SINGLE AUDIT REPORTS

City of Mount Pleasant, Texas

Fiscal Year Ended
September 30, 2025

City of Mount Pleasant, Texas

SINGLE AUDIT REPORTS

Year Ended September 30, 2025

TABLE OF CONTENTS

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, and the related notes to the financial statements, which collectively comprise City of Mount Pleasant, Texas' basic financial statements, and have issued our report thereon dated May 12, 2026.

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.

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,

14450 John F. Kennedy BLVD | Suite 240 | Houston, TX 77032 | Tel: 281.907.8788 | Fax: 888.875.0587 | www.BrooksWatsonCPA.com

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 to be material weaknesses.

Report on 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,

BrooksWatson & Co.

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
May 12, 2026

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

We have audited the City of Mount Pleasant, Texas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Mount Pleasant, Texas' major federal programs for the year ended September 30, 2025. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mount Pleasant, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mount

14450 John F. Kennedy BLVD | Suite 240 | Houston, TX 77032 | Tel: 281.907.8788 | Fax: 888.875.0587 | www.BrooksWatsonCPA.com

Pleasant, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mount Pleasant, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mount Pleasant, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2025.

Report on Internal Control over Compliance

Management of the City of Mount Pleasant, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mount Pleasant, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Pleasant, Texas' 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Schedule of Expenditures of Federal Awards

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Mount Pleasant, Texas' basic financial statements. We issued our report thereon dated May 12, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of, management, governing body, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

BrooksWatson & Co.

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
June 29, 2026

City of Mount Pleasant, Texas

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended September 30, 2025

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

Material Weaknesses:

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.

Status: This finding repeated in 2025.

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.

Status: This finding did not repeat in 2025.

City of Mount Pleasant, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2025

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?	_X_ Yes	___ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Is any noncompliance material to financial statements noted?	___ Yes	_X_ 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?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No

City of Mount Pleasant, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2025

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000	
Is the auditee qualified as a low-risk auditee?	__ Yes	_X_ No

II. FINANCIAL STATEMENT FINDINGS:

Material Weaknesses:

Finding 2025-001:

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: In March 2026, the City brought in a new accountant and an interim finance director. Several procedure changes have been made to improve internal controls and proper segregation of duties. Together, these new employees are reviewing each of the audit adjustments with consideration given to the need for further revision of existing policies and procedures.

Finding 2025-002:

Criteria: Management is responsible for assuring bank reconciliations are performed over all bank accounts.

Condition and Context: The City did not complete bank reconciliations in a timely manner.

Cause: The City did not have appropriate controls and prioritization over bank reconciliations to assure they were completed in a timely manner.

Effect or Potential Effect: Bank reconciliations not being completed in a timely manner resulted in delays in the timing for completion of the audit.

Recommendation: We suggest the City set deadlines for the monthly closing process, with bank reconciliations being an important part of that closing process. Further, we suggest the closing process is reviewed and signed off on a monthly basis to assure it is being completed on a timely basis.

Responsible Official's Response: We have prioritized reconciling all City bank accounts. The accountant is focused on completing the pooled cash bank reconciliations that were unfinished subsequent to September 30, 2025. All reconciliations are reviewed and approved by the interim finance director. We have set a target for month-end close to include all bank reconciliations, and be completed within eight business days after month end. Monthly, quarterly and annual close checklists will be created and implemented.

III. FEDERAL AWARDS FINDINGS:

None.

City of Mount Pleasant, Texas

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2025

Audit Finding Reference: 2025-001

Planned Corrective Action:

In March 2026, the City brought in a new accountant and an interim finance director. Several procedure changes have been made to improve internal controls and proper segregation of duties. Together, these new employees are reviewing each of the audit adjustments with consideration given to the need for further revision of existing policies and procedures.

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

Name of Contact Person:

Rebecca A. Elliot
Interim Finance Director
501 North Madison
Mount Pleasant, TX 75455-3650
Phone: 903-575-4000

Audit Finding Reference: 2025-002

Planned Corrective Action:

We have prioritized reconciling all City bank accounts. The accountant is focused on completing the pooled cash bank reconciliations that were unfinished subsequent to September 30, 2025. All reconciliations are reviewed and approved by the interim finance director. We have set a target for month-end close to include all bank reconciliations, and be completed within eight business days after month end. Monthly, quarterly and annual close checklists will be created and implemented.

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

Name of Contact Person:

Rebecca A. Elliot
Interim Finance Director
501 North Madison
Mount Pleasant, TX 75455-3650
Phone: 903-575-4000

City of Mount Pleasant, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2025

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-through Texas Division of Transportation			
Airport Improvement Program	M2419MTPLS	20.106	$ 1,350,010
	Total U.S. Department of Transportation		1,350,010
		TOTAL PROGRAMS	$ 1,350,010

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, 2025

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City 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.