



CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
ASSETS				
Cash and cash equivalents	\$ 5,948,070	\$ 4,544,835	\$ 10,492,905	\$ 3,277,468
Receivables, net of allowance for uncollectibles	907,506	1,233,068	2,140,574	216,645
Prepaid expense	7,202	-	7,202	-
Restricted assets:				
Cash and cash equivalents	2,721,951	4,951,231	7,673,182	-
Capital assets not being depreciated				
Land	1,436,233	8,772,848	10,209,081	1,628,156
Construction in progress	1,937,156	22,165,505	24,102,661	375,878
Capital assets, net of accumulated depreciation:				
Buildings and improvements	7,154,874	15,661,467	22,816,341	1,124,894
Machinery and equipment	1,799,131	836,213	2,635,344	-
Infrastructure	14,390,194	18,043,940	32,434,134	2,105,826
Total Assets	<u>36,302,317</u>	<u>76,209,107</u>	<u>112,511,424</u>	<u>8,728,867</u>
LIABILITIES				
Accounts payable	405,505	644,499	1,050,004	216,788
Accrued liabilities	215,380	62,280	277,660	5,559
Accrued interest payable	101,475	14,824	116,299	-
Customer deposits	-	135,595	135,595	-
Other liabilities	47,116	12,621	59,737	36
Non-current liabilities:				
Due within one year:				
Compensated absences	26,180	8,210	34,390	-
Notes payable	-	-	-	210,459
Bonds payable	-	1,205,000	1,205,000	-
Certificates of obligation	430,000	-	430,000	-
Due in more than one year:				
Net OPEB obligation	1,387,190	519,123	1,906,313	44,388
Compensated absences	396,249	164,257	560,506	21,275
Notes payable	-	-	-	2,645,731
Bonds payable	-	27,141,065	27,141,065	-
Certificates of obligation	10,457,111	-	10,457,111	-
Total Liabilities	<u>13,466,206</u>	<u>29,907,474</u>	<u>43,373,680</u>	<u>3,144,236</u>
NET POSITION				
Net investment in capital assets	18,381,690	42,881,147	61,262,837	2,378,564
Restricted for:				
Debt service	168,520	1,927,757	2,096,277	-
Court Use	115,753	-	115,753	-
Hotel/Motel	187,686	-	187,686	-
PEG fees	157,277	-	157,277	-
Development	221,994	-	221,994	-
Unrestricted	3,603,191	1,492,729	5,095,920	3,206,067
Total Net Position	<u>\$ 22,836,111</u>	<u>\$ 46,301,633</u>	<u>\$ 69,137,744</u>	<u>\$ 5,584,631</u>

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 1,035,616	\$ 27,081	\$ 35,745	\$ -
Public Safety	5,918,178	851,275	475,900	35,000
Library	562,332	8,492	24,277	-
Public services and operations	711,463	49,334	15,377	-
Parks and recreation	699,388	50,167	-	-
Public works	5,366,980	147,847	-	-
Interest on long-term debt	278,887	-	-	-
Total governmental activities	14,572,844	1,134,196	551,299	35,000
Business-type Activities:				
Utility	8,637,099	9,838,779	-	-
Airport	1,426,482	968,808	15,432	1,264,583
Civic center	501,263	102,401	-	-
Total business-type activities	10,564,844	10,909,988	15,432	1,264,583
Total primary government	25,137,688	12,044,184	566,731	1,299,583
Component Unit				
Industrial Development Corporation	727,866	-	10,415	-
Total component unit	\$ 727,866	\$ -	\$ 10,415	\$ -

General revenues:

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

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

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

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (972,790)	\$ -	\$ (972,790)	\$ -
(4,556,003)	-	(4,556,003)	-
(529,563)	-	(529,563)	-
(646,752)	-	(646,752)	-
(649,221)	-	(649,221)	-
(5,219,133)	-	(5,219,133)	-
(278,887)	-	(278,887)	-
<u>(12,852,349)</u>	<u>-</u>	<u>(12,852,349)</u>	<u>-</u>
-	1,201,680	1,201,680	-
-	822,341	822,341	-
-	(398,862)	(398,862)	-
<u>-</u>	<u>1,625,159</u>	<u>1,625,159</u>	<u>-</u>
<u>(12,852,349)</u>	<u>1,625,159</u>	<u>(11,227,190)</u>	<u>-</u>
-	-	-	(717,451)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (717,451)</u>
\$ 2,825,580	\$ -	\$ 2,825,580	\$ -
3,751,025	-	3,751,025	1,250,342
546,141	-	546,141	-
1,269,554	-	1,269,554	-
28,755	-	28,755	-
8,892	8,058	16,950	1,600
380,154	-	380,154	-
137,542	285,030	422,572	-
839,197	(839,197)	-	-
<u>9,786,840</u>	<u>(546,109)</u>	<u>9,240,731</u>	<u>1,251,942</u>
(3,065,509)	1,079,050	(1,986,459)	534,491
25,901,620	45,222,583	71,124,203	5,050,140
<u>\$ 22,836,111</u>	<u>\$ 46,301,633</u>	<u>\$ 69,137,744</u>	<u>\$ 5,584,631</u>

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

CITY OF MOUNT PLEASANT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Street Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,013,223	\$ 3,123,445	\$ 811,402	\$ 5,948,070
Receivables, net of allowance for uncollectibles	870,358	-	37,148	907,506
Cash and cash equivalents - restricted	118,270	2,121,213	482,468	2,721,951
Prepaid expense	7,202	-	-	7,202
Total Assets	<u>3,009,053</u>	<u>5,244,658</u>	<u>1,331,018</u>	<u>9,584,729</u>
LIABILITIES				
Accounts payable	185,086	157,614	62,805	405,505
Accrued liabilities	204,646	10,734	-	215,380
Accrued interest payable	-	-	135,301	135,301
Other liabilities	47,116	-	-	47,116
Total Liabilities	<u>436,848</u>	<u>168,348</u>	<u>198,106</u>	<u>803,302</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	116,045	-	-	116,045
Total Deferred Inflows of Resources	<u>116,045</u>	<u>-</u>	<u>-</u>	<u>116,045</u>
Fund Balances				
Nonspendable:				
Prepaid items and other assets	7,202	-	-	7,202
Restricted for:				
Court use	115,753	-	-	115,753
Debt service	168,520	-	-	168,520
Hotel/Motel	-	-	187,686	187,686
Capital projects	-	2,121,213	157,277	2,278,490
Development	-	-	221,994	221,994
Assigned to:				
Public safety	-	-	67,380	67,380
Capital projects	-	2,955,097	296,841	3,251,938
Community improvements	-	-	109,447	109,447
Cemetery	-	-	2,560	2,560
Parks	-	-	202,787	202,787
Library	-	-	21,864	21,864
Unassigned	2,164,685	-	(134,924)	2,029,761
Total Fund Balance	<u>2,456,160</u>	<u>5,076,310</u>	<u>1,132,912</u>	<u>8,665,382</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,009,053</u>	<u>\$ 5,244,658</u>	<u>\$ 1,331,018</u>	<u>\$ 9,584,729</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 8,665,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,095,657
Accumulated depreciation has not been included in the governmental fund financial statements.	(19,378,069)
Certificates of Obligation have not been included in the governmental fund financial statements.	(10,887,111)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(422,429)
Accrued liabilities for OPEB obligation have not been included in the fund financial statements.	(1,387,190)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	116,045
The portion of accrued interest payable that do not require current financial resources are not reported as expenditures in the government-wide financial statements.	<u>33,826</u>
Net position of governmental activities - statement of net position	<u>\$ 22,836,111</u>

