaling \$9,770,135. Of that amount, \$1,883,625 is funded by cash (fund balances) primarily in the General Fund and Utility Fund. Revenues from the Series 2017 Certificates of Obligation debt issue are budgeted in the amount of \$7,886,510 for the ongoing construction of a new sports complex, new animal services facility and new police communications system.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the City Manager, City of Mount Pleasant, Texas, 501 N. Madison, Mount Pleasant, Texas 75455-3650.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mount Pleasant Industrial Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 891,175	\$ 1,311,925	\$ 2,203,100	\$ 1,359,779
Investments	11,307,007	3,746,018	15,053,025	2,749,564
Receivables (net of allowance for estimated uncollectible accounts):				
Taxes	949,834	-	949,834	252,099
Accounts	207,688	440,735	648,423	-
Deposits and prepaid expenses	15,215	-	15,215	-
Restricted:				
Cash and cash equivalents	710,510	170,596	881,106	-
Capital assets (net of accumulated depreciation)	32,313,173	63,962,748	96,275,921	6,213,991
<b>Total Assets</b>	<b>46,394,602</b>	<b>69,632,022</b>	<b>116,026,624</b>	<b>10,575,433</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	326,630	431,134	757,764	37,647
Deferred outflows related to OPEB	21,251	6,379	27,630	409
<b>Total Deferred Outflows of Resources</b>	<b>347,881</b>	<b>437,513</b>	<b>785,394</b>	<b>38,056</b>
<b>LIABILITIES</b>				
Accounts payable	465,548	472,417	937,965	4,767
Customer deposits	-	168,595	168,595	-
Accrued expenses	78,347	28,341	106,688	1,989
Due within one year:				
Compensated absences	56,348	34,300	90,648	-
Capital lease payable	12,096	12,096	24,192	-
Certificates of obligation	622,999	-	622,999	-
Bonds payable	-	1,351,571	1,351,571	247,216
Accrued interest payable	319,935	8,912	328,847	-
Other liabilities	166,732	170,866	337,598	139
Due in more than one year:				
Net OPEB obligation	931,467	218,191	1,149,658	17,974
Net pension liability	3,255,521	1,092,170	4,347,691	99,663
Compensated absences	634,685	108,607	743,292	4,278
Capital lease payable	11,249	11,249	22,498	-
Notes payable	-	-	-	1,713,519
Certificates of obligation	17,526,568	21,980,859	39,507,427	-
<b>Total Liabilities</b>	<b>24,081,495</b>	<b>25,658,174</b>	<b>49,739,669</b>	<b>2,089,545</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	1,314,787	397,425	1,712,212	22,060
<b>Total Deferred Outflows of Resources</b>	<b>1,314,787</b>	<b>397,425</b>	<b>1,712,212</b>	<b>22,060</b>
<b>NET POSITION</b>				
Net investment in capital assets	14,140,261	40,598,234	54,738,495	4,253,256
Restricted for debt service	7,038,177	170,596	7,208,773	-
Restricted for community development	161,411	-	161,411	-
Restricted for municipal court	185,934	-	185,934	-
Restricted for hotel/motel	127,280	-	127,280	-
Restricted for development	227,194	-	227,194	-
Restricted for cemetery	25,132	-	25,132	-
Unrestricted	(559,188)	3,245,106	2,685,918	4,248,628
<b>Total Net Position</b>	<b>\$ 21,346,201</b>	<b>\$ 44,013,936</b>	<b>\$ 65,360,137</b>	<b>\$ 8,501,884</b>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 3,013,630	\$ -	\$ 23,585	\$ -
Public safety	8,408,833	1,455,719	1,117,447	-
Public works	1,960,212	-	-	-
Public services and operations	804,786	63,644	-	-
Parks and recreation	847,436	162,361	1,000	-
Interest on long-term debt	573,410	-	-	-
Total Governmental activities	<u>15,608,307</u>	<u>1,681,724</u>	<u>1,142,032</u>	<u>-</u>
Business-Type activities:				
Utility	9,544,722	11,345,594	-	-
Airport	1,410,670	805,365	26,972	-
Civic center	470,543	123,628	-	-
Total Business-Type activities	<u>11,425,935</u>	<u>12,274,587</u>	<u>26,972</u>	<u>-</u>
Total Primary Government	<u>\$ 27,034,242</u>	<u>\$ 13,956,311</u>	<u>\$ 1,169,004</u>	<u>\$ -</u>
Component Unit:				
Industrial Development Corporation	637,302	-	-	-
Total Component Unit	<u>\$ 637,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

  Property

  Sales

  Franchise

  Hotel/Motel

  Beverage

Investment income

Royalties

Miscellaneous

Gain on sale of assets

Special items:

  Change in accounting estimate

Transfers

  Total general revenues

  Change in net position

Net position - beginning of year

Prior period adjustments (Note 11)

Net position - end of year

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,990,045)	\$ -	\$ (2,990,045)	\$ -
(5,835,667)	-	(5,835,667)	-
(1,960,212)	-	(1,960,212)	-
(741,142)	-	(741,142)	-
(684,075)	-	(684,075)	-
(573,410)	-	(573,410)	-
<u>(12,784,551)</u>	<u>-</u>	<u>(12,784,551)</u>	<u>-</u>
-	1,800,872	1,800,872	-
-	(578,333)	(578,333)	-
-	(346,915)	(346,915)	-
-	875,624	875,624	-
\$ (12,784,551)	\$ 875,624	\$ (11,908,927)	\$ -
-	-	-	(637,302)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (637,302)</u>
\$ 3,258,505	\$ -	\$ 3,258,505	\$ -
4,564,492	-	4,564,492	1,521,498
1,226,097	-	1,226,097	-
522,022	-	522,022	-
34,719	-	34,719	-
262,404	64,522	326,926	45,056
547,225	-	547,225	-
545,064	164,635	709,699	2,932
21,575	14,925	36,500	-
-	-	-	-
969,895	(969,895)	-	-
<u>11,951,998</u>	<u>(725,813)</u>	<u>11,226,185</u>	<u>1,569,486</u>
(832,553)	149,811	(682,742)	932,184
20,384,218	43,479,072	63,863,290	7,158,219
1,794,536	385,053	2,179,589	411,481
<u>\$ 21,346,201</u>	<u>\$ 44,013,936</u>	<u>\$ 65,360,137</u>	<u>\$ 8,501,884</u>



**FUND FINANCIAL STATEMENTS**

**CITY OF MOUNT PLEASANT, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	General Fund	Street Fund	Construction Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 93,597	\$ 25,165	\$ 772,412	\$ 891,174
Investments	1,781,372	1,789,152	7,024,253	712,230	11,307,007
Receivables (net of allowance for estimated uncollectible accounts):					
Taxes	912,686	-	-	37,148	949,834
Accounts	207,688	-	-	-	207,688
Restricted cash and cash equivalents	185,934	-	-	524,576	710,510
Prepaid expense	15,215	-	-	-	15,215
Total assets	<u>\$ 3,102,895</u>	<u>\$ 1,882,749</u>	<u>\$ 7,049,418</u>	<u>\$ 2,046,366</u>	<u>\$ 14,081,428</u>
<b>LIABILITIES</b>					
Trade payables	\$ 180,348	\$ 110,536	\$ 11,241	\$ 163,422	\$ 465,547
Accrued payroll and related expenses	74,329	4,018	-	-	78,347
Other liabilities	166,732	-	-	-	166,732
Total liabilities	<u>421,409</u>	<u>114,554</u>	<u>11,241</u>	<u>163,422</u>	<u>710,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	57,575	-	-	-	57,575
Total deferred inflows of resources	<u>57,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,575</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	15,215	-	-	-	15,215
Restricted for:					
Municipal court use	185,934				185,934
Debt service	-	-	7,038,177	-	7,038,177
Community development	-	-	-	161,411	161,411
Hotel/motel	-	-	-	127,280	127,280
Development	-	-	-	227,194	227,194
Cemetery	-	-	-	25,132	25,132
Committed to:					
Public safety	23,231	-	-	-	23,231
Assigned to:					
Capital projects	-	1,768,195	-	656,804	2,424,999
Community improvements	-	-	-	489,141	489,141
Public safety	-	-	-	156,542	156,542
Library	-	-	-	9,196	9,196
Unassigned	2,399,531	-	-	30,244	2,429,775
Total fund balances	<u>2,623,911</u>	<u>1,768,195</u>	<u>7,038,177</u>	<u>1,882,944</u>	<u>13,313,227</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,102,895</u>	<u>\$ 1,882,749</u>	<u>\$ 7,049,418</u>	<u>\$ 2,046,366</u>	<u>\$ 14,081,428</u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

