

CITY OF PARIS, TEXAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT  
FOR**

**CITY OF PARIS, TEXAS**

**Fiscal Year Ended September 30, 2016**



**Prepared By  
Finance Department  
W.E. Anderson, Director**

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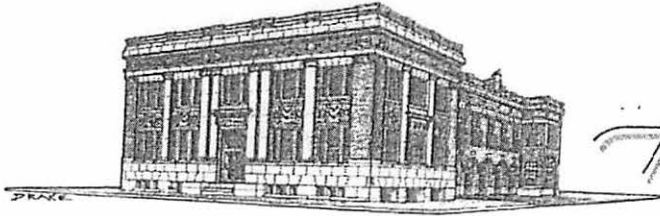
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## INTRODUCTORY SECTION



# *The* CITY OF PARIS

March 24, 2017

Mayor A. J. Hashmi  
and Members of the City Council  
City of Paris, Texas

Dear Mayor and Council Members:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Paris, Texas, for the fiscal year ended September 30, 2016.

The City of Paris is a financial reporting entity as defined by the Government Accounting Standards Board codification section 2100. As such, it has a separately elected governing body chosen by its citizens in a general, popular election, is a legally separate primary government, and is fiscally independent of other state and local governments. The financial reporting entity includes all the funds of the primary government and its component unit, the Paris Economic Development Corporation. More information about PEDC can be found in footnote I.B. which deals with reporting entity topics. There are no other potential component units.

The primary purpose of this report is to provide the City Council, citizens, financial community, and others with detailed information concerning the financial condition and performance of the City of Paris. It is strongly recommended that any user of this report read the Management's Discussion and Analysis included in the financial section of the report. In addition, this report provides assurance that the City presents fairly its financial position as verified by independent auditors.

## THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report of the City of Paris, Texas, for the fiscal year ended September 30, 2016, which follows, was prepared by the Finance Department. The financial statements have been audited by McClanahan and Holmes, LLP, CPAs, whose report is included herein. This audit satisfies Article III, Section 35 of the City Charter which requires that an annual audit of all accounts of the City be made by an independent certified public accountant.

The City Finance Department is responsible for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures. I believe the data presented is accurate in all material aspects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. Furthermore, I believe that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activity have been included.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

**This Comprehensive Annual Financial Report consists of four parts:**

- 1. The Introductory Section includes an organizational chart, list of elected and appointed officials, and this transmittal letter, which highlights significant aspects of the financial operations during the year and particular issues faced by the City.**
- 2. The Financial Section includes the independent auditors' report, management's discussion and analysis, financial statements and related notes, and supplemental financial data.**
- 3. The Statistical Section includes several tables of unaudited data depicting the financial history of the City, as well as demographic information of other governmental units overlapping the City and other miscellaneous statistics.**
- 4. The Continuing Disclosure Information Section contains thirteen tables of financial information required by the United States Securities and Exchange Commission Rule 15c2-12. These tables provide investors with updated information on all municipal bond issues sold after July 3, 1995.**

**The Notes to the Financial Statements are provided in the Financial Section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the City and other necessary disclosures of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.**

#### **General Information Regarding the City and Surrounding County**

**The City of Paris is the county seat and principal commercial center of Lamar County and is located at the intersection of United States Highways 271 and 82, approximately 100 miles northeast of Dallas near the Red River. The City is served by 6 banks. The City's 2010 census is 25,171, a decrease of 2.80% from the 2000 census of 25,898.**

**Lamar County (the County) is located in northeast Texas and borders the State of Oklahoma. The County, which is situated between the Red River and the Sulphur River, is traversed by United States Highways 271 and 82, State Highways 19 and 24, and 32 farm-to-market roads. The County's 2010 census is 49,793, an increase of 2.66% over the 2000 census of 48,499.**

**The City is a regional medical center serving patients in Northeast Texas and Southeast Oklahoma. Founded in 1911 as St. Joseph's Hospital, Paris Regional Medical Center is a 364 bed medical center. Its parent company is RCCH HealthCare Partners. It complements the City's 130 doctors and 21 dentists that provide a wide range of general and special medical services. In addition, Christus Dubuis Hospital of Paris operates a 25 bed acute care facility to provide care to medically complex patients.**

**The City provides utilities through its 36 MGD water plant and 7.25 MGD wastewater plant. Electric power is supplied to Paris by TXU Electric's interconnected transmission system. It has a generating capacity of 22,808,000 KW. The supply of electric power is adequate to meet the requirements of any commercial or industrial demand. Atmos Energy provides natural gas for residential, commercial, and industrial users. Atmos Energy is the largest provider of pure natural gas in America. It provides service to over three million customers in 12 states. There are 3 transmission lines serving the City with a line pressure of 300 pounds per square inch. Telephone service is provided by AT & T.**



Educational facilities of the City are provided by 3 independent school districts. Each of the districts is accredited by the Texas Education Agency. Higher education needs in the County are provided at Paris Junior College located in the City. Total enrollment of these entities is 12,121.

Tourists are attracted to the area by activities on Lake Crook and Pat Mayse Reservoir. Pat Mayse Reservoir is located 15 minutes from the City and provides 6,000 acres for boating, fishing, and camping. The Gambill Goose Refuge and numerous hunting and fishing areas are also located in the County. Other points of interest and activities include the Sam Bell Maxey House, the A.M. Aikin Archives, Red River Valley Exposition, and the Lamar County Historical Society Museum.

Also, the City has 2 18-hole golf courses, 4 private and 1 public swimming pools, 26 tennis courts, 3 walk/jog tracks, a sports complex, and 24 public park areas.

### **Government Organization**

The City was founded in 1839 with the current charter adopted in November of 1948 and last revised in 2011. The City operates under the Council/Manager form of government with 7 council members elected from single member districts. The Mayor is elected by the Council itself to serve as moderator of the group. The Council members can serve a maximum of three consecutive 2 year staggered terms. The Mayor and Council appoint the City Manager, the City Attorney, and the Municipal Judge. The City is a Home Rule City with all powers granted to home rule cities by the constitution and laws of the State of Texas. The Council enacts legislation, adopts budgets, and determines policies of the City of Paris. The City Manager executes the laws and administers the government of the City.

### **Economic Condition and Outlook**

Taxable values, as originally certified by the Lamar County Appraisal District, for fiscal year 2015-2016 reflect a 6.10% increase over the 2014-15 values. Building permits for new residential and commercial construction were valued at \$11,090,228 for fiscal year 2015-16. This activity should be reflected in next year's taxable values.

Sales taxes for 2015-16 decreased from the prior year by 8.22%. This decrease was due to a large one time collection produced by a state-audit during 2014-15. Otherwise collections would have been up between 3 and 4%. Current rebates are 7.15% above the 2015-16 rebates through March 2017.

Hotel occupancy taxes were up 6.06% compared to 2014-15 taxes. First quarter 2016-17 collections were 0.7% below the same period in 2015-16.

Franchise fees decreased 5.25% compared to the previous year. This decrease is believed to be caused by milder than normal weather.

The City of Paris, Paris Economic Development Corporation, and the Lamar County Chamber of Commerce have been actively recruiting new business to the area as well as supporting already existing businesses. PEDC has several active incentive commitments in regard to its recruitment of new industry and support of existing industry.

General Fund receipts equaled 90.66% of budget. This shortfall of revenues was caused by the reclassification of water and sewer franchise revenues as interfund transfers for reporting purposes and grant interfund revenues were not received during

this fiscal year. General Fund expenditures were only 93.09% of budget. For the 2016-17 fiscal year, the City Council adopted a tax rate of .50195 cents per \$100 of value. This is the same rate as the previous year. This rate allows maintaining all services at their current levels or above and funds all required interest and sinking funds.

### **Long-term Financial Planning and Relevant Financial Policies**

The City is in the process of developing a new long-range financial plan. The City formalized a key financial policy in 2010 that had been informally followed previously: a utility rate maintenance policy. The utility rate maintenance policy will help assure the financial integrity of the enterprise fund along with its related interest and sinking funds. Another policy was formalized in 2013 in the form of a reserve level guideline for both the general fund and utility fund. Adequate reserve levels provide the City with the ability to deal with extraordinary events and maintain its credit worthiness. This credit worthiness, as reflected in the current financial statements, allowed the City to obtain very favorable interest rates on the general obligation bonds issued in 2013 and 2016.

### **Major Initiatives**

The City of Paris continues to work in environmentally related areas. Since 1984, almost \$62 million has been spent on water and wastewater improvements. The City continues to work on its long range plan to maintain its infrastructure. The City called for a general obligation bond election in May 2013 in the amount of \$45,000,000 which passed overwhelmingly. Proceeds from these bonds are being used for water and sewer infrastructure improvements. These bonds will be paid for out of utility system revenues. With the payoff of earlier debt issues, it will not be necessary to raise utility rates to fund the new debt.

The City also continues to expand its effort in law enforcement related areas. Specifically, the City has targeted auto theft and the public schools. Programs in this effort include the Auto Theft Task Force and school resource officers at one of the local high schools. One other continuing law enforcement effort is to upgrade equipment through Justice Assistance grants.

From a development standpoint, the City has taken several steps. Reentry into the State of Texas Main Street Program has channeled additional funds for revitalization of existing structures and businesses. The City continues to work closely with the Paris Economic Development Corporation to attract new business to Paris and to support existing businesses as well. Working with the Chamber of Commerce, the City is effectively using the civic center to attract people and business to Paris. City officials are also closely working with Keep Paris Beautiful, Inc. to promote and improve the City. The Historic Preservation Committee is working with local property owners to maintain the historical character of the City. In addition, the City Planner has been formulating long range plans for city development.

### **Other Financial Information**

The financial statements of the City of Paris, Texas, have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Using the GASB 34 reporting model, the City's Comprehensive Annual Financial Report provides for a management's discussion and analysis, government-wide financial statements, major fund financial statements, notes to the financial statements, and other required supplementary information.

The City has a written investment policy that conforms to state statutes, which outlines permissible investments. The City pools its cash balances for investment purposes from the various funds maintained in its consolidated cash account. Interest

earnings of the pool are allocated to the various funds of the City based upon a fund's equity position in the pool. The City of Paris' primary risk exposures are in the areas of workers' compensation and tort liability. Provision for these risks is made through participation in the Texas Municipal League's risk pool.

Between 30 days and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget for the next fiscal year are heard. The budget is legally enacted by the City Council through passage of an ordinance not later than the 27<sup>th</sup> day of the last month prior to the beginning of the fiscal year. Generally, appropriations are legally adopted at the department level. Budgetary controls are maintained at the major category of expenditure level within each operating division. All anticipated expenditures are budgeted for control purposes. Capital project funds are appropriated on a project by project basis. Expenditures and/or expenses are directly monitored by the City Council.

**Internal Controls**

Internal accounting controls are designed to provide reasonable, but not absolute, assurance of the safeguarding of assets against loss from unauthorized use or disposition and reliable financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived.

All internal control evaluations occur within this framework. The Finance Department's staff believes the City's internal control structure adequately ensures compliance with laws and regulations and reasonable assurance for safeguarding of assets.

**Debt**

The following schedule outlines the outstanding City debt as of 09-30-16:

<u>Issue</u>	<u>Tax Supported</u>	<u>Revenue Supported</u>	<u>Fund Maturity</u>	<u>Moody's Investors Rating Insured</u>
2010 Tax and Rev. C. O.	\$ 2,445,000	\$ -	12-15-29	Aa3
2010 G. O. Refunding Bonds	1,685,000	2,730,000	06-15-20	Aa3
2012 G. O. Refunding Bonds	2,290,000	-	12-15-21	Aa3
2013 C. O. (TWDB)	-	2,450,000	06-15-32	N/A
2013 G. O. Bond	-	31,615,000	12-15-32	Aa3
Capital Lease-Firetruck	1,538,459		10-21-24	N/A
<b>Total</b>	<b>\$ 7,958,459</b>	<b>\$ 36,795,000</b>		

**Independent Audit**

The City Charter requires an annual audit to be made of the accounts, financial records, and transactions of all administrative departments of the City by a certified public accountant selected by the City Council. The requirement has been complied with, and the Independent Auditors' Report has been included in this report.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Paris for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

The preparation of this report could not have been accomplished without the full support and efficient and dedicated efforts of the entire staff of the Finance Department and the competent services of the independent auditors, McClanahan and Holmes, LLP, CPAs. I express my appreciation to all members of the Finance Department who assisted and contributed to the completion of this report and to all City departments involved in the preparation of information for this report. In addition, I express my appreciation to the Mayor, City Council, and City Manager for their continuing interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



W. E. Anderson  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

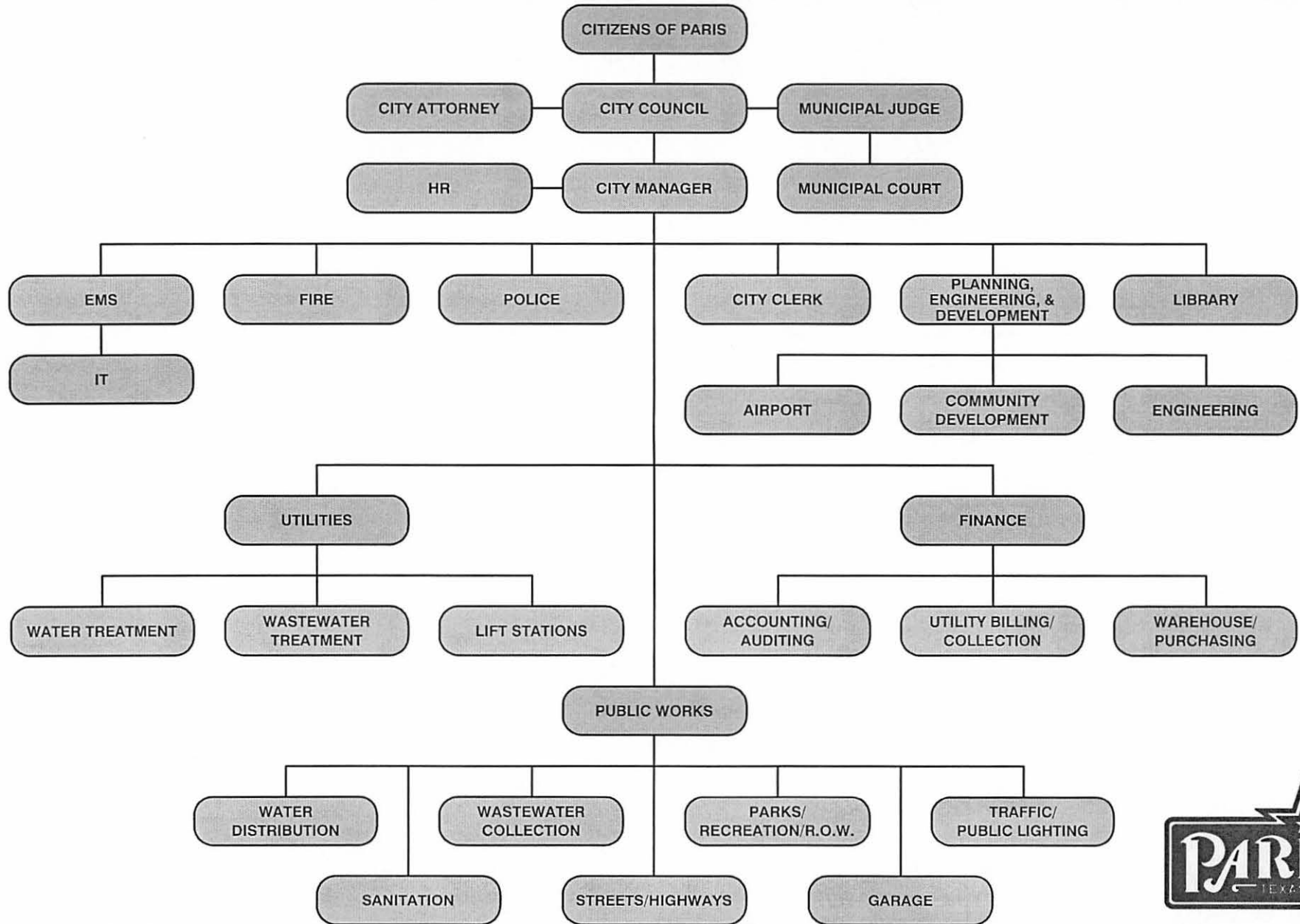
**City of Paris  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# CITY OF PARIS ORGANIZATIONAL CHART