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,489,112	\$ -	\$ 256,360	\$ 2,745,472
Sales	3,751,025	-	-	3,751,025
Hotel	-	-	546,141	546,141
Beverage	28,755	-	-	28,755
Franchise	-	1,269,554	27,081	1,296,635
Fines and forfeitures	752,660	-	-	752,660
Licenses and permits	74,102	-	-	74,102
Charge for services	157,189	1,658	14,400	173,247
Donations	11,627	-	28,261	39,888
Grant	32,706	-	2,516	35,222
Intergovernmental revenue	448,789	-	27,400	476,189
Royalties	-	380,154	-	380,154
Investment income	2,785	5,502	605	8,892
Miscellaneous	147,291	9,808	25,116	182,215
Total revenues	<u>7,896,041</u>	<u>1,666,676</u>	<u>927,880</u>	<u>10,490,597</u>
EXPENDITURES				
Current:				
General government	747,066	-	204,424	951,490
Public safety	5,638,881	-	43,579	5,682,460
Library	303,852	-	9,707	313,559
Public works	128,571	4,675,161	-	4,803,732
Public services and operations	649,337	-	36,869	686,206
Parks and recreation	588,805	-	8,159	596,964
Capital outlays:				
General government	7,600	-	90,553	98,153
Public safety	132,707	-	24,717	157,424
Library	51,165	-	11,294	62,459
Public works	20,492	1,856,075	-	1,876,567
Parks and recreation	19,730	-	28,986	48,716
Debt service:				
Principal retirement	-	305,000	105,000	410,000
Interest	-	149,013	163,700	312,713
Total expenditures	<u>8,288,206</u>	<u>6,985,249</u>	<u>726,988</u>	<u>16,000,443</u>
Excess (deficiency) of revenues over expenditures	(392,165)	(5,318,573)	200,892	(5,509,846)
OTHER FINANCING SOURCES (USES)				
Transfers	361,726	604,699	(127,228)	839,197
Sale of assets	69,917	-	-	69,917
Total other financing sources (uses)	<u>431,643</u>	<u>604,699</u>	<u>(127,228)</u>	<u>909,114</u>
Net change in fund balances	39,478	(4,713,874)	73,664	(4,600,732)
Fund balances, beginning	<u>2,416,682</u>	<u>9,790,184</u>	<u>1,059,248</u>	<u>13,266,114</u>
Fund balances, ending	<u>\$ 2,456,160</u>	<u>\$ 5,076,310</u>	<u>\$ 1,132,912</u>	<u>\$ 8,665,382</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Net change in fund balances - statement of revenues, expenditures and
changes in fund balances - governmental funds** **\$ (4,600,732)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period. 2,263,811

Donated capital is shown as an increase in capital assets in the government-wide financial statements. 35,000

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds. (1,316,304)

Current year long-term debt principal payments on contractual obligations and bonds are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 410,000

Premium and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in government-wide financial statements 6,506

Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 8,487

In governmental fund financial statements, the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported. (7,484)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. 80,108

Expenditures in the statements of revenues, expenditures and changes in fund balance that do not require current financial resources are not reported as expenditures in the statement of activities. 55,099

Change in net position - statement of activities **\$ (3,065,509)**

**CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,584,956	\$ 2,584,956	\$ 2,489,112	\$ (95,844)
Sales	3,469,571	3,469,571	3,751,025	281,454
Other	27,000	27,000	28,755	1,755
Fines and Forfeitures	756,500	756,500	752,660	(3,840)
Licenses and Permits	58,400	58,400	74,102	15,702
Charge for Services	156,400	156,400	157,189	789
Donations	1,000	1,000	11,627	10,627
Intergovernmental Revenue	-	-	448,789	448,789
Grant Income	-	-	32,706	32,706
Investment Income	3,300	3,300	2,785	(515)
Miscellaneous	117,000	117,000	147,291	30,291
Total Revenues	<u>7,174,127</u>	<u>7,174,127</u>	<u>7,896,041</u>	<u>721,914</u>
EXPENDITURES				
Current:				
General Government	733,051	733,051	747,066	(14,015)
Public Safety:				
Police	3,442,826	3,442,826	3,592,715	(149,889)
Fire	2,068,345	2,068,345	2,046,166	22,179
Total Public Safety	<u>5,511,171</u>	<u>5,511,171</u>	<u>5,638,881</u>	<u>(127,710)</u>
Library	294,953	294,953	303,852	(8,899)
Public Works	133,362	133,362	128,571	4,791
Public Services and Operations	614,654	614,654	649,337	(34,683)
Parks and Recreation	616,354	616,354	588,805	27,549
Capital Outlays	305,540	305,540	231,694	73,846
Total Expenditures	<u>8,209,085</u>	<u>8,209,085</u>	<u>8,288,206</u>	<u>(79,121)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,034,958)	(1,034,958)	(392,165)	642,793
Other Financing Sources (Uses)				
Transfers	415,510	415,510	361,726	(53,784)
Sale of Assets	-	-	69,917	69,917
Total Other Financing Sources (uses)	<u>415,510</u>	<u>415,510</u>	<u>431,643</u>	<u>16,133</u>
Net Change in Fund Balance	(619,448)	(619,448)	39,478	658,926
Fund Balance, October 1	<u>2,416,682</u>	<u>2,416,682</u>	<u>2,416,682</u>	
Fund Balance, September 30	<u>\$ 1,797,234</u>	<u>\$ 1,797,234</u>	<u>\$ 2,456,160</u>	