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

Total fund balance per balance sheet	\$ 13,313,227
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	32,313,173
Some of the City's revenues will be collected after year end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds balance sheet.	57,575
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(691,033)
Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities the pension expense is actuarially determined. This is the combined effect of the current year changes in deferred outflows related to pensions, net pension liability, and net deferred inflows related to pensions reported on the government-wide statement of net position.	(4,243,678)
Governmental funds report all other post employment benefit (OPEB) payments as expenditures. However, in the government-wide statement of activities the OPEB asset or liability is actuarially determined. This is the combined effect of the current year changes in deferred outflows related to OPEB and net OPEB liability reported on the government-wide statement of net position.	(910,216)
Long-term liabilities including bonds payable, net of amortized premiums/discounts, are not due and payable in the current period; therefore, they are not reported in the governmental funds balance sheet.	(18,172,912)
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and, therefore, is not reported in the governmental funds balance sheet.	<u>(319,935)</u>
Net position of governmental activities	<u><u>\$ 21,346,201</u></u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Street Fund	Construction Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 2,954,613	\$ -	\$ -	\$ 303,892	\$ 3,258,505
Sales	4,564,492	-	-	-	4,564,492
Franchise	-	1,199,623	-	26,474	1,226,097
Hotel	-	-	-	522,022	522,022
Beverage	34,719	-	-	-	34,719
Charges for services:					
Police court fines and fees	1,455,719	-	-	-	1,455,719
Permits	63,644	-	-	-	63,644
Other	162,361	-	-	-	162,361
Royalty	-	547,225	-	-	547,225
Donations	13,731	-	-	60,854	74,585
Intergovernmental	990,120	-	-	77,327	1,067,447
Interest on investments	89,736	32,747	124,252	15,669	262,404
Miscellaneous	312,093	4,393	-	228,580	545,066
Total revenues	<u>10,641,228</u>	<u>1,783,988</u>	<u>124,252</u>	<u>1,234,818</u>	<u>13,784,286</u>
<b>EXPENDITURES</b>					
Current:					
General government	858,966	-	-	253,818	1,112,784
Public safety	7,753,654	-	-	193,434	7,947,088
Public service	785,824	-	-	-	785,824
Public works	164,121	1,120,939	-	-	1,285,060
Parks and recreation	778,350	-	-	-	778,350
Library	410,569	-	-	2,089	412,658
Capital outlay	457,729	1,323,588	2,316,732	67,312	4,165,361
Debt service:					
Principal	11,739	330,000	-	160,000	501,739
Interest and fiscal charges	624	124,213	189,689	125,913	440,439
Total Expenditures	<u>11,221,576</u>	<u>2,898,740</u>	<u>2,506,421</u>	<u>802,566</u>	<u>17,429,303</u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
CONTINUED**

	General	Street	Park Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	(580,348)	(1,114,752)	(2,382,169)	432,252	(3,645,017)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bond issuance	-	-	8,424,759	15,241	8,440,000
Premium on certificate of obligation bonds	-	-	764,930	-	764,930
Gain on sale of assets	19,477	2,098	-	-	21,575
Transfers in	500,131	844,365	-	301,100	1,645,596
Transfers out	(101,100)	(258,003)	-	(316,598)	(675,701)
Total other financing sources (uses)	418,508	588,460	9,189,689	(257)	10,196,400
Net change in fund balances	(161,840)	(526,292)	6,807,520	431,995	6,551,383
Fund balance - beginning of year	2,785,751	2,294,487	230,657	1,305,286	6,616,181
Prior period adjustment (Note 11)		-	-	145,663	145,663
Fund balance - end of year	<u>\$ 2,623,911</u>	<u>\$ 1,768,195</u>	<u>\$ 7,038,177</u>	<u>\$ 1,882,944</u>	<u>\$ 13,313,227</u>

See accompanying notes to financial statements.

**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  
SEPTEMBER 30, 2018**

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

Net change in fund balance - total governmental funds	\$ 6,551,383
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.	2,516,526
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Governmental funds report all payments to the OPEB trust as expenditures. However, in the government-wide statement of activities the actuarial annually required contribution is considered an expense. Any surplus amount is considered an asset. This amount is the change in net other post employment benefits asset and the related deferred inflow.	(57,225)
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences.	(82,262)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related issues.	(8,628,064)
Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities the pension expense is actuarially determined. This amount is the combined effect of the changes in net pension liability and deferred outflows/inflows related to pensions.	(924,813)
Interest payable on long-term debt is recorded in the government-wide statements. This is the amount that prior year interest payable exceeded current year interest payable.	<u>(208,098)</u>
Change in net position of governmental activities	<u><u>\$ (832,553)</u></u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,947,805	\$ 2,947,805	\$ 2,954,613	\$ 6,808
Sales and other	4,575,520	4,575,520	4,564,492	(11,028)
Beverage	38,000	38,000	34,719	(3,281)
Charges for services:				
Police court fines and fees	1,450,000	1,450,000	1,451,241	1,241
Permits	88,000	88,000	63,644	(24,356)
Other	174,000	174,000	162,361	(11,639)
Library	4,500	4,500	4,478	(22)
Donations	30,000	30,000	13,731	(16,269)
Grants	985,530	985,530	990,120	4,590
Interest on investments	30,000	30,000	89,736	59,736
Miscellaneous	72,000	72,000	312,093	240,093
Total revenues	<u>10,395,355</u>	<u>10,395,355</u>	<u>10,641,228</u>	<u>245,873</u>
<b>EXPENDITURES</b>				
Current:				
General government	938,551	938,551	858,966	79,585
Public safety	7,477,999	7,604,437	7,753,654	(149,217)
Public services	793,457	793,457	785,824	7,633
Public works	153,988	153,988	164,121	(10,133)
Parks and recreation	737,970	737,970	778,350	(40,380)
Library	432,405	432,405	410,569	21,836
Capital outlay	453,505	453,505	457,729	(4,224)
Debt service:				
Principal	12,365	12,365	11,739	626
Interest and fiscal charges	-	-	624	(624)
Total expenditures	<u>11,000,240</u>	<u>11,126,678</u>	<u>11,221,576</u>	<u>(94,898)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(604,885)</u>	<u>(731,323)</u>	<u>(580,348)</u>	<u>150,975</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain on sale of assets	10,000	10,000	19,477	9,477
Transfers in	489,975	489,975	535,392	45,417
Transfers out	(101,100)	(101,100)	(136,361)	(35,261)
Total other financing sources (uses)	<u>398,875</u>	<u>398,875</u>	<u>418,508</u>	<u>19,633</u>
Net change in fund balances	(206,010)	(332,448)	(161,840)	170,608
Fund balance - beginning of year	<u>2,785,751</u>	<u>2,785,751</u>	<u>2,785,751</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,579,741</u>	<u>\$ 2,453,303</u>	<u>\$ 2,623,911</u>	<u>\$ 170,608</u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	Enterprise Funds			
	Water and Sewer	Airport	Civic Center	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 978,754	\$ 333,171	\$ -	\$ 1,311,925
Investments	3,547,663	-	198,355	3,746,018
Accounts receivable (net)	440,305	-	430	440,735
Restricted cash	170,596	-	-	170,596
Total current assets	<u>5,137,318</u>	<u>333,171</u>	<u>198,785</u>	<u>5,669,274</u>
Noncurrent assets:				
Capital assets (net)	53,722,325	9,205,342	1,035,081	63,962,748
Total noncurrent assets	<u>53,722,325</u>	<u>9,205,342</u>	<u>1,035,081</u>	<u>63,962,748</u>
Total assets	<u>58,859,643</u>	<u>9,538,513</u>	<u>1,233,866</u>	<u>69,632,022</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	344,246	36,265	57,002	437,513
Total deferred outflows of resources	<u>344,246</u>	<u>36,265</u>	<u>57,002</u>	<u>437,513</u>
<b>LIABILITIES</b>				
Current liabilities:				
Trade payables	450,475	5,267	16,675	472,417
Overdrawn cash	-	-	152,020	152,020
Accrued payroll and related expenses	22,682	2,122	-	24,804
Other Liabilities	18,846	-	3,538	22,384
Accrued interest	8,739	-	173	8,912
Compensated absences - current	19,577	14,049	674	34,300
Capital lease payable - current	12,096	-	-	12,096
Bonds and notes payable - current	1,345,000	-	-	1,345,000
Restricted liabilities:				
Restricted deposits	168,595	-	-	168,595
Total current liabilities	<u>2,046,010</u>	<u>21,438</u>	<u>173,080</u>	<u>2,240,528</u>
Noncurrent liabilities:				
Capital lease payable - long term	11,249	-	-	11,249
Bonds and notes payable - long term	21,987,430	-	-	21,987,430
Compensated absences - long term	84,870	13,604	10,132	108,606
Net OPEB obligation	187,084	25,793	5,314	218,191
Net pension liability	838,127	79,207	174,836	1,092,170
Total noncurrent liabilities	<u>23,108,760</u>	<u>118,604</u>	<u>190,282</u>	<u>23,417,646</u>
Total liabilities	<u>25,154,770</u>	<u>140,042</u>	<u>363,362</u>	<u>25,658,174</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	320,328	32,510	44,587	397,425
Total deferred inflows of resources	<u>320,328</u>	<u>32,510</u>	<u>44,587</u>	<u>397,425</u>
<b>NET POSITION</b>				
Net investment in capital assets	30,357,811	9,205,342	1,035,081	40,598,234
Restricted	170,596	-	-	170,596
Unrestricted	3,200,384	196,884	(152,162)	3,245,106
Total net position	<u>\$ 33,728,791</u>	<u>\$ 9,402,226</u>	<u>\$ 882,919</u>	<u>\$ 44,013,936</u>

See accompanying notes to financial statements.