## List of Elected and Appointed Officials

### Elected Officials

Dr. AJ Hashmi – Mayor  
Billie Sue Lancaster – Mayor Pro-Tem  
Aaron Jenkins  
Bill Trenado  
Dr. Steve Clifford  
Matt Frierson  
Cleonne Drake

### Appointed Officials

John Godwin – City Manager  
Gene Anderson – Finance Director  
Stephanie Harris – City Attorney  
Janice Ellis – City Clerk  
Pricilla McAnally – Library Director  
Tom E. Hunt, III – Presiding Municipal Court Judge  
Bob Hundley – Police Chief  
Doug Harris – Utilities Director  
Larry H Wright III– Fire Chief

**FINANCIAL SECTION**



**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
RUSSELL P. WOOD, CPA  
DEBRA J. WILDER, CPA  
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Basic Financial Statements Accompanied by  
Required Supplementary Information, Supplementary Information,  
and Other Information

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Paris, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information including the budgetary comparison of the City of Paris, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Paris, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability, and the schedules of City contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paris, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, schedule of expenditures of federal awards (as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), the supplemental schedules of federal revenues and expenditures, and the schedule of expenditures of State of Texas awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, the supplemental schedules of federal revenues and expenditures, and the schedule of expenditures of State of Texas awards are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Honorable Mayor and City Council  
City of Paris, Texas

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the City of Paris, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paris, Texas' internal control over financial reporting and compliance.

*McClanahan and Holmes, LLP*

Certified Public Accountants

Paris, Texas  
March 24, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Paris (the City), we offer readers of the City of Paris, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Paris for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal as well as the City's financial statements.

### Financial Highlights of the Primary Government

- The City maintained its tax rate at 0.50195 per \$100 of valuation for fiscal year 2015-16. The City has lowered its rate six times since the 2003-04 fiscal year when the tax rate was 0.695. For the upcoming 2016-17 fiscal year, the City maintained its tax rate at 0.50195 per \$100 of valuation. The City has accomplished this 19.30 cent tax rate reduction by review of its operational needs and increases to the taxable value of property within the City.
- City sales taxes dropped beginning in late fiscal year 2008-09 due to the nationwide recession, but the City had fully recovered from that dip by the end of fiscal year 2012-13.
- The number of budgeted positions dropped from a peak of 369 in fiscal year 2002-03 to 316 in fiscal year 2005-06. This reduction of 53 positions was part of an operational review and represents a significant and annually repeating savings to the City. Since 2006, twelve employees have been added to the workforce bringing the total City employees to 328.
- City-wide revenues this year exceeded City-wide expenses by \$237,867 compared to \$2,345,290 in expenses over revenues the previous year. The current year's reversal of the more typical revenue excess was triggered by roof replacements on multiple buildings owned by the City with the expense paid out of General Fund reserves. Council also approved City-wide drainage improvements paid from General Fund reserves that were transferred to the Capital Projects fund during the year. 2014-15 brought a one-time sales tax windfall, increased EMS revenues as call volume increased, increased property tax collections due to the efforts of the delinquent tax attorney, and increased hotel taxes due to popular community events.
- The assets of the City of Paris exceeded liabilities at the close of the most recent fiscal year by \$83,327,741 (net position), a decrease of \$643,745, or 0.77%, below the previous year amount of \$83,971,486. This change is primarily due to a decrease in total change in net position when compared to the prior year. Of the amount reported as net position, \$16,351,303 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,644,883 compared to \$16,680,126 the previous year. This amounts to a decrease of \$3,035,243, or 18.20%. This decrease was due primarily to the City's projects funded by General Fund reserves. Unassigned fund balance is available for spending at the government's discretion.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$10,227,839, or 40.23%, of total general fund expenditures. The prior year unassigned fund balance was \$12,969,124, or 55.70%, of general fund expenditures.
- General fund expenditures were up \$2,137,921, or 9.18%.
- The City of Paris' noncurrent liabilities decreased by \$1,738,656, or 3.50%, during the current fiscal year due to retirement of long-term debt.
- Total charges for services for the City of Paris were \$19,379,937 compared to \$19,020,451 the previous year. This represents a \$359,486, or 1.89%, increase in charges over the previous year with health department showing the largest increase. Operating grants and contributions were \$686,158 compared to \$1,396,711 the previous year. This largest decrease was in the area of general government. Capital grants and contributions were \$424,332 compared to \$271,961 the previous year. General revenues were \$19,215,959 compared to \$19,070,365 the previous year. This increase was primarily due to capital contributions consisting of donated fixed assets during the year.
- City-wide liabilities increased \$3,579,280 from \$60,813,256 to \$64,392,536. This amounted to a 5.89% increase caused primarily by an increase in the Net Pension Liability during the year.
- City-wide expenses increased \$2,054,321, or 5.49%, increasing from \$37,414,198 to \$39,468,519 with the increase being in both governmental activities and business-type activities.
- The ratio of net position to expenses experienced a noticeable decrease with the ratio being 224.44% for the year 2014-15 and 211.12% for the year 2015-16. Unrestricted net position changed from \$19,203,505 in

2014-15 to \$16,351,303 in 2015-16, a decrease of \$2,852,202, or 14.85%, reflecting the impact of the increase in Net Pension Liability from the prior year to the current year.

- The ratio of city-wide net position restricted for debt service to total expenditures was 2.76% for the year 2015-16 and 3.88% for the year 2014-15.
- Net long-term debt to assets, a measure of solvency, was 33.69% in 2015-16 and 34.55% in 2014-15. Scheduled debt payments caused the decrease.

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

The statement of net position presents information on all of the City of Paris' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Paris is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Paris that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Paris include general government, public safety, public works, culture and recreation, health, and airport. The business-type activities of the City of Paris include water production and distribution as well as wastewater collection and treatment. The government-wide financial statements include not only the City of Paris itself (known as the primary government), but also a legally separate economic development corporation (known as the component unit) over which the City of Paris is able to exercise significant control. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Paris, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Paris can be divided into two categories: governmental funds and proprietary funds.

## **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the

long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Paris classifies its governmental funds as either Nonmajor or Major. Nonmajor governmental funds include all special revenue funds and permanent funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the debt service fund, all of which are considered to be Major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found immediately after the Independent Auditors' Report.

### **Proprietary Funds**

The City of Paris maintains only one type of proprietary fund. An enterprise fund (the type used by the City of Paris) is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Paris uses an enterprise fund to account for its water and sewer related activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund used by the City of Paris is considered a major fund.

The basic proprietary fund financial statements can be found beginning with Statement 7 and continuing through Statement 9 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the Statement of Cash Flows-Proprietary Funds in this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Paris' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the Notes to the Financial Statements.

Combining and individual fund statements and schedules can be found immediately after the required supplementary information in this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Paris, assets exceeded liabilities by \$83,327,741 at the close of the most recent fiscal year. This compares to \$83,971,486 for the previous year. The regular pay-down of long-term debt normally causes an improvement in net position, but the decrease in total change in net position resulted in a \$643,745 decrease in net position.

By far, the largest portion of the City of Paris' net position (\$63,972,639 or 76.77%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Paris uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Paris' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Paris  
Net Position

	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and Other Assets	\$15,433,430	\$18,956,608	\$35,133,944	\$41,765,147	\$50,567,374	\$60,721,755
Capital Assets	38,486,866	35,980,239	53,026,930	46,899,288	91,513,796	82,879,527
<b>Total Assets</b>	<b>53,920,296</b>	<b>54,936,847</b>	<b>88,160,874</b>	<b>88,664,435</b>	<b>142,081,170</b>	<b>143,601,282</b>
<b>Deferred Outflows</b>						
Related to Pensions	5,046,807	1,219,855	907,984	208,995	5,954,791	1,428,850
<b>Long-Term Liabilities:</b>						
Outstanding	22,349,250	18,032,771	38,884,435	40,109,554	61,233,685	58,142,325
Other Liabilities	944,128	776,074	2,214,723	1,894,857	3,158,851	2,670,931
<b>Total Liabilities</b>	<b>23,293,378</b>	<b>18,808,845</b>	<b>41,099,158</b>	<b>42,004,411</b>	<b>64,392,536</b>	<b>60,813,256</b>
<b>Deferred Inflows</b>						
Related to Pensions	273,672	216,143	42,012	29,247	315,684	245,390
<b>Net Position:</b>						
Net Investment in						
Capital Assets	30,505,784	28,043,910	33,466,855	33,331,038	63,972,639	61,374,948
Restricted	3,003,799	3,393,033	-	-	3,003,799	3,393,033
Unrestricted	1,890,470	5,694,771	14,460,833	13,508,734	16,351,303	19,203,505
<b>Total Net Position</b>	<b>\$35,400,053</b>	<b>\$37,131,714</b>	<b>\$47,927,688</b>	<b>\$46,839,772</b>	<b>\$83,327,741</b>	<b>\$83,971,486</b>

An additional portion of the City of Paris' net assets (\$3,003,799 or 3.60%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets (\$16,351,303 or 19.62%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Paris is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities net investment in capital assets, restricted net position, and unrestricted net position. This was also true for the prior fiscal year.

### Governmental Activities

Governmental activities decreased the City of Paris' net position by \$1,731,661 (4.66%) during the current fiscal year. This decrease resulted from excess expenses over revenues during the year, as well as a prior period adjustment recorded for accrual of payroll liabilities. Total governmental revenue was down \$110,074 with general revenues being up \$423,876 and program revenues being down \$533,950. General revenues were up primarily due to capital contributions during the year. Program revenues were down primarily due to decreased operating grants and contributions.

	General Revenues		
	2016	2015	Increase (Decrease)
Property Taxes	\$ 7,748,872	\$ 7,651,005	\$ 97,867
Sales Taxes	7,051,858	7,684,113	(632,255)
Franchise Taxes	2,502,614	2,641,537	(138,923)
Hotel Occupancy Tax	630,545	594,493	36,052
Unrestricted Investment Earnings	80,129	51,741	28,388
Miscellaneous	315,989	288,863	27,126
Capital Contributions	651,847	-	651,847
Gain (Loss) on Sale of Capital Asset	(57,026)	80,826	(137,852)
	<b>\$ 18,924,828</b>	<b>\$ 18,992,578</b>	<b>\$ (67,750)</b>

The following table provides a summary of the City's operations for the years ending 2016 and 2015 for both governmental and business-type activities.

City of Paris  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 4,776,579	\$ 4,738,487	\$14,603,358	\$14,281,964	\$19,379,937	\$19,020,451
Operating Grants and Contributions	672,298	1,396,711	13,860	-	686,158	1,396,711
Capital Grants and Contributions	424,332	271,961	-	-	424,332	271,961
<b>General Revenues:</b>						
Property Taxes	7,748,872	7,651,005	-	-	7,748,872	7,651,005
Sales Taxes	7,051,858	7,684,113	-	-	7,051,858	7,684,113
Franchise Taxes	2,502,614	2,641,537	-	-	2,502,614	2,641,537
Hotel Occupancy Tax	630,545	594,493	-	-	630,545	594,493
<b>Unrestricted</b>						
Investment Earnings	80,129	51,741	291,131	77,787	371,260	129,528
Other	910,810	369,689	-	-	910,810	369,689
<b>Total Revenues</b>	<b>24,798,037</b>	<b>25,399,737</b>	<b>14,908,349</b>	<b>14,359,751</b>	<b>39,706,386</b>	<b>39,759,488</b>
<b>Expenses</b>						
General Government	3,864,573	3,314,374	-	-	3,864,573	3,314,374
Public Safety	12,595,127	11,037,966	-	-	12,595,127	11,037,966
Public Works	7,020,333	7,508,978	-	-	7,020,333	7,508,978
Health	2,633,051	2,404,782	-	-	2,633,051	2,404,782
Culture and Recreation	799,187	790,339	-	-	799,187	790,339
Cox Field	217,995	152,063	-	-	217,995	152,063
<b>Interest on</b>						
Long-Term Debt	237,313	276,197	-	-	237,313	276,197
Water and Sewer	-	-	12,100,940	11,929,499	12,100,940	11,929,499
<b>Total Expenses</b>	<b>27,367,579</b>	<b>25,484,699</b>	<b>12,100,940</b>	<b>11,929,499</b>	<b>39,468,519</b>	<b>37,414,198</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>(2,569,542)</b>	<b>(84,962)</b>	<b>2,807,409</b>	<b>2,430,252</b>	<b>237,867</b>	<b>2,345,290</b>
<b>Transfers/Special Items</b>	<b>1,579,100</b>	<b>1,087,474</b>	<b>(1,579,100)</b>	<b>(1,087,474)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(990,442)</b>	<b>1,002,512</b>	<b>1,228,309</b>	<b>1,342,778</b>	<b>237,867</b>	<b>2,345,290</b>
<b>Net Position, Beginning</b>	<b>37,131,714</b>	<b>43,400,731</b>	<b>46,839,772</b>	<b>45,214,376</b>	<b>83,971,486</b>	<b>88,615,107</b>
<b>Prior Period Adjustment</b>	<b>(741,219)</b>	<b>(7,271,529)</b>	<b>(140,393)</b>	<b>282,618</b>	<b>(881,612)</b>	<b>(6,988,911)</b>
<b>Net Position, Ending</b>	<b>\$35,400,053</b>	<b>\$37,131,714</b>	<b>\$47,927,688</b>	<b>\$46,839,772</b>	<b>\$83,327,741</b>	<b>\$83,971,486</b>

### Business-Type Activities

Business-type activities increased the City of Paris' net position by \$1,228,309. This increase was caused primarily by increased charges for services and increased investment earnings.

### Financial Analysis of the Government's Funds

As noted earlier, the City of Paris uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



## Governmental Funds

The focus of the City of Paris' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Paris' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	Governmental Funds	
	2016	2015
Total Assets	\$ 15,433,430	\$ 18,322,288
Total Liabilities	\$ 833,490	\$ 569,382
Deferred Inflows of Resources	955,057	1,072,780
Fund Balances:		
Nonspendable:		
Inventory	223,911	294,776
Permanent Fund Principal	91,565	90,800
Restricted for:		
Debt Service	1,087,664	1,134,402
Capital Projects	1,072,116	1,159,685
Notes	42,483	48,845
Law Enforcement	324,178	384,744
Public Education	386,558	330,310
Assigned:		
Library	83,245	109,144
Community Development	105,324	158,296
Unassigned:		
General Fund	10,227,839	12,969,124
Total Fund Balances	13,644,883	16,680,126
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 15,433,430	\$ 18,322,288

As of the end of the current fiscal year, the City of Paris' governmental funds reported combined ending fund balances of \$13,644,883. Approximately 74.96% of this total amount (\$10,227,839) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is non-spendable, restricted, or assigned to 1) Permanent Fund Principal (\$91,565), 2) pay debt service (\$1,087,664), 3) outstanding notes (\$42,483), 4) inventories (\$223,911), 5) law enforcement (\$324,178), 6) library (\$83,245), 7) community development (\$105,324), 8) Public Education (\$386,558), and 9) capital projects (\$1,072,116).

	Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	
	2016	2015
Revenues	\$ 24,293,983	\$ 25,122,817
Expenditures	29,071,427	25,513,798
Deficiency of Revenues Under Expenditures	(4,777,444)	(390,981)
Total Other Financing Sources (Uses)	2,554,285	1,799,686
Net Change in Fund Balances	(2,223,159)	1,408,705
Increase (Decrease) in Inventory	(70,865)	61,649
Fund Balances - Beginning	16,680,126	15,209,772
Prior Period Adjustment	(741,219)	-
Fund Balances - Ending	<u>\$ 13,644,883</u>	<u>\$ 16,680,126</u>

### General Fund

The General Fund is the chief operating fund of the City of Paris. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,227,839 (\$12,969,124 the previous year), while total fund balance reached \$10,839,700 (\$13,594,986 the previous year). The decrease in the fund balance of the general fund was primarily due to the City's projects funded by General Fund reserves during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40.23% of total general fund expenditures, while total fund balance represents 42.64% of that same amount.

During the year, the City also made budgeted transfers from the Water and Sewer Fund to the General Fund for administrative support and payment of franchise fees. Transfers were made from the Water and Sewer Fund to the Debt Service Fund to make debt service payments. The Balance of a Special Revenue Fund was closed out with a transfer from the General Fund.

Other governmental funds (nonmajor) include the Permanent and Expendable Library Funds, Special Revenue Fund, Grant Fund, and the Community Development Fund. Other than the General Fund, no governmental fund had unassigned fund balance at the end of the year.

### Budget Analysis

The City of Paris adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided as Required Supplementary Information in this report to demonstrate compliance with this budget.

The final appropriation of the general fund was underspent by \$1,884,239 (\$1,492,267 underspent the previous year). This 6.90% variance was spread out among all departments and is mainly due to conservative forecasting. General Fund revenues were under budget by \$2,333,464 (9.33%). Shortfalls in franchise taxes and intergovernmental revenues were the primary reasons for this difference.

### Capital Projects Fund

The Capital Projects Fund is funded by the General Fund and/or the Proprietary Fund on an as needed basis or by debt issue authorized by the City Council. As Proprietary Fund projects are completed in the Capital Projects Fund, they are transferred back to the Proprietary Fund. The fund balance in the Capital Projects Fund was \$1,070,724 (\$1,158,909 last year). Variances from year to year are common in this fund as projects are approved on a year to year basis by the City Council.

## Debt Service Fund

The Debt Service Fund has a total fund balance of \$1,087,664 (\$1,134,402 the previous year), all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$46,738 (\$315,469 decrease the previous year). The decrease was 4.12% and was due to transfers out. The government enacted a dedicated property tax for debt service at the beginning of the current fiscal year. This tax produced revenues of \$1,168,313 in the current fiscal year (\$1,414,594 the previous year).

## Proprietary Fund

The City of Paris' Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$14,460,833 (\$13,508,734 the previous year). This change was primarily due to reduced liabilities. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Paris' business-type activities.

## Capital Asset and Debt Administration

### Capital Assets

The City of Paris' investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$91,513,796 (\$82,879,527 the previous year). Both of these amounts are net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Net Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,929,099	\$ 5,929,099	\$ 339,620	\$ 339,620	\$ 6,268,719	\$ 6,268,719
Buildings and System Improvements Other than Buildings	9,723,777	9,143,599	39,717,549	35,243,172	49,441,326	44,386,771
Machinery, Furniture, and Equipment	4,992,731	5,180,069	-	-	4,992,731	5,180,069
Infrastructure	3,673,121	3,108,544	927,678	885,797	4,600,799	3,994,341
Construction in Progress	13,482,092	12,414,806	-	-	13,482,092	12,414,806
Water Rights-Net	686,046	204,122	8,657,000	7,009,984	9,343,046	7,214,106
	-	-	3,385,083	3,420,715	3,385,083	3,420,715
<b>Total</b>	<b>\$ 38,486,866</b>	<b>\$ 35,980,239</b>	<b>\$ 53,026,930</b>	<b>\$ 46,899,288</b>	<b>\$ 91,513,796</b>	<b>\$ 82,879,527</b>

Additional information on the City of Paris' capital assets can be found in note IV. D. of the Notes to the Financial Statements.

### Long-Term Debt

At the end of the current fiscal year, the City of Paris had total bonded debt outstanding of \$43,215,000. Of this amount, \$6,420,000 comprises debt being paid for by property tax revenues, and \$36,795,000 represents bonds being paid for by water and sewer revenues.

Issue	Tax Supported	Revenue Supported	Final Maturity	Moody's Investors Rating
2010 G.O. Refunding Bonds	\$ 1,685,000	\$ 2,730,000	6/15/2020	Aa3
2010 Tax and Rev C.O.s	2,445,000	-	12/15/2029	Aa3
2012 G.O. Refunding Bonds	2,290,000	-	12/15/2021	Aa3
2013 C.O.s (TWDB)	-	2,450,000	6/15/2032	N/A
2013 G.O. Bonds	-	31,615,000	12/15/2032	Aa3
	<u>\$ 6,420,000</u>	<u>\$ 36,795,000</u>		

The City of Paris' bond debt decreased by \$2,615,000 (5.71%) during the fiscal year. This decrease was due to scheduled principal payments on the debt. The City's underlying bond rating from Moody's is Aa3. The maximum tax rate permitted by Article XI, Section 5 of the State of Texas constitution is \$2.50 per \$100 of assessed valuation. Consequently, no legal debt margin can be calculated. The state attorney general has traditionally allowed up to \$1.50 per \$100 valuation to be applied to debt service. The City levied a tax rate of \$0.50195 per \$100 valuation for the 2015-16 fiscal year. This rate was broken down into \$0.42547 per \$100 valuation for operations and \$0.07648 per \$100 valuation for debt service. Using the traditional allowance of the state attorney general as a guide, the City of Paris is utilizing only 5.10% of its debt capacity.

Additional information on the City of Paris' long-term debt can be found in note IV. K. of the Notes to the Financial Statements.

#### **Economic Factors and Next Year's Budgets and Rates**

- Sales tax revenues are projected to grow 3.5% in the coming year.
- New construction amounted to 44 residential units and 59 commercial units.
- Local population growth is expected to be minimal.
- The tax rate is expected to remain at or below \$0.51 per \$100 of value.
- Franchise fees are expected to remain stable.

All of these factors were considered in preparing the City of Paris' budget for 2016-17.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Paris' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 135 S.E. First Street, City of Paris, Texas 75460.

CITY OF PARIS, TEXAS  
Statement of Net Position  
September 30, 2016

Statement I

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
<b>Assets</b>				
Cash and Cash Equivalents	\$ 8,271,664	\$ 3,549,975	\$ 11,821,639	\$ 2,523,029
Investments	4,299,227	560,036	4,859,263	-
Receivables (Net of Allowance for Uncollectibles)	2,455,997	2,247,682	4,703,679	243,678
Inventories	223,911	258,553	482,464	-
Due from Other Governments	136,577	-	136,577	-
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	3,571	7,494,906	7,498,477	404,845
Investments	-	21,022,792	21,022,792	-
Receivables	42,483	-	42,483	-
Land Development Costs	-	-	-	1,908,522
Water Rights (Net of Accumulated Amortization)	-	3,385,083	3,385,083	-
<b>Capital Assets Not Being Depreciated:</b>				
Land	5,929,099	339,620	6,268,719	-
Construction in Progress	686,046	8,657,000	9,343,046	-
<b>Capital Assets (Net of Accumulated Depreciation):</b>				
Buildings and System Improvements Other Than Buildings	9,723,777	39,717,549	49,441,326	-
Buildings	4,992,731	-	4,992,731	-
Machinery and Equipment	3,673,121	927,678	4,600,799	-
Infrastructure	13,482,092	-	13,482,092	-
<b>Total Assets</b>	<u>53,920,296</u>	<u>88,160,874</u>	<u>142,081,170</u>	<u>5,080,074</u>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows Related to Pensions	5,046,807	907,984	5,954,791	-
<b>Total Deferred Outflows of Resources</b>	<u>5,046,807</u>	<u>907,984</u>	<u>5,954,791</u>	<u>-</u>

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

CITY OF PARIS, TEXAS  
Statement of Net Position  
September 30, 2016

Statement I  
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
<b>Liabilities</b>				
Accounts Payable and Other Current Liabilities	835,668	892,418	1,728,086	-
Accrued Interest Payable	108,460	449,406	557,866	2,354
Customers' Deposits	-	872,899	872,899	-
Intergovernmental Payable	-	-	-	1,613
Net Pension Liability	12,693,618	666,563	13,360,181	-
Noncurrent Liabilities:				
Due Within One Year	1,252,369	1,730,145	2,982,514	325,000
Due in More Than One Year	8,403,263	36,487,727	44,890,990	340,000
Total Liabilities	<u>23,293,378</u>	<u>41,099,158</u>	<u>64,392,536</u>	<u>668,967</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pensions	<u>273,672</u>	<u>42,012</u>	<u>315,684</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>273,672</u>	<u>42,012</u>	<u>315,684</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	30,505,784	33,466,855	63,972,639	-
Restricted for:				
Construction	1,072,116	-	1,072,116	-
Debt Service	1,087,664	-	1,087,664	77,491
Notes Receivables	42,483	-	42,483	-
Law Enforcement	324,178	-	324,178	-
Education	386,558	-	386,558	-
Industrial Incentives	-	-	-	1,007,355
Land Development Costs	-	-	-	1,908,522
Permanent Library Funds Nonexpendable	90,800	-	90,800	-
Unrestricted	1,890,470	14,460,833	16,351,303	1,417,739
Total Net Position	<u>\$ 35,400,053</u>	<u>\$ 47,927,688</u>	<u>\$ 83,327,741</u>	<u>\$ 4,411,107</u>

CITY OF PARIS, TEXAS  
Statement of Activities  
Year Ended September 30, 2016

Statement 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,983,666	\$ 6,572	\$ 44,083	\$ 12,237
Public Safety	12,595,127	361,100	281,455	78,154
Public Works	7,020,333	1,780,836	346,760	224,702
Health	2,633,051	2,519,387	-	-
Culture and Recreation	799,187	16,874	-	-
Cox Field Airport	217,995	91,810	-	109,239
Other	1,880,907	-	-	-
Interest on Long-Term Debt	237,313	-	-	-
Total Governmental Activities	<u>27,367,579</u>	<u>4,776,579</u>	<u>672,298</u>	<u>424,332</u>
Business-Type Activities:				
Water and Sewer	12,100,940	14,603,358	13,860	-
Total Business-Type Activities	<u>12,100,940</u>	<u>14,603,358</u>	<u>13,860</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 39,468,519</u>	<u>\$ 19,379,937</u>	<u>\$ 686,158</u>	<u>\$ 424,332</u>
<b>Component Unit:</b>				
Economic Development	<u>\$ 409,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:  
Property Taxes  
Sales Taxes  
Franchise Taxes  
Hotel Occupancy Taxes  
Unrestricted Investment Earnings  
Miscellaneous  
Capital Contributions  
Loss on Sale of Capital Asset  
Transfers  
Total General Revenues and Transfers  
Changes in Net Position  
Net Position - Beginning  
Prior Period Adjustment  
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
\$ (1,920,774)	\$ -	\$ (1,920,774)	\$ -
(11,874,418)	-	(11,874,418)	-
(4,668,035)	-	(4,668,035)	-
(113,664)	-	(113,664)	-
(782,313)	-	(782,313)	-
(16,946)	-	(16,946)	-
(1,880,907)	-	(1,880,907)	-
(237,313)	-	(237,313)	-
<u>(21,494,370)</u>	<u>-</u>	<u>(21,494,370)</u>	<u>-</u>
-	2,516,278	2,516,278	-
<u>-</u>	<u>2,516,278</u>	<u>2,516,278</u>	<u>-</u>
(21,494,370)	2,516,278	(18,978,092)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(409,270)</u>
7,748,872	-	7,748,872	-
7,051,858	-	7,051,858	1,410,415
2,502,614	-	2,502,614	-
630,545	-	630,545	-
80,129	291,131	371,260	6,977
315,989	-	315,989	-
651,847	-	651,847	-
(57,026)	-	(57,026)	-
1,579,100	(1,579,100)	-	-
<u>20,503,928</u>	<u>(1,287,969)</u>	<u>19,215,959</u>	<u>1,417,392</u>
(990,442)	1,228,309	237,867	1,008,122
37,131,714	46,839,772	83,971,486	3,402,985
<u>(741,219)</u>	<u>(140,393)</u>	<u>(881,612)</u>	<u>-</u>
<u>\$ 35,400,053</u>	<u>\$ 47,927,688</u>	<u>\$ 83,327,741</u>	<u>\$ 4,411,107</u>



CITY OF PARIS, TEXAS  
Balance Sheet - Governmental Funds  
September 30, 2016

Statement 3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 5,639,087	\$ 1,082,398	\$ 1,092,924	\$ 460,826	\$ 8,275,235
Investments	4,155,385	-	-	143,842	4,299,227
Receivable (Net of Allowance for Uncollectibles)	2,367,056	88,941	-	42,483	2,498,480
Inventories	223,911	-	-	-	223,911
Due from Other Governments	136,577	-	-	-	136,577
<b>Total Assets</b>	<u>\$ 12,522,016</u>	<u>\$ 1,171,339</u>	<u>\$ 1,092,924</u>	<u>\$ 647,151</u>	<u>\$ 15,433,430</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$ 810,934	\$ -	\$ 22,200	\$ 356	\$ 833,490
<b>Total Liabilities</b>	<u>810,934</u>	<u>-</u>	<u>22,200</u>	<u>356</u>	<u>833,490</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue - Property Taxes	537,819	83,675	-	-	621,494
Unavailable Revenue - Other	333,563	-	-	-	333,563
<b>Total Deferred Inflows of Resources</b>	<u>871,382</u>	<u>83,675</u>	<u>-</u>	<u>-</u>	<u>955,057</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	223,911	-	-	-	223,911
Permanent Library Funds	-	-	-	91,565	91,565
<b>Restricted for:</b>					
Debt Service	-	1,087,664	-	-	1,087,664
Capital Projects	1,392	-	1,070,724	-	1,072,116
Notes	-	-	-	42,483	42,483
Law Enforcement	-	-	-	324,178	324,178
Public Education	386,558	-	-	-	386,558
<b>Assigned:</b>					
Library	-	-	-	83,245	83,245
Community Development	-	-	-	105,324	105,324
Unassigned: General Fund	10,227,839	-	-	-	10,227,839
<b>Total Fund Balances</b>	<u>10,839,700</u>	<u>1,087,664</u>	<u>1,070,724</u>	<u>646,795</u>	<u>13,644,883</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 12,522,016</u>	<u>\$ 1,171,339</u>	<u>\$ 1,092,924</u>	<u>\$ 647,151</u>	<u>\$ 15,433,430</u>