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,173,932	\$ 60,224	\$ 310,679	\$ 4,544,835
Receivables, net of uncollectibles	915,874	316,764	430	1,233,068
Restricted assets:				
Cash and cash equivalents	4,951,231	-	-	4,951,231
Total current assets	<u>10,041,037</u>	<u>376,988</u>	<u>311,109</u>	<u>10,729,134</u>
Noncurrent assets:				
Capital Assets:				
Land	6,953,503	1,819,345	-	8,772,848
Buildings	10,444,296	2,169,221	1,343,800	13,957,317
Improvements	6,173,088	7,223,892	273,221	13,670,201
Infrastructure	25,412,490	2,012,104	-	27,424,594
Vehicles	786,012	222,855	15,723	1,024,590
Machinery & equipment	5,004,168	121,517	265,350	5,391,035
Construction in progress	20,673,285	1,492,220	-	22,165,505
Less: accumulated depreciation	<u>(22,284,846)</u>	<u>(3,803,968)</u>	<u>(837,303)</u>	<u>(26,926,117)</u>
Total noncurrent assets	<u>53,161,996</u>	<u>11,257,186</u>	<u>1,060,791</u>	<u>65,479,973</u>
Total assets	<u>63,203,033</u>	<u>11,634,174</u>	<u>1,371,900</u>	<u>76,209,107</u>
LIABILITIES				
Current liabilities:				
Accounts payable	307,603	324,702	12,194	644,499
Accrued liabilities	48,693	5,589	7,998	62,280
Other liabilities	12,621	-	-	12,621
Compensated absences - current	6,532	-	1,678	8,210
Liabilities payable from restricted assets:				
Accrued interest payable	14,651	-	173	14,824
Customer deposits	135,595	-	-	135,595
Bonds payable - current	<u>1,205,000</u>	<u>-</u>	<u>-</u>	<u>1,205,000</u>
Total current liabilities payable from restricted assets:	<u>1,355,246</u>	<u>-</u>	<u>173</u>	<u>1,355,419</u>
Total current liabilities	<u>1,730,695</u>	<u>330,291</u>	<u>22,043</u>	<u>2,083,029</u>
Noncurrent liabilities:				
Net OPEB obligation	427,810	45,318	45,995	519,123
Compensated absences	122,877	25,901	15,479	164,257
Bonds payable	<u>27,141,065</u>	<u>-</u>	<u>-</u>	<u>27,141,065</u>
Total noncurrent liabilities	<u>27,691,752</u>	<u>71,219</u>	<u>61,474</u>	<u>27,824,445</u>
Total liabilities	<u>29,422,447</u>	<u>401,510</u>	<u>83,517</u>	<u>29,907,474</u>
NET POSITION				
Net invested in capital assets	30,563,170	11,257,186	1,060,791	42,881,147
Restricted for:				
Debt Service	1,927,757	-	-	1,927,757
Unrestricted	<u>1,289,659</u>	<u>(24,522)</u>	<u>227,592</u>	<u>1,492,729</u>
Total Net Position	<u>\$ 33,780,586</u>	<u>\$ 11,232,664</u>	<u>\$ 1,288,383</u>	<u>\$ 46,301,633</u>

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
OPERATING REVENUES:				
Charges for services	\$ 9,817,678	\$ 966,972	\$ 102,402	\$ 10,887,052
Operating grant revenue	-	15,432	-	15,432
Capital grant revenue	-	1,264,583	-	1,264,583
Miscellaneous	279,922	653	4,455	285,030
Total operating revenues	10,097,600	2,247,640	106,857	12,452,097
OPERATING EXPENSES:				
Personal services	2,038,072	199,677	253,107	2,490,856
Supplies and materials	452,745	624,885	55,090	1,132,720
Maintenance and repair	606,107	34,964	15,027	656,098
Contractual services	3,752,656	55,475	111,889	3,920,020
Depreciation	1,471,815	511,481	66,152	2,049,448
Total operating expenses	8,321,395	1,426,482	501,265	10,249,142
Operating income (loss)	1,776,205	821,158	(394,408)	2,202,955
NONOPERATING REVENUES (EXPENSES)				
Loss on sale of assets	21,100	1,836	-	22,936
Interest revenue	7,795	-	263	8,058
Interest expense	(315,702)	-	-	(315,702)
Total nonoperating revenues (expenses)	(286,807)	1,836	263	(284,708)
Income (loss) before transfers and capital contributions	1,489,398	822,994	(394,145)	1,918,247
Transfers	(1,299,754)	125,710	334,847	(839,197)
Change in net position	189,644	948,704	(59,298)	1,079,050
Net Position, October 1	33,549,951	10,309,646	1,362,986	45,222,583
Prior Period Adjustments	40,991	(25,686)	(15,305)	-
Net Position, September 30	\$ 33,780,586	\$ 11,232,664	\$ 1,288,383	\$ 46,301,633

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Utility Fund	Airport Fund	Civic Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,827,284	\$ 966,973	\$ 102,401	\$ 10,896,658
Cash received from other sources	279,921	963,904	4,455	1,248,280
Cash paid to employees	(1,989,821)	(198,165)	(246,714)	(2,434,700)
Cash paid to suppliers	(4,779,841)	(421,542)	(175,541)	(5,376,924)
Net cash provided (used) by operating activities	<u>3,337,543</u>	<u>1,311,170</u>	<u>(315,399)</u>	<u>4,333,314</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,299,754)	125,710	334,847	(839,197)
Net cash provided (used) by non-capital financing activities	<u>(1,299,754)</u>	<u>125,710</u>	<u>334,847</u>	<u>(839,197)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(4,303,155)	(1,465,299)	(65,207)	(5,833,661)
Gain(Loss) on sale of capital assets	21,100	1,836	-	22,936
Principal paid on long-term debt	(1,185,000)	-	-	(1,185,000)
Interest paid on long-term debt	(312,915)	-	-	(312,915)
Net cash (used for) capital & related financing activities	<u>(5,779,970)</u>	<u>(1,463,463)</u>	<u>(65,207)</u>	<u>(7,308,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	7,795	-	263	8,058
Net cash provided by investing activities	<u>7,795</u>	<u>-</u>	<u>263</u>	<u>8,058</u>
Net increase (decrease) in cash and cash equivalents	(3,734,386)	(26,583)	(45,496)	(3,806,465)
Cash and cash equivalents at beginning of year	<u>12,859,549</u>	<u>86,807</u>	<u>356,175</u>	<u>13,302,531</u>
Cash and cash equivalents at end of year	<u>\$ 9,125,163</u>	<u>\$ 60,224</u>	<u>\$ 310,679</u>	<u>\$ 9,496,066</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,776,205	\$ 821,158	\$ (394,408)	\$ 2,202,955
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,471,815	511,481	66,152	2,049,448
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	7,406	(316,764)	-	(309,358)
Increase (decrease) in liabilities:				
Accounts payable	30,794	293,782	6,466	331,042
Accrued expenses	51,610	1,513	6,391	59,514
Customer deposits	2,200	-	-	2,200
Compensated absences	(3,360)	-	-	(3,360)
Other liabilities	873	-	-	873
Total adjustments	<u>1,561,338</u>	<u>490,012</u>	<u>79,009</u>	<u>2,130,359</u>
Net cash provided (used) by operating activities	<u>\$ 3,337,543</u>	<u>\$ 1,311,170</u>	<u>\$ (315,399)</u>	<u>\$ 4,333,314</u>

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

CITY OF MOUNT PLEASANT, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2014

	<u>Police Escrow Fund</u>
ASSETS	
Cash and cash equivalents - restricted	<u>\$ 88,422</u>
Total assets	<u> 88,422</u>
 LIABILITIES	
Other accrued liabilities	<u> 88,422</u>
Total liabilities	<u>\$ 88,422</u>

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A Summary of Significant Accounting Policies

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

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

1 Reporting Entity

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

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

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

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a Basis of Presentation

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

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

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

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

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

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

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

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

2 Basis of Presentation, Basis of Accounting
a Basis of Presentation (continued)

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

The City's Fiduciary Fund is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's Fiduciary Fund consists of a fund that accounts for police escrow funds.

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

b Measurement Focus, Basis of Accounting

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

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

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

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

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
 - b. Measurement Focus, Basis of Accounting (continued)

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

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

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

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

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

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

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

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

Agency funds account for amounts held on behalf of others by the City as a trustee, or fiduciary. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The activities of this fund are excluded from the City's other financial statements because the City cannot use them to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose. The City has the following fiduciary fund:

The *Police Escrow Fund* is used to account for money or property seized from individuals during a drug arrest. Seizures may eventually be awarded by the Court to the Police Department for disposition. All funds acquired from seizures must be returned to the Police Department for use in law enforcement activities.

