

FINANCIAL STATEMENTS – MODIFIED CASH BASIS

of the

City of Mount Pleasant, Texas

**For the Year Ended
September 30, 2025**

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City of Mount Pleasant, Texas
FINANCIAL STATEMENTS – MODIFIED CASH BASIS
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For the Fiscal Year Ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements – modified cash basis of the major funds and the aggregate remaining fund information of the City of Mount Pleasant, Texas (the “City”) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s financial statements – modified cash basis as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net assets, and the changes to net assets for the year then ended, on the basis of accounting described in Note I.D.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mount Pleasant, Texas and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Emphasis of Matter – Basis of Accounting and limited footnotes

We draw your attention to Note I.D. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (“US GAAP”).

Further, US GAAP financial statements include footnotes over capital assets, debt, OPEB liability, and the net pension liability. These items have been omitted from these financial statements that are presented on a modified cash basis.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with Note I.D.; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Management has omitted required supplementary information, such as management's discussion and analysis, budget to actual schedules, schedules over the net pension and OPEB liabilities that accounting principles generally accepted in the United States of America require to be presented to supplement GAAP financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing GAAP financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 28, 2026

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***FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)***

City of Mount Pleasant, Texas

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Park Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 425,817	\$ 2,069,491	\$ 10,300,832	\$ 12,796,140
Restricted cash	38,393	-	141,294	179,687
Investments	-	-	394,826	394,826
Receivables, net				-
Property taxes	150,979	-	53,218	204,197
Sales taxes	1,103,168	-	-	1,103,168
Other taxes	5,998	-	385,909	391,907
Other receivable	132,364	-	5,124	137,488
Prepaid	115,957	-	14,046	130,003
Due from other funds	2,800,354	-	-	2,800,354
Total Assets	\$ 4,773,030	\$ 2,069,491	\$ 11,295,249	\$ 18,137,770
<u>Liabilities</u>				
Accounts payable	\$ 187,838	\$ -	\$ 242,837	\$ 430,675
Accrued liabilities	401,301	-	-	401,301
Due to other funds	625,276	2,083,280	965,672	3,674,228
Total Liabilities	1,214,415	2,083,280	1,208,509	4,506,204
<u>Net Assets</u>				
Net Assets	\$ 3,558,615	\$ (13,789)	\$ 10,086,740	\$ 13,631,566

City of Mount Pleasant, Texas

STATEMENT OF CHANGES TO NET ASSETS - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General Fund	Park Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 4,521,736	\$ -	1,343,893	\$ 5,865,629
Sales tax	6,451,200	-	-	6,451,200
Mixed beverage taxes	38,457	-	-	38,457
Hotel occupancy taxes	-	-	690,430	690,430
Intergovernmental revenue	69,972	-	22,633	92,605
License and permits	459,774	-	-	459,774
Charges for services	884,559	-	-	884,559
Fines and forfeitures	548,759	-	-	548,759
Franchise tax	92,306	-	1,410,931	1,503,237
Investment income	105,676	3,187	448,889	557,752
Royalties	1,070,137	-	-	1,070,137
Other revenues	633,347	-	1,713,618	2,346,965
Total Revenues	14,875,923	3,187	5,630,394	20,509,504
Expenditures				
Current:				
General government	2,107,382	-	843,520	2,950,902
Public safety	10,217,300	-	46,828	10,264,128
Building maintenance	228,227	-	-	228,227
Public works	545,736	-	1,201,064	1,746,800
Parks and recreation	1,308,843	-	514,609	1,823,452
Library	578,096	-	-	578,096
Debt service:				
Principal	117,514	-	1,253,040	1,370,554
Interest and fiscal charges	9,957	-	1,048,389	1,058,346
Capital outlay	79,534	-	777,997	857,531
Total Expenditures	15,192,589	-	5,685,447	20,878,036
Other Financing Sources (Uses)				
Transfers in	\$ 282,968	\$ -	-	\$ 282,968
Transfers (out)	-	-	(356,526)	(356,526)
Sale of capital assets	-	-	39,437	39,437
Total Other Financing Sources (Uses)	282,968	-	(317,089)	(34,121)
Net Change in Net Assets	(33,698)	3,187	(372,142)	(402,653)
Beginning Net Assets	3,592,313	(16,976)	10,458,882	14,034,219
Ending Net Assets	\$ 3,558,615	\$ (13,789)	10,086,740	\$ 13,631,566

See Notes to Financial Statements.

City of Mount Pleasant, Texas

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS PROPRIETARY FUNDS

September 30, 2025

	Water & Sewer	Airport	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,787,243	\$ 557,517	\$ 3,344,760
Restricted cash	35,465,589	-	35,465,589
Due from other funds	1,101,489	-	1,101,489
Accounts and other receivables, net	2,145,604	-	2,145,604
Prepaid items	50,090	3,853	53,943
Total Assets	41,550,015	561,370	42,111,385
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 5,655,933	\$ 78,309	\$ 5,734,242
Customer deposits	308,185	-	308,185
Due to other funds	180,927	46,688	227,615
Total Liabilities	6,145,045	124,997	6,270,042
<u>Net Assets</u>			
Net Assets	\$ 35,404,970	\$ 436,373	\$ 35,841,343

See Notes to Financial Statements.