Fund Balances - Total Governmental Funds (above) \$ 13,644,883

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. (Net of Accumulated Depreciation)	38,486,866
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or not reflected in the funds.	952,879
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,764,092)
The recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$3,394,317, a Deferred Outflow of Resources in the amount of \$4,248,696, and a Deferred Inflow of Resources in the amount of \$179,310. This amounted to an increase in Net Position of \$675,069.	675,069
The recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$9,299,301, a Deferred Outflow of Resources in the amount of \$798,111, and a Deferred Inflow of Resources in the amount of \$94,362. This amounted to a decrease in Net Position of \$8,595,552.	(8,595,552)
<b>Net Position of Governmental Activities</b>	<u>\$ 35,400,053</u>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended September 30, 2016

Statement 4

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes:					
Property	\$ 6,622,742	\$ 1,168,313	\$ -	\$ -	\$ 7,791,055
Sales	7,051,858	-	-	-	7,051,858
Franchise	2,502,614	-	-	-	2,502,614
Hotel Occupancy	630,545	-	-	-	630,545
Licenses and Permits	152,016	-	-	-	152,016
Fines and Fees	498,164	-	-	16,983	515,147
Use of Money and Property	141,134	10,654	13,351	7,865	173,004
Sanitation	1,474,874	-	-	-	1,474,874
Health	2,519,387	-	-	-	2,519,387
Intergovernmental	705,786	-	-	390,844	1,096,630
Other	377,469	-	-	9,384	386,853
<b>Total Revenues</b>	<b>22,676,589</b>	<b>1,178,967</b>	<b>13,351</b>	<b>425,076</b>	<b>24,293,983</b>
<b>Expenditures</b>					
Current:					
General Government	1,687,660	-	-	14,406	1,702,066
Public Safety	11,037,399	-	-	88,161	11,125,560
Public Works	5,199,269	-	3,735	353,355	5,556,359
Health	2,351,220	-	-	15,453	2,366,673
Culture and Recreation	688,258	-	-	29,137	717,395
Cox Field	110,330	-	-	-	110,330
Other	1,771,889	-	-	-	1,771,889
Debt Service:					
Principal	72,353	919,546	-	-	991,899
Interest	-	254,304	-	-	254,304
Capital Outlay:					
General Government	268,397	-	-	60,390	328,787
Public Safety	1,096,587	-	-	-	1,096,587
Public Works	952,651	-	1,787,089	-	2,739,740
Health	176,386	-	-	13,105	189,491
Cox Field	-	-	110,667	-	110,667
Other	9,680	-	-	-	9,680
<b>Total Expenditures</b>	<b>25,422,079</b>	<b>1,173,850</b>	<b>1,901,491</b>	<b>574,007</b>	<b>29,071,427</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,745,490)</b>	<b>5,117</b>	<b>(1,888,140)</b>	<b>(148,931)</b>	<b>(4,777,444)</b>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended September 30, 2016

Statement 4  
(Continued)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Proceeds from Capital Leases	975,185	-	-	-	975,185
Transfers In	1,633,000	45	1,799,955	4,300	3,437,300
Transfers Out	<u>(1,806,200)</u>	<u>(51,900)</u>	<u>-</u>	<u>(100)</u>	<u>(1,858,200)</u>
Total Other Financing Sources (Uses)	<u>801,985</u>	<u>(51,855)</u>	<u>1,799,955</u>	<u>4,200</u>	<u>2,554,285</u>
Net Changes in Fund Balances	(1,943,505)	(46,738)	(88,185)	(144,731)	(2,223,159)
Fund Balances - Beginning	13,594,986	1,134,402	1,158,909	791,829	16,680,126
Decrease in Inventory	(70,865)	-	-	-	(70,865)
Prior Period Adjustment	<u>(740,916)</u>	<u>-</u>	<u>-</u>	<u>(303)</u>	<u>(741,219)</u>
Fund Balances - Ending	<u>\$ 10,839,700</u>	<u>\$ 1,087,664</u>	<u>\$ 1,070,724</u>	<u>\$ 646,795</u>	<u>\$ 13,644,883</u>

CITY OF PARIS, TEXAS  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended September 30, 2016

Statement 5

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Net change in fund balances - total governmental funds (Statement 4).	\$ (2,223,159)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,911,806
Governmental funds report the net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(57,026)
Contributions of capital assets that do not provide current financial resources are not reported as revenues in governmental funds.	651,847
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(19,903)
Accrued interest expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,766)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(46,346)
The net change in inventory is a direct adjustment to fund balance in the funds.	(70,865)
Pension expenses are not reported as expenditures in governmental funds and contributions after the measurement date are deferred.	(1,028,350)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(106,680)</u>
Change in net position of governmental activities (Statement 2).	<u><u>\$ (990,442)</u></u>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
General Fund  
Year Ended September 30, 2016

Statement 6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 6,396,700	\$ 6,396,700	\$ 6,622,742	\$ 226,042
Sales Taxes	6,675,000	6,675,000	7,051,858	376,858
Franchise Taxes	3,400,700	3,400,700	2,502,614	(898,086)
Hotel Occupancy Taxes	570,000	570,000	630,545	60,545
Licenses and Permits	123,625	123,625	152,016	28,391
Fines and Fees	561,100	561,100	498,164	(62,936)
Use of Money and Property	152,218	152,218	141,134	(11,084)
Sanitation	1,483,000	1,483,000	1,474,874	(8,126)
Health	2,251,582	2,251,582	2,519,387	267,805
Intergovernmental Revenues	3,074,328	3,074,328	705,786	(2,368,542)
Other	321,800	321,800	377,469	55,669
<b>Total Revenues</b>	<b>25,010,053</b>	<b>25,010,053</b>	<b>22,676,589</b>	<b>(2,333,464)</b>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Council	373,930	663,930	432,537	231,393
Manager	369,563	369,563	368,394	1,169
Attorney	438,910	408,910	405,635	3,275
Municipal Court	229,092	229,092	214,922	14,170
Clerk	140,958	140,958	133,904	7,054
Finance	420,501	420,501	400,665	19,836
<b>Total General Government</b>	<b>1,972,954</b>	<b>2,232,954</b>	<b>1,956,057</b>	<b>276,897</b>
<b>Public Safety:</b>				
Police	6,454,112	6,570,532	6,669,644	(99,112)
Fire	4,399,076	4,604,076	5,536,695	(932,619)
<b>Total Public Safety</b>	<b>10,853,188</b>	<b>11,174,608</b>	<b>12,206,339</b>	<b>(1,031,731)</b>
<b>Public Works:</b>				
Community Development	1,060,692	1,030,692	389,079	641,613
Engineering	513,374	403,374	398,070	5,304
Public Works	205,471	215,471	218,022	(2,551)
Parks and Recreation	2,197,486	2,347,486	1,946,356	401,130
Sanitation	1,066,429	1,166,429	992,505	173,924
Streets and Highways	1,488,440	1,488,440	1,379,583	108,857
Traffic and Public Lighting	593,119	543,119	520,184	22,935
Garage	341,450	326,450	308,121	18,329
<b>Total Public Works</b>	<b>7,466,461</b>	<b>7,521,461</b>	<b>6,151,920</b>	<b>1,369,541</b>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
General Fund  
Year Ended September 30, 2016

Statement 6  
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (Continued)				
Health	2,332,850	2,512,850	2,527,606	(14,756)
Culture and Recreation:				
Paris Band	23,050	18,050	17,937	113
Library Services	691,853	691,853	670,321	21,532
Total Culture and Recreation	714,903	709,903	688,258	21,645
Other:				
Cox Field Airport	1,320,682	1,330,682	110,330	1,220,352
Other	1,648,860	1,823,860	1,781,569	42,291
Total Other	2,969,542	3,154,542	1,891,899	1,262,643
Total Expenditures	26,309,898	27,306,318	25,422,079	1,884,239
Deficiency of Revenues				
Over Expenditures	(1,299,845)	(2,296,265)	(2,745,490)	(449,225)
Other Financing Sources (Uses):				
Proceeds from Capital Lease	-	-	975,185	975,185
Transfers In	899,000	899,000	1,633,000	734,000
Transfers Out	-	-	(1,806,200)	(1,806,200)
Proceeds from Sale of Assets	5,000	5,000	-	(5,000)
Total Other Financing Sources (Uses)	904,000	904,000	801,985	(102,015)
Net Changes in Fund Balance	(395,845)	(1,392,265)	(1,943,505)	(551,240)
Fund Balance - Beginning	13,594,986	13,594,986	13,594,986	-
Decrease in Inventory	-	-	(70,865)	(70,865)
Prior Period Adjustment	-	-	(740,916)	(740,916)
Fund Balance - Ending	<u>\$ 13,199,141</u>	<u>\$ 12,202,721</u>	<u>\$ 10,839,700</u>	<u>\$ (1,363,021)</u>

CITY OF PARIS, TEXAS  
Statement of Net Position  
Proprietary Funds  
September 30, 2016 and 2015

Statement 7

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,549,975	\$ 3,845,450
Restricted Cash and Cash Equivalents	7,494,906	8,724,776
Total Cash and Cash Equivalents	11,044,881	12,570,226
Accounts Receivable, Net	2,234,394	1,973,537
Accrued Interest Receivable	13,288	13,288
Inventories	258,553	334,380
Total Current Assets	13,551,116	14,891,431
Noncurrent Assets:		
Investments:		
Construction	17,031,500	22,239,841
Reserve and Contingency	3,991,292	3,777,159
Unrestricted	560,036	698,136
Total Investments	21,582,828	26,715,136
Water Rights (Net of Accumulated Amortization)	3,385,083	3,420,715
Capital Assets:		
Land	339,620	339,620
Construction in Progress	8,657,000	7,009,984
Plant, Pumps, and Motors	33,975,515	33,541,193
Distribution System	51,905,349	44,849,696
Collection System	23,325,017	23,297,389
Maintenance Equipment and Vehicles	3,816,615	3,570,355
Furniture and Equipment	244,222	244,222
Less Accumulated Depreciation	(72,621,491)	(69,373,886)
Total Capital Assets (Net of Accumulated Depreciation)	49,641,847	43,478,573
Net Pension Asset	-	158,580
Total Noncurrent Assets	74,609,758	73,773,004
Total Assets	88,160,874	88,664,435
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pensions	907,984	208,995

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

CITY OF PARIS, TEXAS  
Statement of Net Position  
Proprietary Funds  
September 30, 2016 and 2015

Statement 7  
(Continued)

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	892,418	574,111
Accrued Interest Payable	449,406	466,002
Customers' Deposits	872,899	854,744
General Obligation Bonds Payable - Current Portion	1,708,129	1,750,000
Accrued Compensated Absences - Current Portion	22,016	21,649
Total Current Liabilities	<u>3,944,868</u>	<u>3,666,506</u>
<b>Noncurrent Liabilities:</b>		
General Obligation Bonds Payable - Noncurrent Portion	36,289,586	38,143,064
Accrued Compensated Absences - Noncurrent Portion	198,141	194,841
Net Pension Liabilities	666,563	-
Total Noncurrent Liabilities	<u>37,154,290</u>	<u>38,337,905</u>
Total Liabilities	<u>41,099,158</u>	<u>42,004,411</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	<u>42,012</u>	<u>29,247</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	33,466,855	33,331,038
Unrestricted	<u>14,460,833</u>	<u>13,508,734</u>
Total Net Position	<u>\$ 47,927,688</u>	<u>\$ 46,839,772</u>



CITY OF PARIS, TEXAS  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Years Ended September 30, 2016 and 2015

Statement 8

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
Operating Revenues:		
Charges for Sales and Services:		
Water Sales and Taps	\$ 8,359,847	\$ 8,212,847
Sewer Charges and Taps	5,804,003	5,594,969
Sanitation Billing Fees	75,096	75,245
Service Charges	154,603	160,343
Industrial Surcharges	8,795	39,286
Miscellaneous	201,014	199,273
Total Operating Revenues	14,603,358	14,281,963
Operating Expenses:		
Personnel	3,387,387	2,943,747
Supplies	969,994	1,086,473
Contractual	2,049,827	1,815,626
Maintenance	803,902	861,918
Sundry Charges	583,297	470,916
Other	40,361	69,621
Depreciation	3,247,605	3,180,696
Total Operating Expenses	11,082,373	10,428,997
Operating Income	3,520,985	3,852,966
Nonoperating Revenues (Expenses):		
Investment Earnings	291,131	77,787
Interest Expense - Revenue and General Obligation Bonds	(1,128,284)	(1,617,154)
Amortization of Water Rights	(35,632)	(35,632)
Amortization of Bond Premium	145,349	152,285
Net Nonoperating Revenues (Expenses)	(727,436)	(1,422,714)
Income Before Contributions, Other Revenue, and Transfers	2,793,549	2,430,252
Capital Contributions, Other Revenue, and Transfers:		
Intergovernmental Revenue	13,860	-
Transfers In	2,331,900	384,858
Transfers Out	(3,911,000)	(1,472,332)
Capital Contributions, Other Revenue, and Transfers	(1,565,240)	(1,087,474)
Changes in Net Position	1,228,309	1,342,778
Total Net Position - Beginning	46,839,772	45,496,994
Prior Period Adjustment	(140,393)	-
Total Net Position - Ending	\$ 47,927,688	\$ 46,839,772

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

CITY OF PARIS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
Years Ended September 30, 2016 and 2015

Statement 9

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 14,360,656	\$ 14,100,829
Payments to Suppliers, Contractors, and Service Providers	(3,976,688)	(4,320,990)
Payments to Employees for Salaries and Benefits	(3,461,752)	(2,937,192)
	<u>6,922,216</u>	<u>6,842,647</u>
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers In	2,331,900	384,858
Transfers Out	(3,911,000)	(1,472,332)
	<u>(1,579,100)</u>	<u>(1,087,474)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of Capital Assets	(9,410,879)	(4,708,031)
Principal Paid on Bonds	(1,750,000)	(2,250,000)
Contributions from Other Governments	13,860	-
Interest Paid on Long-Term Debt	(1,144,881)	(1,626,773)
	<u>(12,291,900)</u>	<u>(8,584,804)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	142,863	102,282
Purchase of Investment Securities	(32,115,000)	(18,700,612)
Maturities of Investments	37,395,576	23,374,818
	<u>5,423,439</u>	<u>4,776,488</u>
<b>Net Cash Provided by Investing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	(1,525,345)	1,946,857
<b>Cash and Cash Equivalents - Beginning</b>	<u>12,570,226</u>	<u>10,623,369</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 11,044,881</u>	<u>\$ 12,570,226</u>

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

CITY OF PARIS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
Years Ended September 30, 2016 and 2015

Statement 9  
(Continued)

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating Income	<u>\$ 3,520,985</u>	<u>\$ 3,852,966</u>
<b>Adjustments to Reconcile Operating Income to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Depreciation	3,247,605	3,180,696
Decrease (Increase) in Accounts Receivable	(260,857)	(208,903)
Decrease (Increase) in Inventory	75,827	(37,269)
Decrease (Increase) in Net Pension Asset	158,580	20,134
Decrease (Increase) in Deferred Outflows of Resources for Pensions	(698,989)	(9,012)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	177,915	76,545
Increase (Decrease) in Customers' Deposits	18,155	27,768
Increase (Decrease) in Accrued Compensated Absences	3,667	6,555
Increase (Decrease) in Net Pension Liability	666,563	-
Increase (Decrease) in Deferred Inflows of Resources for Pensions	<u>12,765</u>	<u>(66,833)</u>
<b>Total Adjustments</b>	<u>3,401,231</u>	<u>2,989,681</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 6,922,216</u></u>	<u><u>\$ 6,842,647</u></u>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Increase (Decrease) in Fair Value of Investments	\$ (148,268)	\$ 26,283

CITY OF PARIS, TEXAS  
Notes to Financial Statements  
September 30, 2016

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

The City of Paris, Texas (the City), operates under a council-manager form of government with the mayor and six council members being elected. The accompanying financial statements present the government and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for a description) to emphasize that it is legally separate from the government.