**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Enterprise Funds			
	Water and Sewer	Airport	Civic Center	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 11,202,061	\$ 805,365	\$ 77,222	\$ 12,084,648
Other operating revenue	143,533	26,972	46,406	216,911
Total operating revenues	<u>11,345,594</u>	<u>832,337</u>	<u>123,628</u>	<u>12,301,559</u>
<b>OPERATING EXPENSES</b>				
Operating expenses	7,499,309	855,506	397,261	8,752,076
Depreciation and amortization	2,045,415	555,164	73,282	2,673,861
Total operating expenses	<u>9,544,724</u>	<u>1,410,670</u>	<u>470,543</u>	<u>11,425,937</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,800,870</u>	<u>(578,333)</u>	<u>(346,915)</u>	<u>875,622</u>
<b>NONOPERATING REVENUES:</b>				
Miscellaneous revenue	-	164,636	-	164,636
Investment earnings	61,016	-	3,507	64,523
Gain on sale of assets	12,622	2,303	-	14,925
Total nonoperating revenues	<u>73,638</u>	<u>166,939</u>	<u>3,507</u>	<u>244,084</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,874,508</u>	<u>(411,394)</u>	<u>(343,408)</u>	<u>1,119,706</u>
Transfers in	-	-	311,598	311,598
Transfers out	(1,281,493)	-	-	(1,281,493)
Change in net position	593,015	(411,394)	(31,810)	149,811
Total net position, beginning	32,833,599	9,780,991	864,482	43,479,072
Prior period adjustment (Note 11)	302,177	32,629	50,247	385,053
Total net position, ending as restated	<u>\$ 33,728,791</u>	<u>\$ 9,402,226</u>	<u>\$ 882,919</u>	<u>\$ 44,013,936</u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Enterprise Funds			
	Water and Sewer	Airport	Civic Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 11,346,915	\$ 834,640	\$ 127,166	\$ 12,308,721
Cash payments to suppliers for goods and services	(5,251,040)	(653,508)	29,959	(5,874,589)
Cash payments to employees for services	(2,143,375)	(196,216)	(287,642)	(2,627,233)
Net cash provided by (used in) operating activities	<u>3,952,500</u>	<u>(15,084)</u>	<u>(130,517)</u>	<u>3,806,899</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous nonoperating income	-	164,636	-	164,636
Operating transfers out to other funds	(337,128)	-	-	(337,128)
Operating transfers in from other funds	-	-	311,598	311,598
Net cash provided by (used in) noncapital financing activities	<u>(337,128)</u>	<u>164,636</u>	<u>311,598</u>	<u>139,106</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital transfers out to other funds	(944,365)	-	-	(944,365)
Proceeds from sale of capital assets	12,622	-	-	12,622
Acquisition and construction of capital assets	(1,661,698)	(18,743)	(126,611)	(1,807,052)
Payments on capital lease obligations	(11,915)	-	-	(11,915)
Principal paid on general obligation bonds	(1,353,529)	-	-	(1,353,529)
Interest and fiscal charges on debt	(5,912)	-	-	(5,912)
Net cash provided by (used in) capital and related financing activities	<u>(3,964,797)</u>	<u>(18,743)</u>	<u>(126,611)</u>	<u>(4,110,151)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(3,547,663)	-	(198,355)	(3,746,018)
Interest on investments	61,016	-	3,507	64,523
Net cash provided by (used in) investing activities	<u>(3,486,647)</u>	<u>-</u>	<u>(194,848)</u>	<u>(3,681,495)</u>
Net increase (decrease) in cash and cash equivalents	(3,836,072)	130,809	(140,378)	(3,845,641)
Cash and cash equivalents, beginning	<u>4,985,422</u>	<u>202,362</u>	<u>140,378</u>	<u>5,328,162</u>
Cash and cash equivalents, ending	<u>\$ 1,149,350</u>	<u>\$ 333,171</u>	<u>\$ 0</u>	<u>\$ 1,482,521</u>

See accompanying notes to financial statements.

**CITY OF MOUNT PLEASANT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**CONTINUED**

	Enterprise Funds			
	Water and Sewer	Airport	Civic Center	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>				
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,800,870	\$ (578,333)	\$ (346,915)	\$ 875,622
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,045,415	555,164	73,282	2,673,861
Gain on sale of capital assets	-	2,303	-	2,303
Change in assets and liabilities:				
Decrease (increase) in assets:				
Receivables	1,321	-	-	1,321
Deferred outflows	67,711	7,007	8,681	83,399
Increase (decrease) in liabilities:				
Accounts payable	91,539	(2,571)	142,717	231,685
Accrued payroll	2,576	264	(3,281)	(441)
Accrued expenses	3,964	-	-	3,964
Due to other funds	-	-	3,538	3,538
Customer deposits	3,385	-	-	3,385
Compensated absences	3,541	8,117	(97)	11,561
Other post employment benefits	19,624	2,015	(47,479)	(25,840)
Net pension liability	(366,522)	(37,931)	3,258	(401,195)
Deferred inflows	279,076	28,881	35,779	343,736
Total adjustments	<u>2,151,630</u>	<u>563,249</u>	<u>216,398</u>	<u>2,931,277</u>
Net cash provided by (used in) operating activities	<u>\$ 3,952,500</u>	<u>\$ (15,084)</u>	<u>\$ (130,517)</u>	<u>\$ 3,806,899</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>				
Current assets:				
Cash and cash equivalents	\$ 978,754	\$ 333,171	\$ -	\$ 1,311,925
Restricted assets - cash and cash equivalents	170,596	-	-	170,596
Total cash and cash equivalents	<u>\$ 1,149,350</u>	<u>\$ 333,171</u>	<u>\$ -</u>	<u>\$ 1,482,521</u>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Mount Pleasant, Texas have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The significant accounting policies of the City are as follows:

**Reporting Entity**

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 an elected 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 accompanying financial statements present the City and its discretely presented component unit, Mount Pleasant Industrial Development Corporation. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it as legally separate from the government.

For financial reporting purposes, the City's basic financial statements include all financial activities that are controlled by, or are dependent upon, actions taken by City Council. The component unit has a September 30 year end.

**Discretely Presented Component Units**

The financial statements of the following component units have been discretely presented in the accompanying report because the City is considered to be financially accountable.

**Mount Pleasant Industrial Development Corporation**

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.

**Payments Between the City and Component Unit**

Resource flows between a primary government and its discretely presented component unit is reported as external transactions – that is, as revenue and expenses.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effects of the interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally-separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (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 segment. 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 program; and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**  
**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are reported in a single column in the basic fund financial statements. A combining statement is presented after the notes with detail information for each fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 legal claims and judgments, are recorded only when payment is due.

Property taxes, franchise and sales tax revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial positions and changes in cash flows. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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 City's enterprise funds are charges to customers for sales, services, and use of facilities. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement or some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

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

The **Construction Bond Fund** accounts for any construction related to governmental activities.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)  
Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

The City reports the following major enterprise funds:

The **Water and Sewer Fund** accounts for the operation of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the Fund's self-sustainability.

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

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**Cash, Cash Equivalents and Investments**

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

The majority of the City's cash and investments are administered using a pooled concept, which combines monies of various funds (except for certain restricted assets) in order to maximize 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. These pooled cash and investment accounts are presented in accordance with GASB Statement No 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. Consistent with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 1 to the financial statements.

**Restricted Assets**

Restricted assets are assets whose use is subject to constraints 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.

The balances of the restricted asset accounts at September 30, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Municipal court use	\$ 185,934	\$ -
Debt service/bond reserves		2,341
Special revenue purposes	524,576	-
Customer deposits	-	168,255
Total restricted assets	<u>\$ 710,510</u>	<u>\$ 170,596</u>

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

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded using the consumption method.

**Capital Assets**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost.

Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	30-45
Buildings	45
Building improvements	15-20
Vehicles	6
Office equipment	5-10
Computer equipment	5-7

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of deferred outflows, which arise only under the accrual basis of accounting. Deferred outflows related to pensions and other post-employment benefits (OPEB), are reported only in the government-wide and proprietary statements of net position. These amounts are deferred and amortized over the actuarial determined recognition period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows. Unavailable revenue, which only arises on a modified accrual basis of accounting, is comprised of property taxes and is reported only in the governmental funds balance sheet. This amounts is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows related to pensions, in the government-wide and proprietary statements of net position, represent actuarial gains (losses) that are deferred and amortized over the actuarial determined recognition period.

**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. At September 30, 2018, the liability for unpaid leave was \$833,940, of which \$691,033 is reported in the governmental activities and \$142,907 in the business-type activities.



**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Pensions**

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

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.

**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 31. 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 the 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, 2017, the City had a tax rate of \$0.3437 per \$100 assessed valuation based upon the maximum rates described above.

**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.

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Fund Balances**

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned.

- **Nonspendable fund balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventories or prepaid amounts) or legally required to remain intact.
- **Restricted fund balance** – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation (such as municipal court fines).
- **Committed fund balance** – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same action previously used to commit those amounts, an ordinance. Commitments are typically done through adoption and amendment of the budget.
- **Assigned fund balance** – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.
- **Unassigned fund balance** – represents the residual classification for the general fund or deficit fund balances in other funds.

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

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 2018, the City is in compliance with this minimum fund balance policy.

**Net position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

**Interfund Transactions**

During the course of operations, numerous transactions occur between individual funds for goods provided and services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables and payables are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds."

In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services for which the elimination would distort the direct costs and program revenues of the various functions reported.