3. Financial Statement Amounts

- a. Cash and Cash Equivalents

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

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

b. Receivable and Payable Balances

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

c. Prepaid Items

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

d. Restricted Assets

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

e. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2014, \$88,200 of such interest costs were capitalized in the proprietary funds.

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

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

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

f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City does not have any deferred outflows of resources that qualify for reporting in this category.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

f. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Compensated Absences

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

h. Long-term Obligations

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

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

i. Fund Equity

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

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

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

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

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

i Fund Equity (continued)

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

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

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

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 2014, the City is in compliance with this minimum fund balance policy.

Additional detailed information, along with the complete fund balance policy, can be obtained from the Director of Finance, City of Mount Pleasant, 501 North Madison, Mount Pleasant, Texas 75455.

j. Net Position Flow Assumption

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

k Fund Balance Flow Assumption

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

l. Federal and State Grants

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

m Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2014, the City had a tax rate of \$0.3433 per \$100 assessed valuation based upon the maximum rates described above.

n Comparative Data/Reclassification

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

o. Interfund Activity

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

p Use of Estimates

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

q. Program Revenues

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

r. Program Expenses

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
General Fund	\$ (58,629) Overage covered by more than expected revenues
Debt Service Fund	(28,212) Overage covered by General Fund fund balance

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service Fund	\$ (134,924)	Expenditures exceed revenues

3. Budgets and Budgetary Accounting

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

The following procedures are followed in establishing the budgetary data.

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

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

B. Compliance and Accountability

3 Budgets and Budgetary Accounting (continued)

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

C. Deposits and Investments

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

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,166,087 and the bank balance was \$20,036,724. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$1,971,255.

At September 30, 2014, the City's investments in TexPool and LOGIC were \$17,565,469 for investment balance and book balance. Detail of these investments is described below in the 'Investment' section.

Cash and investments as of September 30, 2014 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government

Cash and Cash Equivalents	\$ 10,492,905
Restricted cash and cash equivalents	<u>7,673,182</u>
Total cash and cash equivalents	<u>\$ 18,166,087</u>

Governmental - Restricted Cash

Municipal Court	\$ 115,753
PEG funds	157,278
Tobacco enforcement program	2,516
Library grant	4,102
Debt Service	377
Unspent Bond Proceeds	2,121,213
Hotel tax use	98,718
Rural Development	<u>221,994</u>
Total cash and cash equivalents	<u>\$ 2,721,951</u>

Business-type- Restricted Cash

Customer Deposits	\$ 135,595
Debt Service	790,051
Capital projects	2,361,809
Unspent TWDB loan	<u>1,663,776</u>
Total cash and cash equivalents	<u>\$ 4,951,231</u>

Total Restricted Cash	<u>\$ 7,673,182</u>
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CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

C. Deposits and Investments (continued)

Investments

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

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

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

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

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

Interest Rate Risk

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

As of September 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 4,872,658	48	N/A	AAA-m
LOGIC	<u>12,692,811</u>	59	N/A	AAA-m
	<u>\$ 17,565,469</u>			

As of September 30, 2014 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

C. Deposits and Investments (continued)

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

D. Receivables

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

	General	Other Governmental	Utility	Airport	Civic	Total
Receivables:						
Taxes	\$ 776,688	\$ 37,148	\$ -	\$ -	\$ -	\$ 813,836
Fees and Charges	1,464,920	-	946,331	316,764	430	2,728,445
Gross Receivables	2,241,608	37,148	946,331	316,764	430	3,542,281
Less: allowance for uncollectibles	(1,371,250)	-	(30,457)	-	-	(1,401,707)
Net Total Receivables	<u>\$ 870,358</u>	<u>\$ 37,148</u>	<u>\$ 915,874</u>	<u>\$ 316,764</u>	<u>\$ 430</u>	<u>\$ 2,140,574</u>

The Proprietary Fund accounts receivable includes unbilled charges for services of \$635,783 rendered as of fiscal year end.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. Capital Assets

Capital asset activity for the period ended September 30, 2014 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,436,233	\$ -	\$ -	\$ -	\$ 1,436,233
Construction in Progress	822,346	(184,759)	1,299,569	-	1,937,156
Total capital assets, not being depreciated	2,258,579	(184,759)	1,299,569	-	3,373,389
Capital assets, being depreciated:					
Buildings	7,758,079	-	-	-	7,758,079
Improvements	4,321,583	-	90,553	-	4,412,136
Infrastructure	23,478,580	184,759	442,948	-	24,106,287
Machinery	3,483,688	-	370,608	(51,366)	3,802,930
Vehicles	2,836,839	(62,433)	95,136	(226,706)	2,642,836
Total capital assets being depreciated	41,878,769	122,326	999,245	(278,072)	42,722,268
Less accumulated depreciation for:					
Buildings	(1,650,845)	-	(184,845)	-	(1,835,690)
Improvements	(3,102,425)	-	(77,226)	-	(3,179,651)
Infrastructure	(9,280,982)	-	(435,111)	-	(9,716,093)
Machinery	(2,154,563)	-	(389,866)	-	(2,544,429)
Vehicles	(2,205,970)	62,433	(229,256)	270,587	(2,102,206)
Total accumulated depreciation	(18,394,785)	62,433	(1,316,304)	270,587	(19,378,069)
Total capital assets, being depreciated, net	23,483,984	184,759	(317,059)	(7,485)	23,344,199
Governmental activities capital assets, net	<u>\$ 25,742,563</u>	<u>\$ -</u>	<u>\$ 982,510</u>	<u>\$ (7,485)</u>	<u>\$ 26,717,588</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. Capital Assets (continued)

Business-type Activities	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Capital assets, not being depreciated					
Land	\$ 8,772,848	\$ -	\$ -	\$ -	\$ 8,772,848
Construction in Progress	18,021,361	(945,521)	5,089,665	-	22,165,505
Total capital assets, not being depreciated	26,794,209	(945,521)	5,089,665	-	30,938,353
Capital assets, being depreciated:					
Buildings	13,939,078	-	18,235	-	13,957,313
Improvements	13,142,145	221,339	306,714	-	13,670,198
Infrastructure	26,903,385	491,495	29,713	-	27,424,593
Machinery	4,906,381	232,687	283,459	(31,489)	5,391,038
Vehicles	1,046,328	62,433	40,983	(125,154)	1,024,590
Total capital assets being depreciated	59,937,317	1,007,954	679,104	(156,643)	61,467,732
Less accumulated depreciation for:					
Buildings	(7,269,351)	-	(304,585)	-	(7,573,936)
Improvements	(3,784,302)	-	(607,806)	-	(4,392,108)
Infrastructure	(8,870,987)	-	(509,666)	-	(9,380,653)
Machinery	(4,230,526)	-	(517,423)	31,489	(4,716,460)
Vehicles	(878,141)	-	(109,968)	125,154	(862,955)
Total accumulated depreciation	(25,033,307)	-	(2,049,448)	156,643	(26,926,112)
Total capital assets, being depreciated, net	34,904,010	1,007,954	(1,370,344)	-	34,541,620
Business-type activities capital asset, net	<u>\$ 61,698,219</u>	<u>\$ 62,433</u>	<u>\$ 3,719,321</u>	<u>\$ -</u>	<u>\$ 65,479,973</u>