**Discretely Presented Component Unit:** The Paris Economic Development Corporation (PEDC) is a governmental nonprofit corporation established July 19, 1993, funded by a quarter percent sales tax. PEDC was organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Paris, Texas, by promoting, assisting, and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The business and affairs are managed by a five-member board of directors appointed by the governing body of the City of Paris, Texas. Complete financial statements for PEDC may be obtained at its administrative office at 1125 Bonham Street, Paris, Texas 75460.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

As discussed earlier, the government has one discretely presented component unit, PEDC. PEDC is shown in a separate column in the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its discretely presented component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It accounts for and reports all financial resources not accounted for in another fund.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

D. Basis of Presentation – Fund Financial Statements (Continued)

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

The City reports nonmajor funds as Other Governmental Funds which include Special Revenue Funds and a Permanent Fund as follows:

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than for debt service or capital projects.

The Permanent Fund is used to account for and reports resources that are restricted to the extent that only earnings and not principal may be used.

The City reports the following enterprise funds as one major fund:

The Water Fund accounts for the water distribution system as well as the billings and collections for that service.

The Sewer Fund accounts for the sewer system as well as the collection activities for that service.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (e.g., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (e.g., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Sales taxes are recognized as revenue in the period when the exchange transaction on which the tax is imposed occurs. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The proprietary funds are accounted for using the economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund, proprietary funds, and library trust fund. The budget for the capital projects fund is legally adopted for specific projects and may exceed one year. Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual, informal budget as a financial plan for all proprietary funds. The library trust fund includes nonbudgeted financial activities, which are not subject to an appropriated budget and the appropriation process or to any legally authorized nonappropriated budget review and approval process. The community development block grant fund is not annually appropriated. The City has no special revenue funds which are reported as major funds.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

F. Budgetary Information (Continued)

1. Budgetary Basis of Accounting (Continued)

At the close of each fiscal year, any unencumbered appropriation balance (appropriations including prior year encumbrances less current year expenditures and encumbrances) lapse or revert to the undesignated fund balance.

At least thirty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-seventh day of the last month of the fiscal year. If the City Council does not enact the budget within this time period, then the budget as submitted by the City Manager becomes the legally authorized budget.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2016, expenditures may not legally exceed appropriations at the department level for each legally adopted annual operating budget. The City Manager may, without Council approval, transfer appropriation balances from one expenditure account to another within a department or agency of the City. The City Council, however, must approve any transfer or unencumbered appropriation balances or portions thereof from one department or agency to another. During the year ended September 30, 2016, the City Council approved a transfer of \$290,000 from various departments to other departmental line items and \$995,000 from reserves to various departmental line items. Expenditures exceeded appropriations in the following departments: police \$99,112, fire \$932,619, public works \$2,551 and health \$14,756.

G. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

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 date of acquisition.

2. Investments

Investments are reported in the accompanying balance sheet at fair value (generally based on funded market prices) with changes in fair value being reported as part of investment income. PEDC's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Financial statements for the Texas CLASS investment pool can be found at [TexasClass.com](http://TexasClass.com).

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

2. Investments (Continued)

In accordance with generally accepted accounting principles, investment in financial and nonfinancial assets are reported in a three-tiered hierarchy as follows:

Level I – Assets are based on quoted prices or unadjusted quoted prices in active markets for identical assets or liabilities that the City has the ability to access at the Foundation's year end.

Level II – Assets are based on other than quoted prices or adjusted quoted prices of similar assets or liabilities in markets that are not active.

Level III – Assets are based on unobservable inputs and shall reflect the City's own assumptions about the assets or liabilities.

This fair value hierarchy gives the highest priority of Level I assets and the lowest priority to Level III assets.

3. Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. An equivalent amount is reported as nonspendable fund balance in the governmental funds.

4. Restricted Assets

Prior to the issuance of General Obligation Refunding Bonds, Series 2010, the City's Water and Sewer Revenue Bonds and Certificates of Obligation covenants required certain restrictions of net assets. After the refunding occurred, these legal restrictions no longer existed. In order to safeguard the financial integrity of the water and sewer system, the City Council approved a resolution establishing and maintaining funds comparable to those required by the refunded bonds.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to the implementation of GASB 34 are included in the financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities during the current fiscal year was \$1,573,926. Of this amount, \$445,642 was included as part of the cost of capital assets under construction in connection with water line and sewer line construction projects.



CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

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

Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-10 years
Vehicles	5 years
Works of Art	50 years
Public Domain Infrastructure	25-45 years
System Infrastructure	25-30 years

6. Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the useful lives of the assets and is included in depreciation expense.

7. 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/expenditure) until then. The City reports a deferred outflow of resources related to pensions. See footnote IV. F. for further information.

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 government has a deferred inflow of resources related to pensions. See IV.F. for further information. In addition, the government has 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 the following sources: property taxes, EMS, municipal court, and street assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

8. Net Position Flow Assumption

Sometimes the government 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 funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

9. Fund Balance Flow Assumption

Sometimes the government 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 government'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.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The City does not have any restricted fund balances by enabling legislation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council allows the finance director to assign the fund balance, and may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/ Expenses

1. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

I. Summary of Significant Accounting Policies (Continued)

H. Revenues and Expenditures/ Expenses (Continued)

2. Property Taxes

The City's property taxes are levied on October 1 and are due no later than January 31 of the following year. Taxes become delinquent February 1, after which time penalties and interest and, if not paid by July, attorney's collection fees are added. A tax lien attaches to property (real and personal) on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed on the property. The lien is effective until all such amounts are paid.

3. Compensated Absences

Vacation and sick leave benefits are accumulated by City employees in accordance with guidelines suggested in the City's personnel policies.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating 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 water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$38,486,866 are as follows:

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

II. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (Continued)

Land	\$ 5,929,099
Construction in Progress	686,046
Buildings	16,137,920
Less: Accumulated Depreciation – Buildings	(6,414,143)
Improvements Other Than Buildings	8,104,657
Less: Accumulated Depreciation – Improvements Other Than Buildings	(3,111,926)
Machinery and Equipment	21,655,180
Less: Accumulated Depreciation – Machinery and Equipment	(17,982,059)
Infrastructure	43,336,747
Less: Accumulated Depreciation – Infrastructure	<u>(29,854,655)</u>
Net Adjustment to Increase Fund Balance – Total Governmental Funds to Arrive at Net Position – Governmental Activities	<u>\$ 38,486,866</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$9,764,092 difference are as follows:

Bonds Payable	\$ 6,420,000
Plus: Premiums on Bonds Payable (to be Amortized Over the Life of the Debt)	22,624
Loans Payable	1,538,459
Accrued Interest	108,460
Compensated Absences	1,069,099
OPEB Liability	455,450
Landfill Post-Closure Care Costs	<u>150,000</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position – Governmental Activities	<u>\$ 9,764,092</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,911,806 difference are as follows:

Capital Outlay	\$ 4,474,952
Depreciation Expense	<u>(2,563,146)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position Of Governmental Activities	<u>\$ 1,911,806</u>

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

II. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “the net effect of donated capital assets is to increase net assets”. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. The detail of this \$651,847 difference is as follows:

Donated/Contributed Assets	<u>\$ 651,847</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net	
Position of Governmental Activities	<u>\$ 651,847</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(44,754) difference are as follows:

Amortization of Premium	\$ 11,591
Principal Repayments	918,840
Capital Lease	<u>(975,185)</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net Position	
of Governmental Activities	<u>\$ (44,754)</u>

III. Stewardship, Compliance, and Accountability

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended September 30, 2016.

IV. Detailed Notes on All Activities and Funds

A. Cash and Cash Equivalents

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Collateral agreements must be approved prior to deposit of funds as provided by law. The City was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution’s agent in the name of the City.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

B. Investments

Statutes authorize the City and PEDC to invest in obligations of the U. S. Treasury, direct obligations of the State of Texas, other obligations guaranteed or insured by the State of Texas or the United States, obligations of states and political subdivisions of any state meeting certain rating requirements, certificates of deposit, and fully collateralized direct repurchase agreements having a defined termination date. The City did not engage in repurchase or reverse repurchase agreement transactions during the current year. The City's investments are considered Level II investments.

As of September 30, 2016, the City had the following investments:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
<b>Primary Government</b>			
Mortgage Backed Securities:			
Federal Home Loan Mortgage Corporation	\$ 78,465	AA+	3.92
Federal National Mortgage Association	6,570,138	AA+	5.27
Government National Mortgage Association	104,571	AA+	2.51
Certificates of Deposit	91,021	Not Rated	.58
Fixed Income:			
Federal Home Loan Bank	15,031,500	AA+	.47
Federal National Mortgage Association	4,006,360	AAA/AA+	21.27
<b>Totals</b>	<u>\$ 25,882,055</u>		

Interest rate risk is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. The City's investment portfolio will be designed with the objective of attaining a rate of return throughout budgetary and economic cycles and commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. The City's investment strategy is active. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the Average Fed Funds rate. No other formal policy related to interest rate risk is included in the City's adopted investment policy.

Credit risk is the risk that an issuer or other counter-party will not fulfill its obligations. Investing is performed in accordance with the City's investment policy adopted by the City Council complying with State law and the City Charter. City funds may be invested in securities authorized by Chapter 2256 of the State of Texas Government Code.

Concentration credit risk is the City's policy to diversify its investments by security type and institution. With the exception of obligations of the United States or its agencies and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single financial institution with the exception of its local depository.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

B. Investments (Continued)

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2016, the City's bank balance was not exposed to custodial credit risk.

Foreign Currency Risk is the risk that an investment denominated in the currency of a foreign country could reduce its United States of America dollar value as a result of changes in foreign currency exchange rates. At September 30, 2016, the City was not exposed to foreign currency risk.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables in the aggregate, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Receivables:				
Interest	\$ 3,771	\$ -	\$ -	\$ 13,288
Property Taxes	945,187	118,587	-	-
Sales Taxes	1,222,359	-	-	-
Accounts	70,904	-	-	2,311,394
Notes	-	-	42,483	-
Street Assessments	26,473	-	-	-
Fines	176,437	-	-	-
EMS	777,432	-	-	-
Gross Receivables	<u>3,222,563</u>	<u>118,587</u>	<u>42,483</u>	<u>2,324,682</u>
Less: Allowance for Uncollectibles	<u>(855,507)</u>	<u>(29,646)</u>	<u>-</u>	<u>(77,000)</u>
Net Total Receivables	<u>\$ 2,367,056</u>	<u>\$ 88,941</u>	<u>\$ 42,483</u>	<u>\$ 2,247,682</u>

Net receivable balances not expected to be collected within one year are Property Taxes - \$554,352, Fines - \$38,219, EMS - \$100,000, and Street Assessments - \$26,473.

At year end, PEDC had a receivable for sales tax of \$243,678.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

D. Capital Assets

Capital assets activity for the year ended September 30, 2016, follows:

	Balance <u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/2016</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,929,099	\$ -	\$ -	\$ 5,929,099
Construction in Progress	<u>204,122</u>	<u>497,293</u>	<u>15,369</u>	<u>686,046</u>
Total Capital Assets, Not Being Depreciated	<u>6,133,221</u>	<u>497,293</u>	<u>15,369</u>	<u>6,615,145</u>
Capital Assets, Being Depreciated:				
Buildings	15,168,804	1,033,687	64,571	16,137,920
Improvements Other Than Buildings	8,104,657	-	-	8,104,657
Machinery and Equipment	20,005,095	1,650,085	-	21,655,180
Infrastructure	<u>41,375,644</u>	<u>1,961,103</u>	<u>-</u>	<u>43,336,747</u>
Total Capital Assets, Being Depreciated	<u>84,654,200</u>	<u>4,644,875</u>	<u>64,571</u>	<u>89,234,504</u>
Less Accumulated Depreciation for:				
Buildings	6,025,205	396,483	7,545	6,414,143
Improvements Other Than Buildings	2,924,588	187,338	-	3,111,926
Machinery and Equipment	16,896,551	1,085,508	-	17,982,059
Infrastructure	<u>28,960,838</u>	<u>893,817</u>	<u>-</u>	<u>29,854,655</u>
Total Accumulated Depreciation	<u>54,807,182</u>	<u>2,563,146</u>	<u>7,545</u>	<u>57,362,783</u>
Total Capital Assets, Being Depreciated, Net	<u>29,847,018</u>	<u>2,081,729</u>	<u>57,026</u>	<u>31,871,721</u>
Governmental Activities, Capital Assets, Net	<u>\$ 35,980,239</u>	<u>\$ 2,579,022</u>	<u>\$ 72,395</u>	<u>\$ 38,486,866</u>



CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

D. Capital Assets (Continued)

	<u>Balance</u> <u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2016</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 339,620	\$ -	\$ -	\$ 339,620
Construction in Progress	<u>7,009,984</u>	<u>8,251,038</u>	<u>6,604,022</u>	<u>8,657,000</u>
Total Capital Assets, Not Being Depreciated	<u>7,349,604</u>	<u>8,251,038</u>	<u>6,604,022</u>	<u>8,996,620</u>
<b>Capital Assets, Being Depreciated:</b>				
Plant, Pumps, and Motors	33,541,193	434,322	-	33,975,515
Distribution System	44,849,696	7,055,653	-	51,905,349
Collection System	23,297,389	27,628	-	23,325,017
Maintenance Equipment and Vehicles	3,570,355	246,260	-	3,816,615
Furniture and Equipment	<u>244,222</u>	<u>-</u>	<u>-</u>	<u>244,222</u>
Total Capital Assets, Being Depreciated	<u>105,502,855</u>	<u>7,763,863</u>	<u>-</u>	<u>113,266,718</u>
<b>Less Accumulated Depreciation for:</b>				
Plant, Pumps, and Motors	27,138,508	1,013,263	-	28,151,771
Distribution System	23,385,397	1,372,155	-	24,757,552
Collection System	15,921,201	657,808	-	16,579,009
Maintenance Equipment and Vehicles	2,684,558	204,379	-	2,888,937
Furniture and Equipment	<u>244,222</u>	<u>-</u>	<u>-</u>	<u>244,222</u>
Total Accumulated Depreciation	<u>69,373,886</u>	<u>3,247,605</u>	<u>-</u>	<u>72,621,491</u>
Total Capital Assets, Being Depreciated, Net	<u>36,128,969</u>	<u>4,516,258</u>	<u>-</u>	<u>40,645,227</u>
Business-Type Activities, Capital Assets, Net	<u>43,478,573</u>	<u>12,767,296</u>	<u>6,604,022</u>	<u>49,641,847</u>
Intangible Asset – Water Rights	4,113,119	-	-	4,113,119
Less Accumulated Amortization	<u>692,404</u>	<u>35,632</u>	<u>-</u>	<u>728,036</u>
Total Intangible Asset – Water Rights, Net	<u>3,420,715</u>	<u>(35,632)</u>	<u>-</u>	<u>3,385,083</u>
Business-Type Activities, Capital and Intangible Assets, Net	<u>\$ 46,899,288</u>	<u>\$ 12,731,664</u>	<u>\$ 6,604,022</u>	<u>\$ 53,026,930</u>

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 105,649
Public Safety	782,952
Public Works, Including Depreciation of General Infrastructure Assets	1,323,307
Health	190,811
Culture and Recreation	52,762
Cox Field Airport	<u>107,665</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,563,146</u>
Business-Type Activities:	
Water and Sewer	<u>3,247,605</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,247,605</u>

E. Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457.