City of Mount Pleasant, Texas
STATEMENT OF CHANGES TO NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water & Sewer	Airport	Total
<u>Revenues</u>			
Charges for services	\$ 19,704,652	\$ 1,124,359	\$ 20,829,011
Other operating revenue	246,462	-	246,462
Intergovernmental	1,000,000	61,604	1,061,604
Miscellaneous revenue	57,238	102	57,340
Investment income	1,813,665	-	1,813,665
Total Revenues	22,822,017	1,186,065	24,008,082
<u>Expenditures</u>			
Personnel	3,485,556	308,898	3,794,454
Supplies and services	1,166,151	604,546	1,770,697
Maintenance	491,016	32,876	523,892
Administrative expenses	6,460,215	76,161	6,536,376
Capital outlay	17,113,644	1,510,526	18,624,170
Debt service - principal	2,248,037	24,241	2,272,278
Debt service - interest	2,893,929	1,024	2,894,953
Total Expenditures	33,858,548	2,558,272	36,416,820
<u>Other financing Sources (uses)</u>			
Transfers in	-	1,554,904	1,554,904
Transfers (out)	(1,481,346)	-	(1,481,346)
Total other financing sources (uses)	(1,481,346)	1,554,904	73,558
Change in Net Assets	(12,517,877)	182,697	(12,335,180)
Beginning net assets	47,922,847	253,676	48,176,523
Ending Net Assets	\$ 35,404,970	\$ 436,373	\$ 35,841,343

See Notes to Financial Statements.

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City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

B. Financial Statement Presentation

These financial statements – include all funds of the City according to the modified cash basis of accounting as described within note I.D. This presentation and its contents are fully covered within the table of contents within this report.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Data from the other governmental funds are combined into a single, aggregated presentation. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, as appropriate.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

The government reports the following major governmental funds:

General Fund

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

Park Improvements Fund

The park improvements fund is used to account for funds received and set aside for park improvements, and deployment of those funds for said improvements.

The government reports the following nonmajor governmental funds, which are combined into one aggregate nonmajor fund for reporting purposes. Those funds included within that aggregation are the following funds: debt service, hotel/motel civic center, cemetery, police seizure, rural development, police, library, fireman's relief, PEG, community improvements, street, construction bond, capital replacement, Booker T. Washington, Insurance, & ARPA/CARES.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The proprietary funds have been presented according to the modified cash basis. Revenues include charges for services and other supplementary types of revenues. Expenditures include costs of materials, contracts, personnel, debt service, and capital outlay.

The government reports the following major enterprise fund:

Water and Sewer Fund

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

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

Airport Fund

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

D. Measurement Focus and Basis of Accounting

This report uses the modified cash basis of accounting for all funds of the City. This basis of accounting is different than generally accepted accounting principles within the U.S (“US GAAP”). Under the modified cash basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and earned or legally owed to the City). Measurable means the amount of the transaction can be reasonably determined. Revenues susceptible to accrual include charges for services and interest on temporary investments.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds within this report are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the statement of net assets. Statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net assets.

Property taxes, sales taxes, franchise taxes, utility receivables, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. Other receipts become measurable when earned or when a legal claim is obtained by the City, and are recognized as revenue at that time.

Under the modified cash basis of accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Further, under this basis of accounting, no long term assets or liabilities are recorded. Income and expenditures for long term assets acquired and long term liabilities including debt and pensions are recognized as expenditures when paid. For example, payments for debt principal and capital asset additions are expended when paid under the modified cash basis of accounting.

Further, related disclosures over long term assets and long term liabilities that would be included for accrual financial statements according to US GAAP, are excluded within this report, as they are not relevant to these financial statements that are presented on the modified cash basis of accounting.

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

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

4. Property Taxes

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

5. Program Revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Net assets balance

These financial statements present the net assets balance, which is the difference between assets and liabilities. This balance does not reflect any potential restrictions or other categorizations that may be required under US GAAP reporting.

8. Estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools		
LOGIC	\$ 41,898,498	0.14
Texpool	788,227	0.12
TexasTERM	7,594	0.13
Total fair value	\$ 42,694,319	
Portfolio weighted average maturity		0.14

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

Credit risk The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2025, the City’s investments in TexPool and LOGIC were rated AAAM by Standard & Poor’s.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

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 the deposits. As of September 30, 2025, the fair values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2025, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAM'. This is Standard & Poor's highest principal stability fund

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

TexasTERM

TexasTERM is an external investment pool operated by a private asset management corporation and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Investments Act provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The City participates in both investment options operated by TexasTERM – a daily investment pool (TexasDAILY) and a long-term investment pool (TexasTERM). At September 30, 2025, the fair value of the position in both the TexasTERM investments approximate fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	General	Nonmajor Government	Water / Sewer
Property tax	\$ 243,713	\$ 53,218	\$ -
Sales tax	1,109,166	-	-
Franchise tax	-	199,415	-
Other	-	46,707	5,814
Accounts	3,454,341	144,911	2,427,172
Allowance	(3,414,711)	-	(287,382)
Total	\$ 1,392,509	\$ 444,251	\$ 2,145,604

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

C. Interfund Transactions

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

Transfer In	Transfer Out	Amount
Airport	Water & Sewer	\$ 1,481,346
Capital projects fund	Nonmajor governmental fund	282,968
Airport	Nonmajor governmental fund	73,558

The composition of interfund balances as of year end were as follows:

Due To (Payable fund):	Due From (Receivable fund):		Total
	General	Water & Sewer	
Nonmajor gov. fund	\$ 489,459	\$ 476,213	\$ 965,672
Airport fund	46,688	-	46,688
General	-	444,349	444,349
Park improvements	2,083,280	-	2,083,280
Total	\$ 2,619,427	\$ 920,562	\$ 3,539,989

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 other Texas governments & political subdivisions in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past four years.

B. Contingent Liabilities

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

City of Mount Pleasant, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

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

C. Arbitrage

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

D. Subsequent Events

There were no material subsequent events through March 28, 2026, the date the financial statements were available to be issued.