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

Governmental activities:	
Administration	\$ 102,578
Municipal Court	35,767
Public Services	27,295
Library	248,773
Police Department	139,905
Fire Department	89,809
Parks & Recreation	102,423
Streets	569,754
Total depreciation expense - governmental activities	<u>\$ 1,316,304</u>
Business-type activities:	
Utility	\$ 1,471,815
Airport	511,481
Civic Center	66,152
Total depreciation expense - business-type activities	<u>\$ 2,049,448</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E Capital Assets (continued)

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2014. The projects include water system improvements, water plant and line construction, street projects, and airport hangar projects

Commitments for construction in progress are composed of the following:

	Project Budget		Remaining
	<u>Appropriation</u>	<u>Spent to Date</u>	<u>Commitment</u>
New water plant and lines	\$ 24,785,000	\$ 19,611,741	\$ 5,173,259
Radio read meters	1,200,000	1,061,514	138,486
Airport hangars	1,772,201	1,492,250	279,951
Old Sam Parker field	150,000	28,986	121,014
Street/road improvements	<u>5,403,825</u>	<u>1,908,170</u>	<u>3,495,655</u>
	<u>\$ 33,311,026</u>	<u>\$ 24,102,661</u>	<u>\$ 9,208,365</u>

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	<u>\$ 11,180,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ 10,770,000</u>	<u>\$ 430,000</u>
	11,180,000	-	(410,000)	10,770,000	430,000
Add deferred amounts:					
For Bond Issuance Premium	-	(47,920)	2,522	(45,398)	(2,522)
For Bond Issuance Discount	-	171,537	(9,028)	162,509	9,028
Total Bonds Payable	11,180,000	123,617	(416,506)	10,887,111	436,506
Compensated absences	452,191	401,027	(430,789)	422,429	26,180
Other postemployment benefit obligation	<u>1,387,190</u>	<u>-</u>	<u>-</u>	<u>1,387,190</u>	<u>-</u>
Governmental activity Long-term Debt	<u>\$ 13,019,381</u>	<u>\$ 524,644</u>	<u>\$ (847,295)</u>	<u>\$ 12,696,730</u>	<u>\$ 462,686</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bonds	\$ 24,095,000	\$ -	\$ (595,000)	\$ 23,500,000	\$ 610,000
Revenue Refunding Bonds	<u>5,450,000</u>	<u>-</u>	<u>(590,000)</u>	<u>4,860,000</u>	<u>595,000</u>
Total Bonds Payable	29,545,000	-	(1,185,000)	28,360,000	1,205,000
Add deferred amounts:					
For Bond Issuance Premium	5,997	-	(1,000)	4,997	(1,000)
For Bond Issuance Discount	<u>(22,720)</u>	<u>-</u>	<u>3,787</u>	<u>(18,933)</u>	<u>3,787</u>
Total Bonds Payable	29,528,277	-	(1,182,213)	28,346,064	1,207,787
Compensated absences	132,768	103,068	(63,368)	172,468	8,210
Other postemployment benefit obligation	<u>519,123</u>	<u>-</u>	<u>-</u>	<u>519,123</u>	<u>-</u>
Business-type activity Long-term Debt	<u>\$ 30,180,168</u>	<u>\$ 103,068</u>	<u>\$ (1,245,581)</u>	<u>\$ 29,037,655</u>	<u>\$ 1,215,997</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. Long-Term Obligations (continued)

Changes in Governmental Long-term Debt by Debt Series

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2013	Issued	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2010 Lib C.O.'s	2.000%	\$ 4,500,000	\$ 4,210,000	\$ -	\$ (105,000)	\$ 4,105,000	\$ 120,000
2012 Comb Tax & Rev	2%-2.75%	7,115,000	6,970,000	-	(305,000)	6,665,000	310,000
Total Bonds Payable		11,615,000	11,180,000	-	(410,000)	10,770,000	430,000
Compensated absences		-	452,191	401,027	(430,789)	422,429	26,180
Totals		<u>\$11,615,000</u>	<u>\$ 11,632,191</u>	<u>\$ 401,027</u>	<u>\$ (840,789)</u>	<u>\$ 11,192,429</u>	<u>\$ 456,180</u>

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 430,000	\$ 273,700	\$ 703,700
2016	455,000	265,000	720,000
2017	470,000	255,850	725,850
2018	490,000	245,675	735,675
2019	515,000	234,825	749,825
2020-2024	2,960,000	979,535	3,939,535
2025-2029	3,725,000	555,798	4,280,798
2029-2032	1,725,000	68,745	1,793,745
Totals	<u>\$ 10,770,000</u>	<u>\$ 2,879,128</u>	<u>\$ 13,649,128</u>

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

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

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2013	Issued	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2006 Utility Refund	4.88%	\$ 3,320,000	\$ 2,890,000	\$ -	\$ (190,000)	\$ 2,700,000	\$ 190,000
2008 Utility Revenue	1.00%	24,785,000	24,095,000	-	(595,000)	23,500,000	610,000
2010 Rev Refunding	1.00%	3,295,000	2,560,000	-	(400,000)	2,160,000	405,000
Total Bonds Payable		31,400,000	29,545,000	-	(1,185,000)	28,360,000	1,205,000
Compensated Absences		-	132,768	103,068	(63,368)	172,468	8,210
Totals		<u>\$31,400,000</u>	<u>\$ 29,677,768</u>	<u>\$ 103,068</u>	<u>\$ (1,248,368)</u>	<u>\$ 28,532,468</u>	<u>\$ 1,213,210</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. Long-Term Obligations (continued)

Debt service requirements are as follows

Year Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 1,205,000	\$ 368,329	\$ 1,573,329
2016	1,235,000	342,428	1,577,428
2017	1,260,000	314,483	1,574,483
2018	1,285,000	285,818	1,570,818
2019	1,320,000	256,464	1,576,464
2020-2024	7,080,000	930,163	8,010,163
2025-2029	7,805,000	393,025	8,198,025
2029-2033	7,170,000	35,075	7,205,075
Totals	<u>\$ 28,360,000</u>	<u>\$ 2,925,785</u>	<u>\$ 31,285,785</u>

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

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

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

G. Operating Lease

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

The other operating lease for the City is under contract obligations for office equipment. The future minimum lease payments for this lease is \$1,950 a month. This lease was signed in April 2012 for a period of 12 months. The lease automatically extended on a month-to-month basis in May 2013.

H. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information ("RSI") for TMRS, the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.org.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Pension Plan

1. Plan Description (continued)

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

	Plan Year	
	2013	2014
Employee deposit rate	7%	7%
Matching Ratio (City to Employee):	2-1	2-1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period of that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis of the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation (asset) are as follows:

City of Mount Pleasant Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Value of Assets	\$ 17,973,410	\$ 19,936,069	\$ 22,071,339
Actuarial Accrued Liability	23,469,909	24,895,767	28,183,367
Percentage Funded	76.6%	80.1%	78.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	5,496,499	4,959,697	6,112,228
Annual Covered Payroll	5,665,505	5,756,105	6,133,792
UAAL as a Percentage of Covered Payroll	97.0%	86.2%	99.6%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 935,936	964,840	1,042,565
Contributions Made	Less (935,936)	(964,840)	(1,042,565)
NPO at the end of the period	\$ -	\$ -	\$ -

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Pension Plan

2. Contributions (continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, as follows:

	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization period	26.0 years; closed period	25.0 years; closed period	26.0 years; closed period
Asset Valuation Method	10 yr Smoothed Market	10 yr Smoothed Market	10 yr Smoothed Market
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

3 Funding Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS CAFR.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

4. Group-term Life Insurance

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

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

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Pension Plan

4. Group-term Life Insurance (continued)

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$1,985, \$1,897, and \$1,704, respectively, which equaled the required contributions each year.

I. Other Post-Employment Benefits

1. Plan Description

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

2. Benefits Provided

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

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

As of September 30, 2014, group plan membership consisted of:

Retirees receiving benefits paid by the City	3
Retirees receiving benefits paid by themselves	2
Active employees	145
Total	<u>150</u>

3. Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. The City contributes \$389 per month for retirees between the ages of 62 and 65 for retiree-only coverage. Participants retiring prior to age 62 are required to pay the full cost of coverage. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I. Other Post-Employment Benefits (continued)

4. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the City ("ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows as of September 30, 2014

	Plan Year	
	2013	2014
Normal Cost at fiscal year end	\$ 239,753	\$ 239,753
Amortization of UAAL	<u>160,912</u>	<u>160,912</u>
Annual Required Contribution	400,665	400,665
Interest on prior year Net OPEB obligation	66,251	66,251
Adjustment to annual required contribution	<u>(97,468)</u>	<u>(97,468)</u>
Annual OPEB cost	369,448	369,448
Contributions made	<u>(75,027)</u>	<u>(75,027)</u>
Increase in net OPEB obligation	294,421	294,421
Net Obligation - beginning of year	<u>1,656,280</u>	<u>1,656,280</u>
Net Obligation - end of year	<u>\$ 1,950,701</u>	<u>\$ 1,950,701</u>

No changes in cost in current fiscal year. The actuarial for this plan is done every three years. The annual costs will be updated in FY2016.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	9/30/12	9/30/13	9/30/14
Discount rate	4.0%	4.0%	4.0%
Annual OPEB Cost	\$ 595,852	\$ 369,448	\$ 369,448
Percentage of Annual OPEB Cost Contributed	1.94%	20.31%	20.31%
Net OPEB Obligation	\$ 1,656,280	\$ 1,950,701	\$ 1,950,701

5 Funding Status and Funding Progress

As of September 30, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2.7 million, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$5.9 million, and the ratio of the UAAL to the covered payroll was 46.64%.

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

**CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. Other Post-Employment Benefits (continued)

6 Actuarial Methods and Assumptions

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

In the October 1, 2013 actuarial valuation, the projected credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate for valuing liabilities and a level healthcare cost trend rate of 6%. Both rates include a 3% inflating assumption. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2014 was 28 years.

J. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health and dental insurance plan. The City contributed \$394 per month per employee for employee coverage and \$319 (50% of the cost) for dependent's health insurance. The City contributed \$26 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent dental coverage. Health insurance is provided by Blue Cross Blue Shield, while dental insurance is provided by Lincoln Financial.

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2013-2014.

L. Litigation

Currently, management is unaware of significant pending litigation against the City of Mount Pleasant, Texas.

M. Additional Water and Sewer Information

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

Gallons Pumped	2,454,048,000
Gallons Billed	2,340,302,000

The City purchases its water from the Titus County Fresh Water Supply District and Franklin County Water District. The cost for water purchases is calculated based upon the previous year's usage. The City's total cost for water purchases for this current year was \$519,551. There was a slight decrease in cost of water purchased of (\$24,279), or (5%), over the previous year.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

N. Interfund Transactions

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ -	\$ 835,104
Street Fund	-	110,004
Other Governmental Funds	105,911	-
Utility	1,282,766	-
Airport	-	125,710
Civic Center	-	317,859
Total Major Funds	<u>\$ 1,388,677</u>	<u>\$ 1,388,677</u>

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

O. Prior Period Adjustments

Prior period adjustments were recorded to correct recording of compensated absences accrual in prior years.

Business-type:

To record prior years compensated absence liability	\$ (15,305)	Civic Center
To record prior years compensated absence liability	(25,686)	Airport
To correct prior years' compensated absence liability	<u>40,991</u>	Utility
	<u>\$ -</u>	

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through January 20, 2015, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

Q. Mount Pleasant Industrial Development Corporation

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

1. Deposits and Investments

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 3,277,468</u>
Savings and checking accounts	455,525
Investment Pools	<u>2,821,943</u>
Total cash and cash equivalents	<u>\$ 3,277,468</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Q Mount Pleasant Industrial Development Corporation

1. Deposits and Investments (continued)

Investments

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

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

Interest Rate Risk

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

As of September 30, 2014, the IDC had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 1,404,202	48	N/A	AAA-m
LOGIC	1,417,741	59	N/A	AAA-m
	<u>\$ 2,821,943</u>			

As of September 30, 2014, the IDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of September 30, 2014, the IDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Q. Mount Pleasant Industrial Development Corporation (continued)

2. Receivables

The IDC had only one account receivable at the end of the fiscal year end. No allowance for uncollectible is recorded for the sales tax receivable accrued.

	IDC
Receivables: Sales tax	<u>\$ 216,645</u>

3. Capital Assets

Capital asset activity for the period ended September 30, 2014 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,628,156	\$ -	\$ -	\$ 1,628,156
Construction in progress		<u>375,878</u>	-	<u>375,878</u>
Total capital assets, not being depreciated	<u>1,628,156</u>	<u>375,878</u>	-	<u>2,004,034</u>
Capital assets, being depreciated:				
Improvements	1,718,691	-	-	1,718,691
Infrastructure	<u>2,499,327</u>	-	-	<u>2,499,327</u>
Total capital assets being depreciated	<u>4,218,018</u>	-	-	<u>4,218,018</u>
Less accumulated depreciation for:				
Improvements	(507,863)	(85,934)	-	(593,797)
Infrastructure	<u>(343,515)</u>	<u>(49,986)</u>	-	<u>(393,501)</u>
Total accumulated depreciation	<u>(851,378)</u>	<u>(135,920)</u>	-	<u>(987,298)</u>
Total capital assets, being depreciated, net	<u>3,366,640</u>	<u>(135,920)</u>	-	<u>3,230,720</u>
Governmental activities capital assets, net	<u>\$ 4,994,796</u>	<u>\$ 239,958</u>	<u>\$ -</u>	<u>\$ 5,234,754</u>

Capital Improvement Program Commitments

The IDC has one active construction project as of September 30, 2014. The project is the construction of a spec building in the industrial park.