F. Employee Retirement Systems and Plans

The City maintains a nontraditional defined benefit retirement plan for all full-time employees except for firefighters and a single-employer, defined benefit plan for firefighters.

1. Texas Municipal Retirement System

Plan Description

The City of Paris participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. The plan financial statements are prepared using the accrual basis of accounting. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the inception of the plan, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 150% of the employee's accumulated contributions. In addition, the city can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the City has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity.

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

	<u>Plan Year 2015</u>
Employee Deposits Rate	6%
Matching Ratio (City to Employee)	2 to 1
A Member is Vested After	5 Years
Service Retirement Eligibility (Expressed As Age/Years of Service)	60/5, 0/20
Updated Service Credit	0%
Annuity Increase to (Retirees)	0% of CPI

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Employees Covered by Benefit Terms.

At the December 31, 2015, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to but not yet receiving benefits	126
Active employees	261
Total	590

Contributions

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

Employees for the City of Paris were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Paris were 6.21% and 5.73% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$733,564 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010, through December 31, 2014, first used in the December 31, 2015, valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term rate of return on pension plan investments from 7.0% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5	6.10
Core Fixed Income	10.0	1.00
Non-Core Fixed Income	20.0	3.65
Real Return	10.0	4.03
Real Estate	10.0	5.00
Absolute Return	10.0	4.00
Private Equity	5.0	8.00
Total	<u>100.0%</u>	

Discount Rate

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

Net Pension Liability and Changes in the Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2014	\$ 53,953,566	\$54,746,466	\$(792,900)
Changes for the year:			
Service Cost	1,084,666	-	1,084,666
Interest	3,718,773	-	3,718,773
Change of Benefit Terms	1,615,467	-	1,615,467
Difference Between Expected and Actual Experience	(159,282)	-	(159,282)
Changes of Assumptions	-	-	-
Contributions – Employer	-	700,159	(700,159)
Contributions – Employee	-	676,545	(676,545)
Net Investment Income	-	80,774	(80,774)
Benefit Payments, Including Refunds of Employee Contributions	(2,741,148)	(2,741,148)	-
Administrative Expense	-	(49,204)	49,204
Other Changes	-	(2,430)	2,430
Net Changes	<u>3,518,476</u>	<u>(1,335,304)</u>	<u>4,853,780</u>
Balance at 12/31/2015	<u>\$57,472,042</u>	<u>\$53,411,162</u>	<u>\$4,060,880</u>

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Net Pension Liability and Changes in the Pension Liability (Continued)

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's Net Pension Liability (Asset)	\$11,436,972	\$4,060,880	\$(2,073,160)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$1,544,985.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions  
(Continued)

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ -	\$ 221,322
Changes in Actuarial Assumptions	1,218,546	-
Difference Between Projected and Actual Investment Earnings	3,408,247	-
Contributions Subsequent to the Measurement Date	<u>529,887</u>	<u>-</u>
Total	<u>\$ 5,156,680</u>	<u>\$ 221,322</u>

\$529,887 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2016	\$ 1,198,710
2017	1,198,710
2018	1,232,711
2019	775,341
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 4,405,472</u>



CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Supplemental Death Benefits

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. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage and discontinue participation 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 an "other postemployment benefit."

Contributions

The City contributes to the Supplemental Death Benefits Fund 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 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 contributed 100% of its required contribution for the last three calendar years at the annual required contribution rate of .22% (2014), .22% (2015), and .23 % (2016).

2. Firefighters' Relief and Retirement Fund

Plan Description

The Paris Firefighters' Relief and Retirement Fund, a single-employer defined benefit pension plan, is established under the authority of the Texas Local Firefighters' Retirement Act and is administered by a Board of Trustees made up of three members elected from and by the fund's members, two representatives of the City of Paris, Texas, and two citizen members. Specified plan provisions are governed by a plan document and a trust agreement executed by the Board of Trustees. The plan is an independent entity for financial reporting purposes and issues a stand-alone financial statement. A copy of the audited financial statement may be obtained from the Board of Trustees, Paris Firefighters' Relief and Retirement Fund, P.O. Box 9037, Paris, Texas 75461. Governing state law requires public retirement systems to hire an actuary to make a valuation at least once every three years of the assets and liabilities of the system and to determine if the assumptions and methods are reasonable. The plan financial statements are prepared using the accrual basis of accounting. All plan investments are reported at fair value.

Eligibility

The plan covers current and former firefighters of the City of Paris, Texas, as well as certain beneficiaries. The City of Paris contributes 12% of each member's total pay (including regular, longevity, and overtime pay but excluding lump sum distributions for unused sick leave or vacation). Fund members contribute to the fund at a rate of 15% of pay.

Employee contributions are "picked up" by the City of Paris, Texas, as permitted under Section 414(h)(2) of the Internal Revenue Code. Fund members receive credit for service for the period during which they pay into and keep on deposit in the fund, the contributions required by the fund.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Eligibility (Continued)

The fund was established August 28, 1941, and was most recently amended effective August 12, 2014.

Contributions

The City's annual required contribution to the plan for fiscal year 2015 was based on a payroll of \$2,772,967 and amounted to \$332,756. Covered employees made contributions of \$416,054.

Employees Covered by Benefit Terms

At the December 31, 2014, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>50</u>
Total	<u><u>96</u></u>

Service Retirement Disability and Death Benefits

A member is eligible for service retirement on either (a) the date that the member has both attained age 55 and completed 20 years of service or (b) the date as of which the sum of the member's age and years of service first equals 80 provided the member has completed 20 years of service. A member who retires under the service retirement provisions of the fund will normally receive a monthly benefit equal to \$94 multiplied by his/her years of service at retirement. The minimum service retirement benefit is \$500 per month. Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his/her spouse, two-thirds of the member's pension will be continued to the spouse for his/her lifetime. An active member who becomes disabled will receive a monthly disability benefit. If a member dies while in active service, his/her widow(er) will receive an immediate monthly benefit, payable for his/her lifetime.

Actuarial Methods and Assumptions

The actuarial valuation date used to determine the total pension liability for the year ended September 30, 2016, and the most current available information required for disclosure under GASB Statement No. 67 is based on an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015. The actuarial cost method used in the December 31, 2014, valuation is the entry age normal actuarial cost method. This method is also referred to as the entry age actuarial cost method under the terminology developed by the Joint Committee on Pension Terminology. There has been no change in the actuarial cost method since the last actuarial valuation.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in the actuarial valuation performed as of December 31, 2014, includes a rate of return on the actuarial value of assets of 8% per year compounded annually; RP-2000 Healthy Annuitant Mortality Table; termination rates from the Actuary's Pension Handbook; disability rates from 1985 Society of Actuaries Disability Table Study; and assumed retirement age of 55 with 20 years of service or satisfied the rule of 80. Compensation increases for individual members and total payroll is 4.5% compounded annually. Projected post-retirement benefit increases are zero.

Net Pension Liability and Changes in the Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 13,991,898	\$ 5,461,733	\$ 8,530,165
Changes for the year:			
Service Cost	247,353	-	247,353
Interest	1,092,874	-	1,092,874
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	310,483	(310,483)
Contributions – Employee	-	388,212	(388,212)
Net Investment Income	-	(121,104)	121,104
Benefit Payments, Including Refunds of Employee Contributions	(1,156,654)	(1,156,654)	-
Administrative Expense	-	(6,500)	6,500
Other Changes	-	-	-
Net Changes	183,575	(585,563)	769,136
Balance at 12/31/2015	\$ 14,175,471	\$ 4,876,170	\$ 9,299,301

The following presents the net pension liability of the Paris Firefighters' Relief and Retirement Fund, calculated using the discount rate of 8.0%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease in Discount Rate 7.0%	Discount Rate 8.0%	1% Increase in Discount Rate 9.0%
Net Pension Liability	\$10,753,293	\$9,299,301	\$8,017,024

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued financial report. That report may be obtained at 1444 N. Main Street, Paris, Texas 75460.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$682,769.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience	\$ -	\$ 216,418
Changes in Actuarial Assumptions	-	(122,056)
Difference Between Projected and Actual Investment Earnings	550,114	-
Contributions Subsequent to the Measurement Date	247,997	-
Total	\$ 798,111	\$ 94,362

\$247,997 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2016	\$ 142,614
2017	142,614
2018	142,616
2019	103,099
2020	(4,793)
2021 – 2025	(23,965)
2026 – 2030	(23,965)
2031 – 2035	(22,467)
Thereafter	-
Total	\$ 455,753

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

G. Postemployment Benefits Other Than Pensions

The City has in effect a single employer plan adopted by City Council resolution whereby persons who retire before age sixty-five will be provided health care coverage until they become sixty-five. The contribution requirements of the government are established and may be amended by the governing council. The City's contributions are financed on a pay-as-you-go basis and for the year ended September 30, 2016, the contributions were approximately \$110,407 for 21 retired employees. An additional 30 employees were eligible for this benefit. Calculations are based on benefits provided under the plan in effect at the time of each valuation and on the pattern of sharing of costs. The plan issues a stand-alone financial report

Funding Policy and Annual Other Postemployment Benefits

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2016, is as follows:

	2016
Annual Required Contribution	\$ 182,919
Interest on OPEB Obligation	16,725
Adjustment to ARC	(27,310)
Annual OPEB Cost	172,334
Net Estimated Employer Contributions	(110,407)
Increase in Net OPEB Obligation	61,927
Beginning of Year Net OPEB Obligation	393,523
End of Year Net OPEB Obligation	\$ 455,450

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2016, and the preceding two fiscal years are as follows:

Fiscal Year Ended Sept 30,	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2016	\$ 172,334	\$ 110,407	64.1%	\$ 455,450
2015	186,346	121,015	64.9	393,524
2014	188,948	114,511	60.6	328,193

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

G. Postemployment Benefits Other Than Pensions (Continued)

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2015, is as follows:

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
(1)	(2)	(3)	(1) / (2)	(4)	(5)	(4) / (5)
			(2) - (1)			(4) / (5)
2015	\$ -	\$ 1,796,090	0.00%	\$ 1,796,090	\$ 13,731,637	13.08%
2014	-	1,887,824	0.00	1,887,824	13,485,052	14.00
2013	-	1,887,824	0.00	1,887,824	14,165,810	13.33

Under the reporting parameters, the City's retiree health care is 0.0% funded with actuarial accrued liability exceeding the actuarial assets by \$1,796,090 at December 31, 2015. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 13.08%.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant actuarial methods and assumptions were as follows:

Inflation rate	3.00% per annum
Investment rate of return	4.25%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Amortization period	22-year, closed amortization
Medical trend	3.0% per annum*

\*The City's retiree medical subsidy is assumed to increase at 3.0% per year.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

G. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

H. Water Sales and Commitments

1. Water Sales

The City has contracts extending for several years to sell treated and untreated water to six entities. Total water sales under these contracts to these entities during the year ended September 30, 2016, were approximately \$3,300,000.

2. Construction Commitments

The City has active construction projects as of September 30, 2016. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Sewer and Water System Replacement and Related Street Reconstruction	\$ 35,601,997	\$ 21,258,241

3. Water Storage Commitment

The City has the right to utilize an undivided 100% of the usable conservation storage space in Pat Mayse Lake between elevations 451 feet and 415 feet above sea level which is estimated at 109,600 acre feet. The Government reserves the right to control and use all storage in accordance with project purposes, to take such measures to preserve life and or property including the right not to make downstream releases and to inspect, maintain, or repair the project. The City will be required to pay 10.526% of the cost of joint-use repair, rehabilitation, and replacement and 26.659% of the annual experienced joint-use operation and maintenance of the project.

4. Civic Center Contract Commitment

The City is a party to a contract with the Chamber of Commerce of Lamar County, Inc. whereby three-sevenths of the hotel/motel tax is to be dedicated to a fund to be used for improving, enlarging, equipping, repairing, operating, or maintaining a civic center. The contract provides that the Chamber of Commerce of Lamar County, Inc. will operate the civic center through September 30, 2016, and may be reviewed for four additional one year terms upon written agreement of the parties. Either party may terminate this contract at the end of the current term by giving thirty days notice.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

H. Water Sales and Commitments (Continued)

5. Interlocal Cooperative Agreement

During the year, the City participated in an interlocal cooperative agreement with the Sulphur River Regional Mobility Authority. The City's payments are to assist in funding completion of approximately 10.4 miles of four-lane divided highway in Delta County, Texas. The City considers this a cost sharing arrangement, accordingly, debt payments are not included in long-term liabilities. Annual payments of \$100,827 include principal and interest at 3.68% beginning March 29, 2013, through March 29, 2032. The City is required to establish a sinking fund and to levy and collect property tax.

6. Other Commitments

Commercial Dairy - The incentive is to provide cash payments for creating 150 new jobs in Paris and Lamar County for five years. This amount is estimated to be \$664,300 and expected to begin in 2017.

Truck Accessories - Company is to open a manufacturing facility in Paris, Texas, and create 15 new jobs. The incentive is for \$324,250 for new jobs, training, and infrastructure. At September 30, 2016, \$12,353 of the incentive remains to be satisfied. PEDC has also executed a guaranty in connection with a \$75,000 note to a bank.

Producer – In September 2015, the Board of Directors reached an incentive agreement with a producer of engineered glass materials for training reimbursement and cash for capital investment in manufacturing space, new equipment, and new jobs for \$45,000, of which \$24,000 remains outstanding at September 30, 2016.

In connection with a first lien loan by a bank to a commercial operation in the amount of \$5,800,000, PEDC has entered into a Guaranty of Collection agreement. The loan payment is guaranteed by an individual (and a related company), and in addition, PEDC has guaranteed the full and prompt collection of the principal and interest due under the note together with limited cost of collection. If the lender makes demand under the Guaranty of Collection agreement, the lender will allow PEDC to satisfy its liability in monthly installments as specified in the original note. The agreement is dated September 23, 2010, and will terminate when the note is paid or the expiration of ten years.

Retail and Office Structure – The incentive is to participate in reimbursement of sewer line construction to the extent of \$250,000.

Powder Coated Engineered Wood Manufacturer – In December 2014, the Board of Directors reached an incentive agreement with a manufacturer of powder coated engineered wood to convey eight acres of the industrial park for construction of a building. The incentive agreement was valued at \$33,999, the cost of the land to PEDC. An additional 16 acres has been provided as an incentive to complete the construction and for further expansion within five years. The 16 acre incentive is valued at PEDC's cost of \$69,055 and remains outstanding at September 30, 2016. Subsequent to year end, the manufacturer did not fulfill their incentive agreement and therefore PEDC received the deed to the property back.



CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage from commercial insurers and participates in risk pools to limit risk of loss in these areas. The risk pools maintain adequate protection from catastrophic losses to protect their financial integrity. Aggregate protection is also maintained to ensure that the City shall at no time be assessed. The City's contributions are limited to the rates calculated under the agreement. There has been no significant reduction in insurance coverage during the year ended September 30, 2016. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

J. Capital Leases

In September 2015, the City began leasing equipment under an agreement classified as a capital lease due to a bargain purchase option. The capital lease and accumulated amortization are as follows:

Capital Lease Equipment, at Cost	\$ 617,114
Less: Accumulated Amortization	<u>53,840</u>
Capital Lease Equipment, Net	<u><u>\$ 563,274</u></u>

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 72,353
2018	72,353
2019	72,353
2020	72,353
2021	72,353
2022-2025	<u>289,407</u>
Total Minimum Lease Payments	651,172
Less: Amount Representing Interest	<u>(87,898)</u>
Present Value of Net Minimum Lease Payments	563,274
Less: Current Maturities of Capital Lease Obligation	<u>(55,452)</u>
Long-Term Portion of Capital Lease Obligation	<u><u>\$ 507,822</u></u>

In January 2016, the City began leasing equipment under an agreement classified as a capital lease due to a bargain purchase option. The capital lease and accumulated amortization are as follows:

Capital Lease Equipment, at Cost	\$ 975,185
Less: Accumulated Amortization	<u>-</u>
Capital Lease Equipment, Net	<u><u>\$ 975,185</u></u>

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2016, are as follows:

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

J. Capital Leases (Continued)

Year Ending September 30,	Amount
2017	\$ 114,337
2018	114,337
2019	114,337
2020	114,337
2021	114,337
2022-2025	571,687
Total Minimum Lease Payments	1,143,372
Less: Amount Representing Interest	(168,187)
Present Value of Net Minimum Lease Payments	975,185
Less: Current Maturities of Capital Lease Obligation	(85,078)
Long-Term Portion of Capital Lease Obligation	\$ 890,107

K. Long-Term Liabilities

In the government-wide financial statements and proprietary funds 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 funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year of issuance.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as 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, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

General Obligation Certificates of Obligation and Other Long-Term Obligations:

\$3,005,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments varying from \$130,000 to \$230,000 with final payment due December 15, 2029. Interest is payable semi-annually at rates ranging from 2.8% to 4.200%. On December 15, 2020, or any date thereafter, unpaid principal installments may be prepaid or redeemed prior to their scheduled due dates at the City's option. The certificates are additionally secured by and payable from a limited pledge (not to exceed \$1,000) of the surplus revenues of the waterworks and sewer systems. These bonds were issued to provide funds for improvements and expansion to South Collegiate Drive.

\$17,075,000 General Obligation Refunding Bonds, Series 2010, due in annual installments varying from \$1,050,000 to \$1,160,000, with final payment due June 15, 2020. Interest is payable semi-annually at rates ranging from 3.0% to 3.500%. On June 15, 2018, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued February 15, 2010, at a premium for the purpose of refunding \$17,220,000 in outstanding bonds reported as Enterprise Fund debt and General Obligation debt.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

K. Long-Term Liabilities (Continued)

\$4,505,000 General Obligation Refunding Bonds, Series 2012, due in annual installments varying from \$355,000 to \$405,000 with final payment due December 14, 2021. On December 18, 2012, the City issued this series bearing interest ranging from 2.0% to 2.5% to refund Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2002 (\$3,440,000) bearing interest ranging from 4.0% to 4.7% and General Obligation Refunding Bonds, Series 2003 (\$1,210,000) bearing interest ranging from 3.75% to 3.9%. The net proceeds of \$4,652,190 (after payment of various fees and including premium and accrued interest) were deposited in an escrow fund to prepay the refunded bonds. The issuance of the bonds produced a gross debt service savings of \$612,058 and a net present value savings of \$584,806.

\$2,900,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, due in annual installments varying from \$145,000 to \$165,000 with final payment due June 15, 2032. Interest is payable semi-annually at rates ranging from 0.12% to 1.45%. On June 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued to provide funds to pay the costs of improving the potable water distribution system and related costs. The certificates are also secured by a pledge of net revenues of the water works and sewer system. In addition to the purchase of these bonds by the Texas Water Development Board, the City received \$500,778 in connection with a loan forgiveness program. The bonds are reported as obligations of the Enterprise Fund.

\$33,925,000 General Obligation Bonds, Series 2013, due in annual installments varying from \$775,000 to \$2,850,000 with final payment due December 15, 2032. Interest is payable semi-annually at rates ranging from 4.0% to 5.0%. On December 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued August 15, 2014, at a premium for the purpose of replacing and extending water distribution lines and sewer collection lines and making repairs necessitated by the replacement. Voters of the issuer approved the issuance of \$45,000,000 in tax bonds. The bonds are reported as obligations of the Enterprise Fund.

The ordinances require that property taxes be levied and collected at a rate sufficient to pay principal and interest as they come due. They also require that these funds be placed in special interest and sinking funds created solely for the benefit of the obligations. At September 30, 2016, the fund balances in the Interest and Sinking Funds are \$1,087,664.

The State of Texas is requiring additional monitoring of a landfill owned by the City that has been closed for several years. The City and its' consultants estimate that, based on known requirements, future costs may be \$150,000. These costs are subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

K. Long-Term Liabilities (Continued)

General Obligation Certificates of Obligation and Other Long-Term Obligations (Continued):

A summary of long-term liability transactions for the year ended September 30, 2016, follows:

	Balance September 30, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One year
<b>Governmental Activities</b>					
Debt Payable					
Bonds Payable	\$ 7,285,000	\$ -	\$ 865,000	\$ 6,420,000	\$ 885,000
Premium	34,215	-	11,591	22,624	9,521
Capital Leases	617,114	975,185	53,840	1,538,459	140,530
Total Debt Payable	<u>7,936,329</u>	<u>975,185</u>	<u>930,431</u>	<u>7,981,083</u>	<u>1,035,051</u>
Compensated Absences	1,022,753	814,974	768,628	1,069,099	106,910
Landfill Post-Closure Care Costs	150,000	-	-	150,000	-
OPEB Liability	<u>393,523</u>	<u>172,334</u>	<u>110,407</u>	<u>455,450</u>	<u>110,408</u>
Governmental Activities Long-Term Liabilities	<u>\$ 9,502,605</u>	<u>\$ 1,962,493</u>	<u>\$ 1,809,466</u>	<u>\$ 9,655,632</u>	<u>\$ 1,252,369</u>
<b>Business-Type Activities</b>					
Debt Payable					
Bonds Payable	\$ 38,545,000	\$ -	\$ 1,750,000	\$ 36,795,000	\$ 1,575,000
Premium	1,348,065	-	145,350	1,202,715	133,129
Total Debt Payable	<u>39,893,065</u>	<u>-</u>	<u>1,895,350</u>	<u>37,997,715</u>	<u>1,708,129</u>
Compensated Absences Business-Type Activities	<u>216,489</u>	<u>189,065</u>	<u>185,397</u>	<u>220,157</u>	<u>22,016</u>
Long-Term Liabilities	<u>\$ 40,109,554</u>	<u>\$ 189,065</u>	<u>\$ 2,080,747</u>	<u>\$ 38,217,872</u>	<u>\$ 1,730,145</u>
<b>Component Unit</b>					
Bonds Payable	<u>\$ 980,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 665,000</u>	<u>\$ 325,000</u>
Component Unit Long-Term Liabilities	<u>\$ 980,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 665,000</u>	<u>\$ 325,000</u>

For the governmental activities, compensated absences are liquidated by the general fund.

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

K. Long-Term Liabilities (Continued)

General Obligation Certificates of Obligation and Other Long-Term Obligations: (Continued)

Long-term debt service requirements for the next five years and after, in five year increments, are as follows:

Year Ending September 30,	General Obligation		Water and Sewer	
	Principal	Interest	Principal	Interest
2017	\$ 885,000	\$ 183,254	\$ 1,575,000	\$ 1,525,322
2018	915,000	158,860	1,595,000	1,474,822
2019	950,000	133,169	1,585,000	1,420,872
2020	975,000	105,134	1,615,000	1,364,847
2021	550,000	82,966	1,650,000	1,288,848
2022-2026	1,285,000	260,126	10,320,000	5,123,614
2027-2031	860,000	72,284	12,720,000	2,710,672
2032-2035	-	-	5,735,000	275,643
Totals	\$ 6,420,000	\$ 995,793	\$ 36,795,000	\$ 15,184,640

PEDC has outstanding Paris Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2010, originally issued at \$2,685,000, bearing interest at 4.1% to 4.39%. Principal payments are due serially in varying annual amounts to September 1, 2018, from \$325,000 to \$340,000.

Sales and Use Taxes (one-quarter of one percent) levied by the City of Paris, Texas, within its boundaries under the Development Corporation Act of 1979, are pledged for payment of bonds and interest of PEDC. The resolution authorizing the issuance of the bonds requires that monthly deposits be made to the Debt Service Fund in an amount sufficient to pay the next maturing bonds and interest.

For PEDC, a Reserve Fund is required to be maintained with a balance of at least \$354,466, the average annual principal and interest requirements of the bonds. At September 30, 2016, the balances in the Debt Service Fund and Reserve Fund are \$30,569 and \$374,276, respectively.

Debt service requirements related to these bonds are as follows:

Years	Bond Debt Requirements		Total
	Principal	Interest	
2017	\$ 325,000	\$ 28,251	\$ 353,251
2018	340,000	14,926	354,926
Totals	\$ 665,000	\$ 43,177	\$ 708,177

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

L. Interfund Transfers

During the year ended September 30, 2016, the City made budgeted transfers from the Water and Sewer Fund to the General Fund of \$1,633,000. The balance of a Special Revenue Fund was closed out with a transfer from the General Fund of \$4,200. Transfers were made to the Water and Sewer Fund for \$51,900 from the Debt Service Fund to make debt service payments. A transfer was made from the General Fund to the Capital Projects Fund of \$1,800,000 for drainage improvements. Other minor transfers were made between funds making up transfers of:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Water and Sewer Fund	Transfers Out
General Fund	\$ -	\$ 45	\$ 1,799,955	\$ 4,200	\$ 2,000	\$ 1,806,200
Debt Service Fund	-	-	-	-	51,900	51,900
Water and Sewer Fund	1,633,000	-	-	-	-	1,633,000
Transfers In	<u>\$ 1,633,000</u>	<u>\$ 45</u>	<u>\$ 1,799,955</u>	<u>\$ 4,200</u>	<u>\$ 53,900</u>	<u>\$ 3,491,100</u>

M. Restricted Net Position and Restricted Asset Accounts

In order to safeguard the financial integrity of the water and sewer system, the City Council approved a resolution establishing and maintaining funds comparable to those required by the revenue bonds refunded in 2010. At September 30, 2016, these accounts, shown as cash and investments on the Statement of Net Position – Proprietary Funds, are as follows:

Reserve Fund	\$ 9,487,939
Contingency Fund	3,813,393

Collections of notes receivable are restricted by grant agreements to be used for building rehabilitation.

The balances of the City's restricted asset accounts are as follows:

	Cash and Cash Equivalents	Certificates of Deposit and Other Investments	Other Receivables
Notes Receivable	\$ -	\$ -	\$ 42,483
Lake Crook	3,571	-	-
Contingency	298,585	3,514,808	-
Loan	33,650	-	-
Bond Reserves and Sinking Funds	1,576,313	2,325,268	-
Construction	5,586,358	15,182,716	-
Total Restricted Assets	<u>\$ 7,498,477</u>	<u>\$ 21,022,792</u>	<u>\$ 42,483</u>

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

N. Related Party

The City Council appoints the governing board of an entity which is legally separate from the City. The City is not able to impose its will on this entity, and a financial benefit/burden relationship is not present; therefore, it is considered a related organization.

O. Contingent Liabilities

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

P. Tax Abatements

As of September 30, 2016, the City provides tax abatements through two programs-Industrial and Residential:

1. Industrial abatements are possible for manufacturing, research, regional distribution, regional services, regional tourist entertainment, basic industry, and any primary jobs creating industry. The property involved must be newly created or improvements to an existing facility. Abatements may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements, tangible personal property, and office space and improvements necessary to the operation and administration of the facility. Inventory and supplies are not eligible for abatement. The city council grants abatements on a case by case basis. The abatement is stated as a percentage of the eligible property under consideration and for a specified period of time up to ten years. The City has a written industrial tax abatement policy.

2. Residential abatements are granted for five year periods. The property involved must be new residential structures or improvements to existing structures that will be at least a 20% increase in the previous appraised value of the property. The abatements are stated as a percentage of the increased value using the following schedule: Year 1-100%, Year 2-100%, Year 3-80%, Year 4-60%, and Year 5-40%. The City has a standard written residential tax abatement agreements.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated 2015-16</u>
Industrial Incentives	\$ 1,345,137
Residential Incentives	\$ 1,284

CITY OF PARIS, TEXAS  
Notes to the Financial Statements (Continued)  
September 30, 2016

IV. Detailed Notes on All Activities and Funds (Continued)

Q. Prior Period Adjustment

During the fiscal year ended September 30, 2016, the City determined that payroll expenses that were subject to accrual as of September 30, 2015 had been omitted. Therefore, an adjustment to beginning net position has been recorded to account for this accrual, which is summarized below:

<b>Governmental Activities</b>	
Total Net Position, September 30, 2015, as Previously Reported	\$ 37,131,714
Prior Period Adjustments for Accrued Expenses	<u>(741,219)</u>
Total Net Position, September 30, 2015, as Restated	<u>\$ 36,390,495</u>
Increase in Net Position for 2015, as Previously Reported	\$ 1,002,512
Prior Period Adjustments for Accrued Expenses	<u>(741,219)</u>
Increase in Net Position for 2015, as Restated	<u>\$ 261,293</u>
<b>Business-Type Activities</b>	
Total Net Position, September 30, 2015, as Previously Reported	\$ 46,839,772
Prior Period Adjustments for Accrued Expenses	<u>(140,393)</u>
Total Net Position, September 30, 2015, as Restated	<u>\$ 46,699,379</u>
Increase in Net Position for 2015, as Previously Reported	\$ 1,342,778
Prior Period Adjustments for Accrued Expenses	<u>(140,393)</u>
Increase in Net Position for 2015, as Restated	<u>\$ 1,202,385</u>

R. Subsequent Event

On December 5, 2016, the City issued \$8,780,000 General Obligation Bonds, Series 2016, to fund construction of replacements and extensions to the City's water and sewer lines, including repairs to streets and drainage infrastructure necessitated by such construction. The interest rates range from 2.0% to 4.0% with the final maturity due on December 15, 2036.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF PARIS, TEXAS  
 Required Supplementary Information  
 Texas Municipal Retirement System -  
 Schedule of Changes in Net Pension Liability  
 Years Ended September 30, 2016 and 2015