**Use of Estimates**

Preparing the City's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**New Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves accounting and reporting by enhancing the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, which improves accounting and financial reporting by clarifying which liabilities governments should include in their note disclosures related to debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reported period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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 17 and informational budgets are presented in the supplementary information section.

Total expenditures were in excess of appropriations by \$94,898 in the General Fund for the year ended September 30, 2018. City management exceeded its budgetary authority during the year by not requesting additional appropriations (i.e. budget amendments) from City Council. However, the overall performance to budget for the General Fund was positive because revenues exceeded budget as well, thereby covering the expenditure overages, resulting in an overall performance of \$170,608 better than budgeted.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)**

**Budgetary Information**

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.

**III. DETAILED NOTES ON ALL FUNDS**

**NOTE 1: 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 and investments as of September 30, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and equivalents	\$ 2,203,100
Restricted cash and equivalents	881,106
Investments	<u>15,053,025</u>
Total primary government	<u>18,137,231</u>

Component Units*	
Cash and equivalents	1,359,779
Investments	<u>2,749,564</u>
Total component units	<u>4,109,343</u>

Total cash and investments	<u><u>\$ 22,246,574</u></u>
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\*Component units include the discretely presented component unit IDC.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1: DEPOSITS AND INVESTMENTS (Cont'd)**

***Custodial Credit Risk***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, the City and its component units' deposits were covered by Federal Depository Insurance or by collateral held by a third party custodian.

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with the Texas Local Government Investment Pool ("TexPool") and LOGIC Investments.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

LOGIC Investments 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.

***Credit Risk***

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for both TexPool and LOGIC at year end was AAAM by Standard & Poor's.

***Interest Rate Risk***

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The maximum allowable maturity for operating funds is five years. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

***Foreign Currency Risk***

This is the risk that exchange rates will adversely affect the fair value of an investment. The government is not exposed to foreign currency risk.

***Concentration of Credit Risk***

This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The government is not exposed to concentration of credit risk.

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1: DEPOSITS AND INVESTMENTS (Cont'd)**  
**Concentration of Credit Risk (Cont'd)**

At year end, the government's investment balances were as follows:

	Fair Value	Weighted Average Maturity (Years)
Primary government		
TexPool	\$ 2,720,956	0.08
LOGIC	12,332,069	0.09
Total primary government	15,053,025	
Component units:		
TexPool	1,454,680	0.08
LOGIC	1,294,884	0.09
Total component units	2,749,564	
Total Reporting Entity	\$ 17,802,589	

The investments of the City are in compliance with the Council's investment policies and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

A summary of the City's investments under the requirements of the fair value hierarchy follows:

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Primary Government:</b>				
Texas Government Investment Pool	-	15,053,025	-	15,053,025
Total	\$ -	\$ 15,053,025	\$ -	\$ 15,053,025
	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Component units:</b>				
Texas Government Investment Pool	-	2,749,564	-	2,749,564
Total	\$ -	\$ 2,749,564	\$ -	\$ 2,749,564

Texas government investment pool categorized as Level 2 is valued based on amortized costs, which generally approximates fair value.

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2: RECEIVABLES**

Receivables at September 30, 2018 for the government's individual major funds and non-major in the aggregate, including the applicable allowance for uncollectible accounts, consist of the following:

Taxes and Accounts Receivable	General Fund	Other Governmental	Utility Fund	Civic Fund	Total
Taxes	912,686	\$ 37,148	\$ -	\$ -	\$ 949,834
Accounts	2,335,715	-	592,461	430	2,928,606
Gross receivables	3,248,401	37,148	592,461	430	3,878,440
Less: allowance for uncollectibles	(2,128,027)	-	(152,156)	-	(2,280,183)
Total taxes and accounts receivable (net)	<u>\$ 1,120,374</u>	<u>\$ 37,148</u>	<u>\$ 440,305</u>	<u>\$ 430</u>	<u>\$ 1,598,257</u>

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,575,678	\$ -	\$ -	\$ 1,575,678
Construction in progress	1,633,195 *	3,078,617	(2,338,910)	2,372,902
Total capital assets, not being depreciated	3,208,873	3,078,617	(2,338,910)	3,948,580
Capital assets, being depreciated:				
Buildings	7,941,151	67,250	-	8,008,401
Improvements	7,155,464	2,521,063	-	9,676,527
Infrastructure	28,439,904 *	409,798	-	28,849,702
Machinery	4,493,873 *	304,119	(28,240)	4,769,752
Vehicles	3,176,193 *	123,423	(81,930)	3,217,686
Total capital assets being depreciated	51,206,585	3,425,653	(110,170)	54,522,068
Less accumulated depreciation for:				
Buildings	(2,433,873) *	(212,031)	-	(2,645,904)
Improvements	(4,514,472) *	(373,502)	-	(4,887,974)
Infrastructure	(11,643,659) *	(538,269)	-	(12,181,928)
Machinery	(3,539,240)	(330,060)	28,240	(3,841,060)
Vehicles	(2,487,567) *	(194,972)	81,930	(2,600,609)
Total accumulated depreciation	(24,618,811)	(1,648,834)	110,170	(26,157,475)
Total capital assets, being depreciated, net	26,587,774	1,776,819	-	28,364,593
Governmental activities capital assets, net	<u>\$ 29,796,647</u>	<u>\$ 4,855,436</u>	<u>\$ (2,338,910)</u>	<u>\$ 32,313,173</u>

\* These amounts have been adjusted for the prior period adjustment discussed in Note 11.



**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3: CAPITAL ASSETS (Cont'd)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,779,228	\$ -	\$ -	\$ 8,779,228
Construction in progress	253,925	1,214,744	(1,274,518)	194,151
Total capital assets, not being depreciated	<u>9,033,153</u>	<u>1,214,744</u>	<u>(1,274,518)</u>	<u>8,973,379</u>
Capital assets, being depreciated:				
Buildings	33,343,990	67,250		33,411,240
Improvements	17,895,446	350,780		18,246,226
Infrastructure	28,812,460	896,954		29,709,414
Machinery	8,146,888	360,694	(10,820)	8,496,762
Vehicles	1,111,325	191,148	(73,386)	1,229,087
Total capital assets being depreciated	<u>89,310,109</u>	<u>1,866,826</u>	<u>(84,206)</u>	<u>91,092,729</u>
Less accumulated depreciation for:				
Buildings	(9,373,516)	(723,373)		(10,096,889)
Improvements	(6,577,612)	(846,165)		(7,423,777)
Infrastructure	(10,964,860)	(536,301)		(11,501,161)
Machinery	(5,667,515)	(464,490)	10,820	(6,121,185)
Vehicles	(930,202)	(103,532)	73,386	(960,348)
Total accumulated depreciation	<u>(33,513,705)</u>	<u>(2,673,861)</u>	<u>84,206</u>	<u>(36,103,360)</u>
Total capital assets, being depreciated, net	<u>55,796,404</u>	<u>(807,035)</u>	<u>-</u>	<u>54,989,369</u>
Business-type activities capital assets, net	<u>\$ 64,829,557</u>	<u>\$ 407,709</u>	<u>\$ (1,274,518)</u>	<u>\$ 63,962,748</u>

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

Governmental activities:	
General government	\$ 421,277
Public safety	462,168
Public works	677,341
Public service	18,962
Culture and recreation	69,086
Total depreciation expense - governmental activities	<u>\$ 1,648,834</u>
Business-type activities:	
Water and sewer	\$ 2,045,415
Airport	555,164
Civic Center	73,282
Total depreciation expense - business-type activities	<u>\$ 2,673,861</u>



**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3: CAPITAL ASSETS (Cont'd)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Mount Pleasant Industrial Development Corporation</b>				
Capital assets, not being depreciated:				
Land	\$ 1,628,156	\$ -	\$ -	\$ 1,628,156
Construction in progress	375,878 *	-	-	375,878
Total capital assets, not being depreciated	<u>2,004,034</u>	<u>-</u>	<u>-</u>	<u>2,004,034</u>
Capital assets, being depreciated:				
Buildings	1,632,316	-	-	1,632,316
Improvements	1,718,691	-	-	1,718,691
Infrastructure	2,499,327	-	-	2,499,327
Total capital assets being depreciated	<u>5,850,334</u>	<u>-</u>	<u>-</u>	<u>5,850,334</u>
Less accumulated depreciation for:				
Buildings	(77,570)	(31,450)	-	(109,020)
Improvements	(824,977)	(112,796)	-	(937,773)
Infrastructure	(540,513)	(53,071)	-	(593,584)
Total accumulated depreciation	<u>(1,443,060)</u>	<u>(197,317)</u>	<u>-</u>	<u>(1,640,377)</u>
Total capital assets, being depreciated, net	4,407,274	(197,317)	-	4,209,957
Mount Pleasant Industrial Development Corp				
Corporation capital assets, net	<u>\$ 6,411,308</u>	<u>\$ (197,317)</u>	<u>\$ -</u>	<u>\$ 6,213,991</u>

\* These amounts have been adjusted for the prior period adjustment discuss in Note 11.