Commitments for construction in progress are composed of the following:

	Project Budget		Remaining
	<u>Appropriation</u>	<u>Spent to Date</u>	<u>Commitment</u>
Spec building	<u>\$ 1,775,000</u>	<u>\$ 375,878</u>	<u>\$ 1,399,122</u>

CITY OF MOUNT PLEASANT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Q. Mount Pleasant Industrial Development Corporation (continued)

4. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

Changes in Component Unit Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2013	Issued	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2012 IDC Taxable	5.2%	\$ 1,175,500	\$ 1,110,499	\$ -	\$ (68,487)	\$ 1,042,012	\$ 72,109
2012 IDC NonTaxable	3 4%	2,076,835	1,947,567	-	(133,389)	1,814,178	138,350
Total Notes Payable		3,252,335	3,058,066	-	(201,876)	2,856,190	210,459
Compensated Absence		-	19,991	8,454	(7,170)	21,275	-
Other postemployment oblig		-	44,388	-	-	44,388	-
		<u>\$ 3,252,335</u>	<u>\$ 3,122,445</u>	<u>\$ 8,454</u>	<u>\$ (209,046)</u>	<u>\$ 2,921,853</u>	<u>\$ 210,459</u>

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 210,459	\$ 112,011	\$ 322,470
2016	219,077	103,393	322,470
2017	228,065	94,405	322,470
2018	237,438	85,031	322,469
2019	247,216	75,254	322,470
2020-2024	816,624	301,016	1,117,640
2025-2029	897,311	200,016	1,097,327
Totals	<u>\$ 2,856,190</u>	<u>\$ 971,126</u>	<u>\$ 3,827,316</u>

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

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

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST EIGHT FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2007	12/31/2006	\$ 8,872,109	\$ 12,173,441	\$ 3,301,332	72.9%	\$ 4,696,828	70.3%	\$ 598,977	\$ 598,977	100%
2008	12/31/2007	8,918,216	14,624,444	5,706,228	61.0%	4,929,175	115.8%	663,957	663,957	100%
2009	12/31/2008	9,732,672	15,536,330	5,803,658	62.6%	5,265,395	110.2%	866,407	866,407	100%
2010	12/31/2009	10,649,882	16,867,165	6,217,283	63.1%	5,853,728	106.2%	747,785	747,785	100%
2011	12/31/2010	16,191,463	21,750,986	5,559,523	74.4%	5,738,115	96.9%	964,294	964,294	100%
2012	12/31/2011	17,973,410	23,469,909	5,496,499	76.6%	5,665,505	97.0%	935,936	935,936	100%
2013	12/31/2012	19,936,069	24,895,766	4,959,697	80.1%	5,756,105	86.2%	964,840	964,840	100%
2014	12/31/2013	22,071,339	28,183,567	6,112,228	78.3%	6,112,228	100.0%	1,042,565	1,042,565	100%

See accompanying notes to these financial statements for more detail.

CITY OF MOUNT PLEASANT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL)	(3) Unfunded Actuarial Liability (UAAL)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2-1)/5
2007	10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
2008	10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
2009	10/1/2008	\$ -	\$ 1,680,130	\$ 1,680,130	0.0%	\$ 5,265,395 *	31.9%
2010	10/1/2008	-	1,680,130	1,680,130	0.0%	5,853,728 *	28.7%
2011	10/1/2010	-	2,828,456	2,828,456	0.0%	5,738,115 *	49.3%
2012	10/1/2010	-	2,828,456	2,828,456	0.0%	5,665,505 *	49.9%
2013	10/1/2012	-	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%
2014	10/1/2012	-	2,753,862	2,753,862	0.0%	5,903,889 *	46.6%

* Payroll information is as of December 31 for each year shown above.

Note: Actuarial information updated every three years.

SUPPLEMENTARY INFORMATION

CITY OF MOUNT PLEASANT, TEXAS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Fund	Rural Development Fund	Hobbs Fund	Hotel/Tourism Funds	DWI Fund
ASSETS								
Cash and investments:								
Unrestricted	\$ 296,841	\$ -	\$ 5,360	\$ 65,480	\$ -	\$ 8,528	\$ 92,416	\$ 2,391
Restricted	-	377	-	-	221,994	-	98,718	-
Receivables, net of allowance for uncollectibles:								
Total assets	<u>296,841</u>	<u>377</u>	<u>5,360</u>	<u>65,480</u>	<u>221,994</u>	<u>8,528</u>	<u>228,282</u>	<u>2,391</u>

LIABILITIES AND FUND BALANCES

Liabilities.								
Accounts payable	-	-	2,800	406	-	2,212	40,596	402
Accrued interest payable	-	135,301	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>135,301</u>	<u>2,800</u>	<u>406</u>	<u>-</u>	<u>2,212</u>	<u>40,596</u>	<u>402</u>

FUND BALANCES

Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Hotel/Motel	-	-	-	-	-	-	187,686	-
Development	-	-	-	-	221,994	-	-	-
Assigned to:								
Capital projects	296,841	-	-	-	-	-	-	-
Community improvements	-	-	-	-	-	-	-	-
Cemetery	-	-	2,560	-	-	-	-	-
Public safety	-	-	-	65,074	-	-	-	1,989
Parks	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	6,316	-	-
Unassigned	-	(134,924)	-	-	-	-	-	-
Total Fund Balances	<u>296,841</u>	<u>(134,924)</u>	<u>2,560</u>	<u>65,074</u>	<u>221,994</u>	<u>6,316</u>	<u>187,686</u>	<u>1,989</u>
Total Liabilities and Fund Balances	<u>\$ 296,841</u>	<u>\$ 377</u>	<u>\$ 5,360</u>	<u>\$ 65,480</u>	<u>\$ 221,994</u>	<u>\$ 8,528</u>	<u>\$ 228,282</u>	<u>\$ 2,391</u>

(continued)

CITY OF MOUNT PLEASANT, TEXAS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2014

Law Enforcement Education Fund	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Community Improvements	Peg Funds	Total Other Governmental Funds
\$ 317	\$ 202,787	\$ 11,581	\$ -	\$ 2,320	\$ -	\$ 123,381	\$ -	\$ 811,402
-	-	4,102	-	-	-	-	157,277	482,468
-	-	-	-	-	-	-	-	37,148
317	202,787	15,683	-	2,320	-	123,381	157,277	1,331,018
-	-	135	-	2,320	-	13,934	-	62,805
-	-	-	-	-	-	-	-	135,301
-	-	135	-	2,320	-	13,934	-	198,106
-	-	-	-	-	-	-	157,277	157,277
-	-	-	-	-	-	-	-	187,686
-	-	-	-	-	-	-	-	221,994
-	-	-	-	-	-	-	-	296,841
-	-	-	-	-	-	109,447	-	109,447
-	-	-	-	-	-	-	-	2,560
317	-	-	-	-	-	-	-	67,380
-	202,787	-	-	-	-	-	-	202,787
-	-	15,548	-	-	-	-	-	21,864
-	-	-	-	-	-	-	-	(134,924)
317	202,787	15,548	-	-	-	109,447	157,277	1,132,912
\$ 317	\$ 202,787	\$ 15,683	\$ -	\$ 2,320	\$ -	\$ 123,381	\$ 157,277	\$ 1,331,018

