

SINGLE AUDIT REPORTS

City of Mount Pleasant, Texas

**Fiscal Year Ended
September 30, 2024**

City of Mount Pleasant, Texas

SINGLE AUDIT REPORTS

Year Ended September 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	3
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
CORRECTIVE ACTION PLAN	12



**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**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, 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, 2024, and the related notes to the financial statements, which collectively comprise City of Mount Pleasant, Texas's basic financial statements, and have issued our report thereon dated July 8, 2025.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 to be material weaknesses.

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.

Respectfully,

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

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
July 8, 2025



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Mount Pleasant, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Mount Pleasant, Texas' major federal programs for the year ended September 30, 2024. City of Mount Pleasant, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Mount Pleasant, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Mount Pleasant, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe

that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Mount Pleasant, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Mount Pleasant, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Mount Pleasant, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Mount Pleasant, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Mount Pleasant, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Mount Pleasant, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Mount Pleasant, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Respectfully,

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
September 26, 2025

City of Mount Pleasant, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2024

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

City of Mount Pleasant, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unmodified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Is any noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

The auditor's report on compliance for major federal programs expresses an unmodified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

City of Mount Pleasant, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2024

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.027

Coronavirus State & Local Fiscal Recovery Fund

Enter the dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Is the auditee qualified as a low-risk auditee?

☐ Yes

☒ No

II. FINANCIAL STATEMENT FINDINGS:

Finding 2024-001:

Criteria: Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles ("GAAP").

Condition and Context: During the audit, the auditor encountered several accounts that required adjustment to be consistent with Generally Accepted Accounting Principles "GAAP". The City is responsible for their closing process, and assuring their results are recorded consistently with GAAP.

Cause: The City lacked proper controls within their closing process to assure information was recorded consistently with GAAP.

Effect or Potential Effect: Without the auditor's assistance the financial statements would not be consistent with GAAP.

Recommendation: We recommend that management review the existing policies, procedures, and controls over these areas to ensure that all information is recorded and reported properly. A thorough review over all material accounts at yearend is necessary for assuring material accuracy prior to the commencement of the audit.

Responsible Official's Response: Management of the City will continue to work with the auditor to reduce the number of adjusting journal entries. In addition, we will take steps to further our understanding of GAAP financials and footnote disclosures.

City of Mount Pleasant, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

Finding 2024-002:

Criteria: Management is responsible for assuring the security over their disbursements, and that vendors being paid are accurate.

Condition and Context: During the audit, the auditor observed theft of funds from the City by someone posing as an active vendor of the City.

Cause: The City lacked proper controls over their disbursements process to assure changes to vendor payment information was proper and accurate.

Effect or Potential Effect: This theft resulted in a loss to the City of \$557,340 during the year ended September 30, 2024.

Recommendation: We suggest the City establish controls assuring all changes to vendor payment information are coming from authorized representatives of the vendor, and are authentic prior to initiation of any disbursements.

Responsible Official's Response: Management of the City will evaluate the deficiencies within this process and implement controls to assure this doesn't occur again.

III. FEDERAL AWARDS FINDINGS:

None.

City of Mount Pleasant, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas Department of Agriculture			
<i>Community Development Block Grants</i>	CDM21-0477	14.228	\$ 337,700
Total U.S. Department of Housing and Urban Development			337,700
U.S. DEPARTMENT OF TREASURY			
Pass-through Texas Division of Emergency Management:			
<i>Coronavirus State & Local Fiscal Recovery Fund</i>	n/a	21.027	\$ 3,639,482
Total U.S. Department of Treasury			3,639,482
NATIONAL FOUNDATION ON THE ARTS & THE HUMANITIES			
Direct Award			
<i>National Leadership Grants for Libraries</i>	n/a	45.312	\$ 645
Total National Foundation on the Arts and Humanities			645
TOTAL PROGRAMS			\$ 3,977,827

The accompanying notes are an integral part of this Schedule.

City of Mount Pleasant, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2024

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mount Pleasant, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Cost Principles for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Mount Pleasant, Texas

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2024

Audit Finding Reference: 2024-001

Planned Corrective Action:

We have begun to implement newly adopted policies and procedures to ensure that proper action is taken at year end. We anticipate having the issue corrected in the next fiscal year.

Anticipated Completion Date: To be addressed within the following fiscal year.

Name of Contact Person:

Gillian Gatewood
Finance Director
501 North Madison
Mount Pleasant, TX 75455-3650
Phone: 903-575-4000

Audit Finding Reference: 2024-002

Planned Corrective Action:

We have begun to implement new processes for vendor payment change requests.

Anticipated Completion Date: To be addressed within the following fiscal year.

Name of Contact Person:

Gillian Gatewood
Finance Director
501 North Madison
Mount Pleasant, TX 75455-3650
Phone: 903-575-4000