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

Economic Development	\$ 197,317
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**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 4: LONG TERM DEBT**

**Governmental Activities:**

A summary of long-term debt and transactions, including the current portion, for the year ended September 30, 2018 is as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due Within One Year
General obligation and certificates of obligation	\$ 9,415,000	\$ 8,440,000	\$ (490,000)	\$ 17,365,000	\$ 540,000
Net bond premiums (discounts)	94,588	764,930	(74,950)	784,568	82,999
Total bonds payable	9,509,588	9,204,930	(564,950)	18,149,568	622,999
Capital lease obligation	35,260	-	(11,916)	23,344	12,096
Compensated absences	608,771	82,262	-	691,033	56,348
Other post employment benefit obligation	852,991 *	78,476	-	931,467	-
Net pension liability	4,759,472	2,800,498	(4,304,449)	3,255,521	-
Total governmental activities	<u>\$ 15,766,082</u>	<u>\$ 12,166,166</u>	<u>\$ (4,881,315)</u>	<u>\$ 23,050,933</u>	<u>\$ 691,443</u>

\* Includes prior period adjustment of \$796,631 (Note 11)

The compensated absences liability, the other post-employment benefit obligation, and the net pension liability are liquidated primarily by the General Fund, but other governmental funds liquidate a pro rata portion of the liabilities based on the employees/retirees in those respective cost centers.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2019	\$ 540,000	685,608
2020	700,000	540,775
2021	730,000	524,775
2022	760,000	507,975
2023	790,000	490,325
2024-2028	4,485,000	2,112,185
2029-2033	5,125,000	1,359,745
2034-2038	4,235,000	521,600
Total	<u>\$ 17,365,000</u>	<u>\$ 6,742,988</u>

Long-term debt at September 30, 2018, includes the following individual issues (not including unamortized premiums of \$784,568).

**General Long-Term Debt:**

	Interest Rates	Original Issue	Net Retirement	Outstanding September 30, 2018
<b>General Obligation and Certificates of Obligation Bonds:</b>				
2010 Certificate of Obligation	2% - 3.75%	\$ 4,500,000	\$ (955,000)	\$ 3,545,000
2016 GO Refunding Bond	2% - 2.75%	7,115,000	(1,735,000)	5,380,000
2017 Combo Tax & Revenue CO	3.92% - 4%	8,440,000	-	8,440,000
Total GO and CO Bonds		<u>\$ 20,055,000</u>	<u>\$ (2,690,000)</u>	<u>\$ 17,365,000</u>

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 4: LONG TERM DEBT (Cont'd)**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The City intends to retire all of its general long-term liabilities, plus interest, from ad valorem taxes and current revenues.

**Business-Type Activities:**

A summary of long-term debt and transactions, including the current portion, for the year ended September 30, 2018 is as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due Within One Year
Revenue Bonds	\$ 21,625,000	\$ -	\$ (650,000)	\$ 20,975,000	\$ 670,000
GO Refunding Bonds	3,080,000	-	(670,000)	2,410,000	675,000
Net bond premiums (discounts)	(59,141)	-	6,571	(52,570)	6,571
Total bonds payable	24,645,859	-	(1,313,429)	23,332,430	1,351,571
Capital lease obligation	35,260	-	(11,917)	23,343	12,096
Compensated absences	131,345	11,562	-	142,907	34,300
Other post employment benefit obligation	193,783 *	24,410	-	218,193	-
Net pension liability	1,543,613	840,629	(1,292,072)	1,092,170	-
Total business-type activities	<u>\$ 26,549,860</u>	<u>\$ 876,601</u>	<u>\$ (2,617,418)</u>	<u>\$ 24,809,043</u>	<u>\$ 1,397,967</u>

\* Includes prior period adjustment of \$425,153 (Note 11)

The compensated absences liability, the other post-employment benefit obligation, and the net pension liability are liquidated primarily by the Utility Fund, but other proprietary funds liquidate a pro rata portion of the liabilities based on the employees/retirees in those respective cost centers.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2019	\$ 1,345,000	\$ 244,719
2020	1,395,000	225,011
2021	1,405,000	209,369
2022	1,420,000	193,685
2023	1,435,000	177,880
2024-2028	7,465,000	646,647
2029-2033	8,920,000	224,750
Total	<u>\$ 23,385,000</u>	<u>\$ 1,922,061</u>

**CITY OF MOUNT PLEASANT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 4: LONG TERM DEBT (Cont'd)**

**Business-Type Activities (Cont'd)**

Long-term debt at September 30, 2018, includes the following individual issues (not including unamortized discount of \$52,570).

**Water Utilities Debt:**

	Interest Rates	Original Issue	Net Retirement	Outstanding September 30, 2018
<b>Revenue and Refunding Bonds</b>				
2008 Utility Revenue Bond	1.00%	\$ 22,905,000	\$ (1,930,000)	\$ 20,975,000
2016 Refunding Bond	1.59%	3,575,000	(1,165,000)	2,410,000
Total Revenue and Refunding Bonds		<u>\$ 26,480,000</u>	<u>\$ (3,095,000)</u>	<u>\$ 23,385,000</u>

**Discretely presented component unit:**

A summary of long-term debt and transactions, including the current portion, for the year ended September 30, 2018 is as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due Within One Year
IDC Taxable	\$ 813,985	\$ -	\$ (84,254)	\$ 729,731	\$ 88,741
IDC Nontaxable	1,378,667	-	(147,663)	1,231,004	158,475
Total notes payable	2,192,652	-	(231,917)	1,960,735	247,216
Compensated absences	22,243	-	(17,965)	4,278	-
Other post employment benefit obligation	16,177 *	1,797	-	17,974	-
Net pension liability	128,634	53,949	(82,920)	99,663	-
Total component unit	<u>\$ 2,359,706</u>	<u>\$ 55,746</u>	<u>\$ (332,802)</u>	<u>\$ 2,082,650</u>	<u>\$ 247,216</u>

\* Includes prior period adjustment of \$35,603 (Note 11)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Mt Pleasant IDC	
	Principal	Interest
2019	\$ 247,216	\$ 75,254
2020	257,415	65,055
2021	268,055	54,415
2022	279,155	43,315
2023	290,737	31,733
2024-2028	618,157	26,783
Total	<u>\$ 1,960,735</u>	<u>\$ 296,555</u>

Long-term debt at September 30, 2018, includes the following individual issues:

**Component Unit Debt:**

	Interest Rates	Original Issue	Net Retirement	Outstanding September 30, 2018
2012 IDC Taxable	5.20%	\$ 1,175,500	\$ (445,769)	\$ 729,731
2012 IDC Nontaxable	3.40%	2,076,635	(845,631)	1,231,004
Total Outstanding Debt		<u>\$ 3,252,135</u>	<u>\$ (1,291,400)</u>	<u>\$ 1,960,735</u>

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 4: LONG TERM DEBT (Cont'd)**

**Capital Leases**

The City entered into two capital lease agreements for copiers in August 2015 in the amount of \$59,520 each. The leases will be repaid over five years at an interest rate of 1.5%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 are as follows:

The outstanding leases at September 30, 2018 are as follows:

Year Ending September 30	Governmental Activities	Business-type Activities
2019	\$ 12,096	\$ 12,096
2020	11,248	11,247
Total minimum lease payments	23,344	23,343
Less: amount representing interest	(352)	(351)
Present value of minimum lease payment:	<u>\$ 22,992</u>	<u>\$ 22,992</u>

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS**

**Texas Municipal Retirement System**

***Plan Description***

The City of Mount Pleasant participates as one of 833 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

***Benefits provided***

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

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

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7% City	7% City
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI	70% of CPI

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	93
Inactive employees entitled to but not yet receiving benefits	93
Active employees	162
	348

***Contributions***

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.66% and 14.85% in calendar years 2017 and 2016, respectively. The City's total contributions to TMRS for the year ended December 31, 2017, were \$1,252,189, and were equal to the required contributions.

***Net Pension Liability***

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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 Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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 FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Texas Municipal Retirement System (Cont'd)**

***Net Pension Liability*** Cont'd

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return 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	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

***Discount Rate***

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

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Texas Municipal Retirement System (Cont'd)**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/16	\$ 34,602,314	\$ 28,170,595	\$ 6,431,719
Changes for the year:			
Service cost	1,329,605	-	1,329,605
Interest	2,344,212	-	2,344,212
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(25,061)	-	(25,061)
Changes of assumptions	-	-	-
Contributions - employer	-	1,202,940	(1,202,940)
Contributions - employee	-	543,965	(543,965)
Net investment income	-	3,907,476	(3,907,476)
Benefit payments, including refunds of employee contributions	(1,076,107)	(1,076,107)	-
Administrative expense	-	(20,234)	20,234
Other changes	-	(1,025)	1,025
Net changes	2,572,649	4,557,015	(1,984,366)
<b>Balance at 12/31/17</b>	<b>\$ 37,174,963</b>	<b>\$ 32,727,610</b>	<b>\$ 4,447,353</b>

***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 6.75%, 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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 10,203,096	\$ 4,447,354	\$ (215,029)

***Pension Plan Fiduciary Net Position***

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



**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

***Pension expense and deferred outflows and inflows of resources related to pensions***

For the year ended September 30, 2018, the city recognized pension expense of \$1,173,378.