**CITY OF MOUNT PLEASANT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

REVENUE	Capital Replacement Fund	Debt Service Fund	Cemetery Fund	Police Seizure Fund	Rural Development Fund	Hobbs Fund	Hotel/Tourism Funds	DWI Fund	Law Enforcement Education Fund
	Fund	Fund	Fund	Fund	Fund	Fund	Funds	Fund	Fund
Taxes:									
Property	\$ -	\$ 231,074	\$ 25,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	546,141	-	-
Franchise	-	-	-	-	-	-	-	-	-
Charge for services	-	-	14,400	-	-	-	-	-	-
Donations	-	-	-	-	-	-	16,700	-	-
Intergovernmental revenues	-	-	-	17,790	-	-	-	9,609	2,516
Investment income	276	51	-	28	143	12	-	-	-
Miscellaneous	-	1,717	141	3,830	-	-	3,980	-	-
Total revenues	276	232,842	39,828	21,648	143	12	566,821	9,609	2,516
EXPENDITURES									
Current:									
General government	1,100	750	-	-	-	-	202,574	-	-
Police	-	-	-	25,844	-	-	-	12,416	2,199
Fire	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	6,597	-	-	-
Public services and operations	-	-	36,869	-	-	-	-	-	-
Debt service:									
Principal retirement	-	105,000	-	-	-	-	-	-	-
Interest	-	163,700	-	-	-	-	-	-	-
Capital outlays	-	-	-	18,167	-	-	-	-	-
Total expenditures	1,100	268,450	36,869	44,011	-	6,597	202,574	12,416	2,199
Excess (deficiency) of revenues over (under) expenditures	(824)	(36,608)	2,959	(22,363)	143	(6,585)	364,247	(2,807)	317
Other Revenues and Financing Sources (Uses)									
Transfers	-	8,000	-	(8,400)	-	(3,586)	(327,628)	-	-
Total Other Financing Sources (Uses)	-	8,000	-	(8,400)	-	(3,586)	(327,628)	-	-
Net Change in Fund Balances	(824)	(28,608)	2,959	(30,763)	143	(10,171)	36,619	(2,807)	317
Fund Balances, October 1	297,665	(106,316)	(399)	95,837	221,851	16,487	151,067	4,796	-
Fund Balances, September 30	\$ 296,841	\$ (134,924)	\$ 2,560	\$ 65,074	\$ 221,994	\$ 6,316	\$ 187,686	\$ 1,989	\$ 317

CITY OF MOUNT PLEASANT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUE	Park Improvements Fund	Library Fund	Firemen's Relief Fund	Drug & Crime Prevention Fund	Building Fund	Community Improvements	Peg Funds	Total Other Governmental Funds
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,361
Hotel	-	-	-	-	-	-	-	546,141
Franchise	-	-	-	-	-	-	27,081	27,081
Charge for services	-	-	-	-	-	-	-	14,400
Donations	-	5,061	-	6,500	-	-	-	28,261
Intergovernmental revenues	-	-	-	-	-	-	-	29,915
Investment income	-	-	-	-	-	-	95	605
Miscellaneous	4,046	11,402	-	-	-	-	-	25,116
Total revenues	4,046	16,463	-	6,500	-	-	27,176	927,880
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	204,424
Police	-	-	-	2,320	-	-	-	42,779
Fire	-	-	800	-	-	-	-	800
Parks and recreation	8,159	-	-	-	-	-	-	8,159
Libraries	-	3,110	-	-	-	-	-	9,707
Public services and operations	-	-	-	-	-	-	-	36,869
Debt service:								
Principal retirement	-	-	-	-	-	-	-	105,000
Interest	-	-	-	-	-	-	-	163,700
Capital outlays	28,986	11,294	-	6,550	-	90,553	-	155,550
Total expenditures	37,145	14,404	800	8,870	-	90,553	-	726,988
Excess (deficiency) of revenues over (under) expenditures	(33,099)	2,059	(800)	(2,370)	-	(90,553)	27,176	200,892
Other Revenues and Financing Sources (Uses)								
Transfers	-	3,586	800	-	-	200,000	-	(127,228)
Total Other Financing Sources (Uses)	-	3,586	800	-	-	200,000	-	(127,228)
Net Change in Fund Balances	(33,099)	5,645	-	(2,370)	-	109,447	27,176	73,664
Fund Balances, October 1	235,886	9,903	-	2,370	-	-	130,101	1,059,248
Fund Balances, September 30	\$ 202,787	\$ 15,548	\$ -	\$ -	\$ -	\$ 109,447	\$ 157,277	\$ 1,132,912

CITY OF MOUNT PLEASANT, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	\$ 239,698	\$ 239,698	\$ 231,075	\$ (8,623)
Miscellaneous	1,540	1,540	1,767	227
Total Revenues	<u>241,238</u>	<u>241,238</u>	<u>232,842</u>	<u>(8,396)</u>
EXPENDITURES				
General Government	250	250	750	(500)
Debt service:				
Principal retirement	105,000	105,000	105,000	-
Interest	135,988	135,988	163,700	(27,712)
Total Expenditures	<u>241,238</u>	<u>241,238</u>	<u>269,450</u>	<u>(28,212)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(36,608)	(36,608)
Other Financing Sources (Uses)				
Transfers	-	-	8,000	8,000
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net Change in Fund Balances	-	-	(28,608)	(28,608)
Fund Balance, October 1	(106,316)	(106,316)	(106,316)	
Fund Balance, September 30	<u>\$ (106,316)</u>	<u>\$ (106,316)</u>	<u>\$ (134,924)</u>	

CITY OF MOUNT PLEASANT, TEXAS
BUDGETARY COMPARISON SCHEDULE - STREET FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Franchise	\$ 1,240,000	\$ 1,240,000	\$ 1,269,554	\$ 29,554
Royalties	378,000	378,000	380,154	2,154
Investment income	10,500	10,500	5,502	(4,998)
Miscellaneous	10,000	10,000	4,373	(5,627)
Total Revenues	<u>1,638,500</u>	<u>1,638,500</u>	<u>1,659,583</u>	<u>21,083</u>
EXPENDITURES				
Current:				
Public works	5,251,549	5,251,549	4,675,161	576,388
Capital outlays	2,926,200	2,926,200	1,856,075	1,070,125
Debt service:				
Principal retirement	305,000	305,000	305,000	-
Interest	149,013	149,013	149,013	-
Total Expenditures	<u>8,631,762</u>	<u>8,631,762</u>	<u>6,985,249</u>	<u>1,646,513</u>
Excess (deficiency) of revenues (under) expenditures	(6,993,262)	(6,993,262)	(5,325,666)	1,667,596
Other Financing Sources (uses)				
Transfers	691,000	691,000	604,699	(86,301)
Sale of Assets	-	-	7,093	7,093
Total Other Financing Sources (uses)	<u>691,000</u>	<u>691,000</u>	<u>611,792</u>	<u>(79,208)</u>
Net Change in Fund Balances	(6,302,262)	(6,302,262)	(4,713,874)	1,588,388
Fund Balance, October 1	<u>9,790,184</u>	<u>9,790,184</u>	<u>9,790,184</u>	
Fund Balance, September 30	<u>\$ 3,487,922</u>	<u>\$ 3,487,922</u>	<u>\$ 5,076,310</u>	