At September 30, 2018, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 48,694
Difference between projected and actual investment earnings	753,096
Contributions subsequent to the measurement date	961,206
Total	\$ 1,762,996

\$961,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2018	\$	443,872
2019		358,478
2020		(560)
2021		-
2022		-

At September 30, 2018, the city reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Difference in projected and actual economic experience	\$ (127,823)
Difference in projected and actual earnings on pension plan investments	(1,606,449)
	\$ (1,734,272)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2018	\$	(494,511)
2019		(429,040)
2020		(407,743)
2021		(402,778)
2022		-

**Firemen'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 qualification for benefits, a retiree is entitled to receive \$300 per year (beneficiaries receive \$200 annually). Currently, there are three retirees and one beneficiary receiving this benefit from the State Firemen's Pension Fund. This fund expensed \$1,100 in the current fiscal year for retirement benefits.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Other Post-Employment Benefits (OPEB) – TMRS Supplemental Death Benefits Fund**

***Plan Description***

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

The following notes include the City’s total OPEB which is recorded on the City’s financial statements because the City is ultimately responsible for the liability.

***Benefits provided***

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of \$7,500.

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	23
Active employees	162
	239

***Contributions***

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2018 and 0.18% for 2017, of which 0.05% and 0.05%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees’ entire careers. The City’s retiree-only portion of contributions to the SDBF for the years ended September 30, 2018 and 2017 were \$14,736 and \$12,838, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Other Post-Employment Benefits (OPEB) – TMRS Supplemental Death Benefits Fund**

***Total OPEB Liability***

The City's total OPEB liability was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

**Summary of Actuarial Assumptions:**

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

***Changes in Total OPEB Liability***

	<b>Increase (Decrease) Total OPEB Liability (a)</b>
Balance at 12/31/16	\$ 337,633
Changes for the year:	
Service cost	14,765
Interest	12,968
Changes of benefit terms	-
Changes of assumptions	33,349
Benefit payments	(3,885)
Net changes	57,197
Balance at 12/31/17	<b>\$ 394,830</b>

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Other Post-Employment Benefits (OPEB) – TMRS Supplemental Death Benefits Fund**

***Sensitivity of the Total OPEB Liability to changes in the discount rate***

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.21%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB liability	\$ 481,808	\$ 394,830	\$ 328,417

***OPEB expense and deferred outflows of resources related to OPEB***

For the year ended September 30, 2018, the city recognized OPEB expense of \$33,043.

At September 30, 2018, the city reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in actuarial assumptions	\$ 28,039
Contributions subsequent to the measurement date	11,353
	\$ 39,392

\$11,353 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2018	\$ 5,310
2019	5,310
2020	5,310
2021	5,310
2022	5,310
Thereafter	1,489

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Other Post-Employment Benefits (OPEB) – Health Insurance**

***Plan Description***

The City offers a single-employer OPEB plan. For eligible retirees (age 60 to 65 with service), the City provides a flat subsidy per month, based on the premium of the High Deductible Health Plan (HDHP) of the current fiscal year. For the year ending September 30, 2018, the monthly subsidy was equal to \$411.

***Employees covered by benefit term***

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	152
	154
	154

***Total OPEB Liability***

The City's Total OPEB Liability (TOL) was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018.

***Actuarial assumption***

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Plan year 2018	
Inflation	3.00% per annum
Discount rate	4.06%
Actuarial method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Healthcare cost trend rates	5.00%
Mortality table	RPH-2014 Total Table with Projection MP-2018

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of experience and demographics for that twelve month period.

***Discount rate***

The discount rate used to measure the TOL was 4.06%. The discount rate used to determine the plan liabilities for retiree healthcare benefits is required to be based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate.

***Sensitivity of the net OPEB liability to changes in the discount rate***

The following table presents the sensitivity of the TOL to changes in the discount rate and the healthcare trend rate when calculating it at 1-percentage-point-lower and 1-percentage-point-higher.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)**

**Other Post-Employment Benefits (OPEB) – Health Insurance (Cont'd)**

*Sensitivity of the net OPEB liability to changes in the discount rate (Cont'd)*

	1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's Total OPEB liability	\$ 848,487	\$ 772,804	\$ 705,351
	1% Decrease in Healthcare Cost Trent (4.00%)	Healthcare Cost Trent (5.00%)	1% Increase in Healthcare Cost Trent (6.00%)
City's Total OPEB liability	\$ 693,082	\$ 772,804	\$ 867,459

*Changes in Total OPEB Liability*

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
	<b>(a)</b>
Balance at 09/30/2017	\$ 724,703
Changes for the year:	
Service cost	54,440
Interest	30,878
Benefit payments	(37,219)
Net changes	48,099
Balance at 9/30/2018	<b>\$ 772,802</b>

***OPEB expense and deferred outflows and inflows of resources related to OPEB***

For the year ended September 30, 2018, the City recognized OPEB expense of \$85,318. At September 30, 2018, the City had no deferred inflows of resources related to OPEB.

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6: INTERFUND TRANSACTIONS**

Transfers between funds during the year were as follows:

Transfers Out:	Transfers In				Total
	Governmental			Enterprise	
	General Fund	Streets Fund	Non-Major Governmental Funds	Civic Fund	
General Fund	\$ -	\$ -	\$ 101,100	\$ -	\$ 101,100
Street Fund	158,003	-	100,000	-	258,003
Non-Major Governmental Funds	5,000	-	-	311,598	316,598
Utility Fund	337,128	844,365	100,000	-	1,281,493
Total	<u>\$ 500,131</u>	<u>\$ 844,365</u>	<u>\$ 301,100</u>	<u>\$ 311,598</u>	<u>\$ 1,957,194</u>

Significant transfers are related to funding capital projects during the year, transferring hotel/motel tax funds to the civic center, and transferring funds for debt service payments.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Grant Audits**

The City received federal and state grants for special purposes that are subjected to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

**Construction Commitments**

The City has active construction projects as of September 30, 2018. The City's commitments with contractors are as follows:

Governmental Projects		
Project	Spent-to-Date	Estimated Remaining Commitment
Animal Shelter	\$ 575,380	\$ 1,375,620
New Sports Complex	510,841	6,768,355
Police Radios	749,496	90,595
	<u>\$ 1,835,717</u>	<u>\$ 8,234,570</u>

Enterprise Projects		
Project	Spent-to-Date	Estimated Remaining Commitment
Silver Creek Lift Station	118,085	109,037
	<u>\$ 118,085</u>	<u>\$ 109,037</u>

**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8: RISK MANAGEMENT**

**Group Health**

During the year ended September 30, 2018, employees of the City were covered by a health and dental insurance plan. The City contributed \$411 per month per employee for employee coverage, plus a \$100 monthly Health Savings Account contribution, and \$333 (50% of the cost) for dependent's health insurance. In addition, 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.

**General Liability**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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 the 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 year. The City has renewed all coverage and policies for fiscal year 2017-2018.

**Worker's Compensation**

All City employees are covered by a risk pool workmen's compensation insurance program. The City pays certain administrative fees to an independent insurance intermediary who administers the program and processes all claims. Any valid claims are paid by the City and charged as current operating expenditures. Any potential future claims cannot be determined and, as of September 30, 2018, the administrator had not reported any such claims to the City.

**NOTE 9: ADDITIONAL WATER AND SEWER INFORMATION**

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

Gallons pumped	2,436,407,000
Gallons billed	2,323,855,744

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 \$487,922. This was a slight decrease in cost of water purchased of \$61,468, or 11%, from the previous year.

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE**

During the year, the City implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75, the City was required to record the net OPEB asset or liability and the related deferred inflows and outflows (see expanded disclosures in Note 5). Adoption of GASB 75 required a restatement of the beginning net position to report the effect retroactively. The restatements only affect the financial statements on the accrual basis of accounting, and therefore have decreased net position of the governmental and business-type activities as follows:

Governmental activities:	\$ 796,631
Business-type activities:	
Utility Fund	\$ 342,277
Airport Fund	32,629
Civic Center Fund	50,247
	\$ 425,153
Component Unit - IDC:	\$ 35,603



**CITY OF MOUNT PLEASANT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

The governmental activities and discretely presented component unit net assets as of September 30, 2017 have been restated for the correction of errors in recording capital assets and related depreciation in prior years as follows:

	Governmental Activities	Component Unit IDC
Adjust machinery & vehicles to actual per fixed asset records	\$ (5,060)	\$ -
Adjust infrastructure to actual based on fixed asset records	2,497,003	-
Record CIP not recorded in prior year	-	375,878
Adjust related accumulated depreciation to fixed asset	(1,494,038)	-
	\$ 997,905	\$ 375,878

Business-type activities, specifically the Utility Fund, was restated \$40,100 to properly reflect debt at September 31, 2017, which was subsequently paid off in 2018.

A prior period adjustment was made to the Debt Service Fund, an other non-major fund, to increase fund balance for accrued interest payable in the amount of \$145,663 that had been recorded in previous years. The Debt Service Fund is reported on the modified accrual basis of accounting; therefore accrued interest payable related to long term debt should not be recorded at the fund level.

**Reconciliation of Restatements:**

	Governmental Activities	Business-type Activities	Component Unit IDC
Change in Accounting Principle	\$ 796,631	\$ 425,153	\$ 35,603
Prior Period Adjustments	997,905	(40,100)	375,878
	\$ 1,794,536	\$ 385,053	\$ 411,481

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 24, 2019, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**CITY OF MOUNT PLEASANT, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**LAST 10 FISCAL YEARS\***

**(UNAUDITED)**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017
<b>Total Pension Liability</b>				
Service Cost	\$ 1,011,813	\$ 1,115,182	\$ 1,227,492	\$ 1,329,605
Interest (on the Total Pension Liability)	1,979,099	2,111,839	2,180,101	2,344,212
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(196,764)	(293,769)	(1,282)	(25,061)
Changes of Assumptions	-	160,204	-	-
Benefit Payments, Including Refunds of Employee Contributions	(833,264)	(1,065,821)	(976,083)	(1,076,107)
<b>Net Change in Total Pension Liability</b>	<u>1,960,884</u>	<u>2,027,635</u>	<u>2,430,228</u>	<u>2,572,649</u>
<b>Total Pension Liability - Beginning</b>	<u>28,183,567</u>	<u>30,144,451</u>	<u>32,172,086</u>	<u>34,602,314</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 30,144,451</u>	<u>\$ 32,172,086</u>	<u>\$ 34,602,314</u>	<u>\$ 37,174,963</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 1,056,491	\$ 1,058,856	\$ 1,094,829	\$ 1,202,940
Contributions - Employee	445,241	463,831	499,271	543,965
Net Investment Income	1,336,903	37,417	1,746,137	3,907,476
Benefit Payments, Including Refunds of Employee Contributions	(833,264)	(1,065,821)	(976,083)	(1,076,107)
Administrative Expense	(13,956)	(22,790)	(19,713)	(20,234)
Other	(1,147)	(1,126)	(1,062)	(1,025)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,990,268</u>	<u>470,367</u>	<u>2,343,379</u>	<u>4,557,015</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>23,366,581</u>	<u>25,356,849</u>	<u>25,827,216</u>	<u>28,170,595</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 25,356,849</u>	<u>\$ 25,827,216</u>	<u>\$ 28,170,595</u>	<u>\$ 32,727,610</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 4,787,602</u>	<u>\$ 6,344,870</u>	<u>\$ 6,431,719</u>	<u>\$ 4,447,353</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	84.12%	80.28%	81.41%	88.04%
<b>Covered Employee Payroll</b>	\$ 6,360,582	\$ 6,626,153	\$ 7,132,436	\$ 7,770,922
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	75.27%	95.75%	90.18%	57.23%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF MOUNT PLEASANT, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**

**LAST 10 FISCAL YEARS\***

**(UNAUDITED)**

	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018
Actuarially Determined Contribution	\$ 1,018,823	\$ 1,016,421	\$ 1,017,114	\$ 1,104,101	\$ 1,252,188
Contributions in relation to the actuarially determined contribution	1,018,823	1,016,421	1,017,114	1,104,101	1,252,188
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 6,133,792	\$ 6,360,582	\$ 6,626,153	\$ 7,132,436	\$ 8,186,857
Contributions as a percentage of covered employee payroll	16.61%	15.98%	15.35%	15.48%	15.30%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF MOUNT PLEASANT, TEXAS**

**REQUIRED SUPPLEMENTAL INFORMATION  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - HEALTH PLAN  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

**LAST 10 FISCAL YEARS\***

**(UNAUDITED)**

	<u>9/30/2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 54,440
Interest (on the Total OPEB Liability)	30,878
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(37,219)</u>
<b>Net Change in Total OPEB Liability</b>	48,099
<b>Total OPEB Liability - Beginning</b>	<u>724,703</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 772,802</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ -
Net Investment Income	-
Benefit Payments	-
Administrative Expense	-
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>-</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>-</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ -</u></u>
 <b>Net OPEB Liability - Ending (a) - (b)</b>	<u><u>\$ 772,802</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	0.00%
 <b>Covered Employee Payroll</b>	\$ 7,280,738
 <b>Net OPEB Liability as a Percentage of covered Employee Payroll</b>	10.61%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF MOUNT PLEASANT, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - HEALTH PLAN**  
**SCHEDULE OF CONTRIBUTIONS**

**LAST 10 FISCAL YEARS\***

**(UNAUDITED)**

	9/30/2018
Actuarially Determined Contribution	\$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 7,280,738
Contributions as a percentage of covered employee payroll	0.00%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** September 30, 2018

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Individual Entry Age Normal Cost Method
Inflation	3.00% per annum
Discount rate	4.06%
Healthcare cost trend rate	5.00%
Mortality	RPH-2014 Total Table with Projection MP-2018
Investment Rate of Return	N/A

**Other Information:**

Notes: There were no benefit changes during the year.

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF MOUNT PLEASANT, TEXAS**

**REQUIRED SUPPLEMENTAL INFORMATION  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
SUPPLEMENTAL DEATH BENEFIT PLAN**

**LAST 10 FISCAL YEARS\***

**(UNAUDITED)**

	12/31/2017
<b>Total OPEB Liability</b>	
Service Cost	\$ 14,765
Interest (on the Total OPEB Liability)	12,968
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	33,349
Benefit Payments, Including Refunds of Employee Contributions	(3,885)
<b>Net Change in Total OPEB Liability</b>	<b>57,197</b>
<b>Total OPEB Liability - Beginning</b>	<b>337,633</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 394,830</b>
 <b>Covered Employee Payroll</b>	 \$ 7,770,922
 <b>Net OPEB Liability as a Percentage of covered Employee Payroll</b>	 5.08%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

No assets are accumulated in a trust for the supplemental death benefits plan to pay related benefits that meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Summary of Actuarial Assumptions:**

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31 (Based on Fidelity Index's 20-year MunicipalGo AA Index)
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
 Mortality rates - service retirees	 RP2000 Combined Mortality Table with blue collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% Floor.

**COMBINING FUND FINANCIAL STATEMENTS**



**CITY OF MOUNT PLEASANT, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Funds	Rural Development Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 204,431	\$ -	\$ -	\$ 131,246	\$ -
Investments	452,373	-	-	-	156,233
Receivables (net of allowance for estimated uncollectible accounts):					
Taxes	-	-	-	-	-
Restricted cash	-	30,244	29,132	110,294	70,961
Total assets	<u>\$ 656,804</u>	<u>\$ 30,244</u>	<u>\$ 29,132</u>	<u>\$ 241,540</u>	<u>\$ 227,194</u>
<b>LIABILITIES</b>					
Trade payables	\$ -	\$ -	\$ 4,000	\$ 110,645	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>110,645</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
Community improvements	-	-	-	-	-
Hotel/motel	-	-	-	-	-
Development	-	-	-	-	227,194
Cemetery	-	-	25,132	-	-
Assigned to:					
Capital projects	656,804	-	-	-	-
Community improvements	-	-	-	-	-
Public safety	-	-	-	130,895	-
Library	-	-	-	-	-
Unassigned	-	30,244	-	-	-
Total fund balances	<u>656,804</u>	<u>30,244</u>	<u>25,132</u>	<u>130,895</u>	<u>227,194</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 656,804</u>	<u>\$ 30,244</u>	<u>\$ 29,132</u>	<u>\$ 241,540</u>	<u>\$ 227,194</u>

Hotel/Tourism Funds	Police Funds	Library Fund	Firemen's Relief Fund	Community Improvements	Peg Funds	Total Nonmajor Governmental Funds
\$ -	\$ 34,405	\$ 14,471	\$ -	\$ 387,859	\$ -	\$ 772,412
-	-	-	-	-	103,624	712,230
37,148	-	-	-	-	-	37,148
130,343	(7,809)	-	-	-	161,411	524,576
<u>\$ 167,491</u>	<u>\$ 26,596</u>	<u>\$ 14,471</u>	<u>\$ -</u>	<u>\$ 387,859</u>	<u>\$ 265,035</u>	<u>\$ 2,046,366</u>
\$ 40,211	\$ 949	\$ 5,275	\$ -	\$ 2,342	\$ -	\$ 163,422
<u>40,211</u>	<u>949</u>	<u>5,275</u>	<u>-</u>	<u>2,342</u>	<u>-</u>	<u>163,422</u>
-	-	-	-	-	161,411	161,411
127,280	-	-	-	-	-	127,280
-	-	-	-	-	-	227,194
-	-	-	-	-	-	25,132
-	-	-	-	-	-	656,804
-	-	-	-	385,517	103,624	489,141
-	25,647	-	-	-	-	156,542
-	-	9,196	-	-	-	9,196
-	-	-	-	-	-	30,244
<u>127,280</u>	<u>25,647</u>	<u>9,196</u>	<u>-</u>	<u>385,517</u>	<u>265,035</u>	<u>1,882,944</u>
<u>\$ 167,491</u>	<u>\$ 26,596</u>	<u>\$ 14,471</u>	<u>\$ -</u>	<u>\$ 387,859</u>	<u>\$ 265,035</u>	<u>\$ 2,046,366</u>

**CITY OF MOUNT PLEASANT, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ 280,236	\$ 23,656	\$ -
Hotel	-	-	-	-
Utility franchise fees	-	-	-	-
Donations	-	-	-	-
Intergovernmental	-	-	-	-
Interest on investments	7,438	1,444	-	2,188
Miscellaneous	-	5,084	11,346	203,924
Total revenues	<u>7,438</u>	<u>286,764</u>	<u>35,002</u>	<u>206,112</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	-	-	32,705	-
Public safety:				
Police	-	-	-	89,151
Fire	-	-	-	-
Culture and recreation:				
Library	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	160,000	-	-
Interest and fiscal charges	-	125,913	-	-
Total expenditures	<u>-</u>	<u>285,913</u>	<u>32,705</u>	<u>89,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,438</u>	<u>851</u>	<u>2,297</u>	<u>116,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	15,241	-	-
Transfers in	100,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>15,241</u>	<u>-</u>	<u>-</u>
Net change in fund balances	107,438	16,092	2,297	116,961
Fund balance - beginning of year	<u>549,366</u>	<u>(131,511)</u>	<u>22,835</u>	<u>13,934</u>
Prior period adjustment (Note 11)	-	145,663	-	-
Fund balance - end of year	<u>\$ 656,804</u>	<u>\$ 30,244</u>	<u>\$ 25,132</u>	<u>\$ 130,895</u>

Rural Development Fund	Hotel/Tourism Funds	Police Funds	Library Fund	Firemen's Relief Fund	Community Improvements	Peg Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,892
-	522,022	-	-	-	-	-	522,022
-	-	-	-	-	-	26,474	26,474
-	1,000	50,000	9,854	-	-	-	60,854
-	-	77,327	-	-	-	-	77,327
2,767	-	-	-	-	-	1,832	15,669
-	3,226	5,000	-	-	-	-	228,580
<u>2,767</u>	<u>526,248</u>	<u>132,327</u>	<u>9,854</u>	<u>-</u>	<u>-</u>	<u>28,306</u>	<u>1,234,818</u>
-	203,345	-	-	-	17,768	-	253,818
-	-	103,183	-	-	-	-	192,334
-	-	-	-	1,100	-	-	1,100
-	-	-	2,089	-	-	-	2,089
-	-	-	5,275	-	62,037	-	67,312
-	-	-	-	-	-	-	160,000
-	-	-	-	-	-	-	125,913
<u>-</u>	<u>203,345</u>	<u>103,183</u>	<u>7,364</u>	<u>1,100</u>	<u>79,805</u>	<u>-</u>	<u>802,566</u>
<u>2,767</u>	<u>322,903</u>	<u>29,144</u>	<u>2,490</u>	<u>(1,100)</u>	<u>(79,805)</u>	<u>28,306</u>	<u>432,252</u>
-	-	-	-	-	-	-	15,241
-	-	-	-	1,100	200,000	-	301,100
-	(316,598)	-	-	-	-	-	(316,598)
<u>-</u>	<u>(316,598)</u>	<u>-</u>	<u>-</u>	<u>1,100</u>	<u>200,000</u>	<u>-</u>	<u>(257)</u>
2,767	6,305	29,144	2,490	-	120,195	28,306	431,995
<u>224,427</u>	<u>120,975</u>	<u>(3,497)</u>	<u>6,706</u>	<u>-</u>	<u>265,322</u>	<u>236,729</u>	<u>1,305,286</u>
-	-	-	-	-	-	-	145,663
<u>\$ 227,194</u>	<u>\$ 127,280</u>	<u>\$ 25,647</u>	<u>\$ 9,196</u>	<u>\$ -</u>	<u>\$ 385,517</u>	<u>\$ 265,035</u>	<u>\$ 1,882,944</u>

**BUDGETARY COMPARISON SCHEDULES**

**CITY OF MOUNT PLEASANT, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
STREET FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Franchise	\$ 1,190,000	\$ 1,190,000	\$ 1,199,623	\$ 9,623
Royalty	510,000	510,000	547,225	37,225
Interest on investments	20,000	20,000	32,747	12,747
Miscellaneous	2,000	2,000	4,393	2,393
Total revenues	<u>1,722,000</u>	<u>1,722,000</u>	<u>1,783,988</u>	<u>61,988</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	126,438	-	126,438
Public works	1,235,937	1,235,937	1,120,939	114,998
Capital outlay	1,499,008	1,499,008	1,323,588	175,420
Debt service:				
Principal	330,000	330,000	330,000	-
Interest and fiscal charges	124,213	124,213	124,213	-
Total expenditures	<u>3,189,158</u>	<u>3,315,596</u>	<u>2,898,740</u>	<u>416,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,467,158)</u>	<u>(1,593,596)</u>	<u>(1,114,752)</u>	<u>478,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain on sale of assets	4,000	4,000	2,098	(1,902)
Transfers in	795,000	795,000	1,030,265	235,265
Transfers out	(254,375)	(254,375)	(443,903)	(189,528)
Total other financing sources (uses)	<u>544,625</u>	<u>544,625</u>	<u>588,460</u>	<u>43,835</u>
Net change in fund balances	(922,533)	(1,048,971)	(526,292)	522,679
Fund balance - beginning of year	<u>2,294,487</u>	<u>2,294,487</u>	<u>2,294,487</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,371,954</u>	<u>\$ 1,245,516</u>	<u>\$ 1,768,195</u>	<u>\$ 522,679</u>

**CITY OF MOUNT PLEASANT, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
CONSTRUCTION BOND FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 25,000	\$ 25,000	\$ 124,252	\$ 99,252
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>124,252</u>	<u>99,252</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	10,329,585	10,329,585	2,316,732	8,012,853
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	189,689	(189,689)
Total expenditures	<u>10,329,585</u>	<u>10,329,585</u>	<u>2,506,421</u>	<u>7,823,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,304,585)</u>	<u>(10,304,585)</u>	<u>(2,382,169)</u>	<u>7,922,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance	9,000,000	9,000,000	8,424,759	(575,241)
Premium on certificate of obligation bonds	500,000	500,000	764,930	264,930
Transfers in	558,000	558,000	-	(558,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10,058,000</u>	<u>10,058,000</u>	<u>9,189,689</u>	<u>(868,311)</u>
Net change in fund balances	(246,585)	(246,585)	6,807,520	7,054,105
Fund balance - beginning of year	<u>230,657</u>	<u>230,657</u>	<u>230,657</u>	<u>-</u>
Fund balance - end of year	<u>\$ (15,928)</u>	<u>\$ (15,928)</u>	<u>\$ 7,038,177</u>	<u>\$ 7,054,105</u>

**CITY OF MOUNT PLEASANT, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 275,615	\$ 275,615	\$ 280,236	\$ 4,621
Interest on investments	400	400	1,444	1,044
Miscellaneous	-	-	5,084	5,084
Total revenues	<u>276,015</u>	<u>276,015</u>	<u>286,764</u>	<u>10,749</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	126,438	-	126,438
Debt service:				
Principal	160,000	160,000	160,000	-
Interest and fiscal charges	129,538	129,538	125,913	3,625
Total expenditures	<u>289,538</u>	<u>415,976</u>	<u>285,913</u>	<u>130,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,523)</u>	<u>(139,961)</u>	<u>851</u>	<u>140,812</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	15,241	15,241
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,241</u>	<u>15,241</u>
Net change in fund balances	(13,523)	(139,961)	16,092	156,053
Fund balance - beginning of year	<u>(131,511)</u>	<u>(131,511)</u>	<u>(131,511)</u>	<u>-</u>
Prior period adjustment (Note 11)	-	-	145,663	145,663
Fund balance - end of year	<u>\$ (145,034)</u>	<u>\$ (271,472)</u>	<u>\$ 30,244</u>	<u>\$ 301,716</u>



**GOVERNMENTAL COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Pleasant, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Mount Pleasant, Texas' basic financial statements, and have issued our report thereon dated May 24, 2019.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses, that we consider to be a material weakness (2018-1).

### Compliance and Other Matters

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

### Purpose of this Report

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

Longview, Texas  
May 24, 2019

**CITY OF MOUNT PLEASANT, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

2018-1

*Criteria:*

Basic internal control provides reconciliation of financial transactions to the general ledger and monitoring that these functions are being performed timely and accurately. In addition, internal controls over financial reporting should be designed to ensure proper reporting in compliance with Governmental Accounting Standards and adherence to relevant local government code.

*Condition:*

During the audit, we noted the following conditions:

1. Year-end accruals for receivables and payables were not calculated and recorded accurately based on the respective basis of accounting (accrual or modified accrual) for the individual fund types.
2. Capital assets, including related depreciation, were not properly reconciled and recorded in the proprietary funds or the general fixed asset fund.
3. Issuance of governmental long term debt was not properly recorded. In addition, principal payments on proprietary debt were not applied against the debt but rather expensed as paid.
4. Utility fund unbilled accounts receivable were not calculated and recorded accurately on the accrual basis of accounting.

*Cause:*

The City does not have adequate internal controls over financial reporting.

*Effect or Potential Effect:*

The effects were material adjustments to the financial statements. The potential effect is the risk of error or fraud going undetected.

*Recommendation:*

We recommend that the City implement internal controls to ensure complete year-end close procedures are performed and to ensure all balances are properly reconciled and adjusted, in accordance with Generally Accepted Governmental Accounting Standards.

*Management's Response:*

The City's financial management team will adopt procedures to ensure complete year-end close procedures are performed and to ensure all balances are properly reconciled and adjusted.

**CITY OF MOUNT PLEASANT, TEXAS  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Finding</b>	<b>Current Status</b>
<p><b>Finding 2017-1 – Material Weakness</b> The financial close process lacks sufficient reconciliation and review of accounting transactions to ensure that (i) sub-ledger reports agree to account balances, (ii) liability balances reflect existing obligations and (iii) all significant transactions are reflected in the financial statements.</p>	Unresolved
<p><b>Finding 2017-2 – Material Weakness</b> The City was unable to provide supporting lease agreements for rents paid by the Industrial Development District.</p>	Corrected
<p><b>Finding 2017-3 – Significant Deficiency</b> The purchase policy established by the City is not consistently enforced resulting in expenditures without appropriate approvals and/or purchase orders in accordance with City policy.</p>	Corrected