Schedule 1

	2016	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 1,084,666	\$ 1,084,779
Interest	3,718,773	3,592,818
Changes in Benefit Terms	1,615,467	-
Differences Between Expected and Actual Experience	(159,282)	(191,294)
Changes in Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,741,148)	(2,632,638)
Net Change in Total Pension Liability	3,518,476	1,853,665
Total Pension Liability - Beginning	53,953,566	52,099,901
Total Pension Liability - Ending	\$ 57,472,042	\$ 53,953,566
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 700,159	\$ 721,733
Contributions - Employee	676,545	667,048
Net Investment Income	80,774	3,031,103
Benefit Payments, Including Refunds of Employee Contributions	(2,741,148)	(2,632,638)
Administrative Expense	(49,204)	(31,651)
Other	(2,430)	(2,602)
Net Change in Plan Fiduciary Net Position	(1,335,304)	1,752,993
Plan Fiduciary Net Position - Beginning	54,746,466	52,993,473
Plan Fiduciary Net Position - Ending	\$ 53,411,162	\$ 54,746,466
City's Net Pension Liability (Asset) - Ending	\$ 4,060,880	\$ (792,900)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.93%	101.47%
Covered-Employee Payroll	\$ 11,203,172	\$ 11,177,790
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	36.25%	(7.09%)

Note: GASB 68, Paragraph 81 requires that the information in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2015 for Year 2016 and December 31, 2014 for Year 2015.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF PARIS, TEXAS  
 Required Supplementary Information  
 Texas Municipal Retirement System -  
 Schedule of City Contributions  
 Years Ended September 30, 2016 and 2015

Schedule 2

	2016	2015
Contractually Required Fiscal Year Contribution	\$ 733,564	\$ 704,441
Contribution in Relation to the Contractually Required Fiscal Year Contribution	(733,564)	(704,441)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 12,058,579	\$ 11,203,172
Contributions as a Percentage of Covered-Employee Payroll	6.08%	6.29%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31, 2014 for Fiscal Year 2015 and December 31, 2015 for Fiscal Year 2016.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF PARIS, TEXAS  
 Required Supplementary Information  
 Paris Firefighters' Relief and Retirement Fund  
 Schedule of Changes in Net Pension Liability  
 Years Ended September 30, 2016 and 2015

Schedule 3

	2016	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 247,353	\$ 236,701
Interest	1,092,874	1,087,700
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	(238,406)
Changes in Assumptions	-	134,458
Benefit Payments, Including Refunds of Employee Contributions	(1,156,654)	(1,200,964)
Net Change in Total Pension Liability	183,573	19,489
Total Pension Liability - Beginning	13,991,898	13,972,409
Total Pension Liability - Ending	\$ 14,175,471	\$ 13,991,898
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 310,483	\$ 281,896
Contributions - Employee	388,212	352,370
Net Investment Income	(121,104)	245,555
Benefit Payments, Including Refunds of Employee Contributions	(1,156,654)	(1,200,964)
Administrative Expense	(6,500)	(84,445)
Other	-	5,315
Net Change in Plan Fiduciary Net Position	(585,563)	(400,273)
Plan Fiduciary Net Position - Beginning	5,461,733	5,862,006
Plan Fiduciary Net Position - Ending	\$ 4,876,170	\$ 5,461,733
City's Net Pension Liability (Asset) - Ending	\$ 9,299,301	\$ 8,530,165
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	34.40%	39.03%
Covered-Employee Payroll	\$ 2,511,047	\$ 2,368,370
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	370.34%	360.17%

Note: GASB 68, Paragraph 81 requires that the information in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2015 for Year 2016 and December 31, 2014 for Year 2015.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF PARIS, TEXAS  
 Required Supplementary Information  
 Paris Firefighters' Relief and Retirement Fund  
 Schedule of City Contributions  
 Years Ended September 30, 2016 and 2015

Schedule 4

	2016	2015
Actuarially Determined Fiscal Year Contribution	\$ 332,665	\$ 301,329
Contribution in Relation to the Actuarially Determined Fiscal Year Contribution	(332,665)	(301,329)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 2,772,967	\$ 2,511,047
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31, 2014 for Fiscal Year 2015 and December 31, 2015 for Fiscal Year 2016.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## Nonmajor Governmental Funds

### Special Revenue

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant - This fund accounts for funds received from various federal grant programs and expended for community development purposes.

Special Revenue Fund - This fund accounts for funds received from various sources and can be expended for improving efficiency of the administration of justice; enhancing child safety, health, and nutrition; security devices and technological enhancements for municipal court; and other improvement activity.

Library Memorial Funds – These funds account for resources given for book and library related purposes in memory of individuals.

### Permanent Funds

Library Trust Funds – These funds account for resources of a permanent nature whereby only earnings and not principal may be used for books and library-related purposes.

### Other Major Governmental Funds

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of general obligation principal and interest.

Capital Projects Fund – This fund accounts for proceeds from bond issues and transfers.

CITY OF PARIS, TEXAS  
Combining Balance Sheet - Nonmajor Governmental Funds  
September 30, 2016

Schedule 5

	Special Revenue				Permanent	Total Nonmajor Governmental Funds
	Community Development Block Grant	Special Revenue Fund	Library Memorial Funds	Total	Library Trust Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 52,503	\$ 324,534	\$ 83,245	\$ 460,282	\$ 544	\$ 460,826
Investments	52,821	-	-	52,821	91,021	143,842
Notes Receivables	42,483	-	-	42,483	-	42,483
<b>Total Assets</b>	<b>\$ 147,807</b>	<b>\$ 324,534</b>	<b>\$ 83,245</b>	<b>\$ 555,586</b>	<b>\$ 91,565</b>	<b>\$ 647,151</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ -	\$ 356	\$ -	\$ 356	\$ -	\$ 356
<b>Total Liabilities</b>	<b>-</b>	<b>356</b>	<b>-</b>	<b>356</b>	<b>-</b>	<b>356</b>
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Permanent Library Funds	-	-	-	-	91,565	91,565
<b>Restricted for:</b>						
Notes	42,483	-	-	42,483	-	42,483
Law Enforcement	-	324,178	-	324,178	-	324,178
<b>Assigned:</b>						
Library	-	-	83,245	83,245	-	83,245
Community Development	105,324	-	-	105,324	-	105,324
<b>Total Fund Balances</b>	<b>147,807</b>	<b>324,178</b>	<b>83,245</b>	<b>555,230</b>	<b>91,565</b>	<b>646,795</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 147,807</b>	<b>\$ 324,534</b>	<b>\$ 83,245</b>	<b>\$ 555,586</b>	<b>\$ 91,565</b>	<b>\$ 647,151</b>

CITY OF PARIS, TEXAS  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2016

Schedule 6

	Special Revenue			Permanent	Total Nonmajor Governmental Funds	
	Community Development Block Grant	Special Revenue	Library Memorial Funds	Library Trust Funds		
<b>REVENUES</b>						
Fees and Fines	\$ -	\$ 16,983	\$ -	\$ 16,983	\$ -	\$ 16,983
Intergovernmental	346,761	44,083	-	390,844	-	390,844
Interest Earned	3,350	2,892	858	7,100	765	7,865
Miscellaneous	-	7,004	2,380	9,384	-	9,384
<b>Total Revenues</b>	<u>350,111</u>	<u>70,962</u>	<u>3,238</u>	<u>424,311</u>	<u>765</u>	<u>425,076</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	-	14,406	-	14,406	-	14,406
Public Safety	-	88,161	-	88,161	-	88,161
Community Development	353,355	-	-	353,355	-	353,355
Health	-	15,453	-	15,453	-	15,453
Culture and Recreation	-	-	29,137	29,137	-	29,137
<b>Capital Outlay</b>						
General Government	60,390	-	-	60,390	-	60,390
Health	-	13,105	-	13,105	-	13,105
<b>Total Expenditures</b>	<u>413,745</u>	<u>131,125</u>	<u>29,137</u>	<u>574,007</u>	<u>-</u>	<u>574,007</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(63,634)</u>	<u>(60,163)</u>	<u>(25,899)</u>	<u>(149,696)</u>	<u>765</u>	<u>(148,931)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	4,300	-	-	4,300	-	4,300
Transfers Out	-	(100)	-	(100)	-	(100)
<b>Total Other Financing Sources (Uses)</b>	<u>4,300</u>	<u>(100)</u>	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>4,200</u>
<b>Net Changes in Fund Balances</b>	<u>(59,334)</u>	<u>(60,263)</u>	<u>(25,899)</u>	<u>(145,496)</u>	<u>765</u>	<u>(144,731)</u>
<b>Fund Balances - Beginning</b>	207,141	384,744	109,144	701,029	90,800	791,829
<b>Prior Period Adjustment</b>	<u>-</u>	<u>(303)</u>	<u>-</u>	<u>(303)</u>	<u>-</u>	<u>(303)</u>
<b>Fund Balances - Ending</b>	<u>\$ 147,807</u>	<u>\$ 324,178</u>	<u>\$ 83,245</u>	<u>\$ 555,230</u>	<u>\$ 91,565</u>	<u>\$ 646,795</u>



CITY OF PARIS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Special Revenue Fund  
Year Ended September 30, 2016

Schedule 7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fees and Fines	\$ 26,500	\$ 26,500	\$ 16,983	\$ (9,517)
Intergovernmental	-	-	44,083	44,083
Interest Earned	-	-	2,892	2,892
Miscellaneous	-	-	7,004	7,004
Total Revenues	<u>26,500</u>	<u>26,500</u>	<u>70,962</u>	<u>44,462</u>
<b>EXPENDITURES</b>				
Municipal Court	145,511	145,511	14,406	131,105
Police	15,620	15,620	88,161	(72,541)
Health	25,000	25,000	28,558	(3,558)
Total Expenditures	<u>186,131</u>	<u>186,131</u>	<u>131,125</u>	<u>55,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(159,631)</u>	<u>(159,631)</u>	<u>(60,163)</u>	<u>99,468</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	(100)	(100)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>
Net Changes in Fund Balance	(159,631)	(159,631)	(60,263)	99,368
Fund Balance - Beginning	384,744	384,744	384,744	-
Prior Period Adjustment	-	-	(303)	(303)
Fund Balance - Ending	<u>\$ 225,113</u>	<u>\$ 225,113</u>	<u>\$ 324,178</u>	<u>\$ 99,065</u>

CITY OF PARIS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Debt Service Fund  
Year Ended September 30, 2016

Schedule 8

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,175,532	\$ 1,175,532	\$ 1,168,313	\$ (7,219)
Interest Earned	-	-	10,654	10,654
Total Revenues	<u>1,175,532</u>	<u>1,175,532</u>	<u>1,178,967</u>	<u>3,435</u>
<b>EXPENDITURES</b>				
Bond Principal Retirement	1,959,546	1,959,546	919,546	1,040,000
Interest and Fiscal Charges	388,944	388,944	254,304	134,640
Total Expenditures	<u>2,348,490</u>	<u>2,348,490</u>	<u>1,173,850</u>	<u>1,174,640</u>
Excess of Revenues Over Expenditures	<u>(1,172,958)</u>	<u>(1,172,958)</u>	<u>5,117</u>	<u>1,178,075</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	45	45
Transfers Out	-	-	(51,900)	(51,900)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(51,855)</u>	<u>(51,855)</u>
Net Changes in Fund Balance	(1,172,958)	(1,172,958)	(46,738)	1,126,220
Fund Balance - Beginning	<u>1,134,402</u>	<u>1,134,402</u>	<u>1,134,402</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (38,556)</u>	<u>\$ (38,556)</u>	<u>\$ 1,087,664</u>	<u>\$ 1,126,220</u>

CITY OF PARIS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Capital Projects Fund  
From Inception and Year Ended September 30, 2016

Schedule 9

	Prior Years	Current Year	Total to Date	Project Authorization (Budget)
<b>REVENUES</b>				
Interest Earned	\$ 70,711	\$ 13,351	\$ 84,062	\$ -
Total Revenues	70,711	13,351	84,062	-
<b>EXPENDITURES</b>				
City Council	114,109	-	114,109	114,109
Police	285,630	-	285,630	285,630
Fire	915,942	-	915,942	915,942
Community Development	708,872	3,735	712,607	870,350
Engineering	35,555	-	35,555	35,555
Parks and Recreation	451,234	112,150	563,384	691,234
Solid Waste	568,811	-	568,811	568,811
Streets and Highways	2,482,453	1,674,939	4,157,392	3,005,000
Health	16,600	-	16,600	30,000
Library	7,100	-	7,100	15,000
Cox Field Airport	-	110,667	110,667	90,100
Total Expenditures	5,586,306	1,901,491	7,487,797	6,621,731
Deficiency of Revenues Over Expenditures	(5,515,595)	(1,888,140)	(7,403,735)	(6,621,731)
<b>Other Financing Sources (Uses):</b>				
Transfers In	6,366,087	1,799,955	8,166,042	-
Transfers Out	(2,956,989)	-	(2,956,989)	-
Certificates of Obligation Issued	3,005,000	-	3,005,000	-
<b>SPECIAL ITEM</b>				
Proceeds from Sale of Assets	90,100	-	90,100	-
Net Changes in Fund Balance	\$ 988,603	(88,185)	\$ 900,418	\$ (6,621,731)
Fund Balance - Beginning		1,158,909		
Fund Balance - Ending		\$ 1,070,724		

**CAPITAL ASSETS USED IN  
THE OPERATION OF GOVERNMENTAL FUNDS**

CITY OF PARIS, TEXAS  
 Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 September 30, 2016 and 2015

Schedule 10

	2016	2015
<b>Governmental Funds Capital Assets:</b>		
Land	\$ 5,929,099	\$ 5,929,099
Buildings	16,137,920	15,168,804
Improvements Other Than Buildings	8,104,657	8,104,657
Machinery and Equipment	21,655,180	20,005,095
Infrastructure	43,336,747	41,375,644
Construction in Progress	686,046	204,122
Total Governmental Funds Capital Assets	\$ 95,849,649	\$ 90,787,421
<b>Investments in Governmental Funds Capital Assets by Source:</b>		
General Fund	\$ 64,027,600	\$ 61,514,975
Capital Projects Funds	24,213,795	22,316,039
Donations	7,608,254	6,956,407
Total Investments in Governmental Funds Capital Assets by Source	\$ 95,849,649	\$ 90,787,421

CITY OF PARIS, TEXAS  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 September 30, 2016

Schedule 11

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
<b>General Government:</b>			
Council	\$ 339,906	\$ 3,103,833	\$ 99,522
Manager	-	-	9,948
Attorney	-	-	-
Clerk	-	14,737	-
Finance	-	-	-
<b>Total General Government</b>	<u>339,906</u>	<u>3,118,570</u>	<u>109,470</u>
<b>Public Safety:</b>			
Police	619,585	5,011,850	808,022
Fire	160,509	2,189,378	231,972
<b>Total Public Safety</b>	<u>780,094</u>	<u>7,201,228</u>	<u>1,039,994</u>
<b>Public Works:</b>			
Community Development	3,299,676	232,272	564,805
Engineering	-	10,747	-
Public Works	125,543	-	-
Parks and Recreation	112,230	204,418	3,477,296
Solid Waste	626,395	-	42,079
Streets and Highways	138,590	96,845	80,192
Traffic and Public Lighting	-	9,000	-
Garage	-	95,121	-
Other Unclassified	-	-	52,361
<b>Total Public Works</b>	<u>4,302,434</u>	<u>648,403</u>	<u>4,216,733</u>
Emergency Medical Service	15,750	94,177	6,200
Cox Field	429,120	3,435,079	2,646,618
Library	61,795	1,640,463	85,642
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 5,929,099</u>	<u>\$ 16,137,920</u>	<u>\$ 8,104,657</u>

Machinery and Equipment	Infrastructure	Total
\$ 607,259	\$ -	\$ 4,150,520
113,768	-	123,716
10,187	-	10,187
71,230	-	85,967
395,261	-	395,261
<u>1,197,705</u>	<u>-</u>	<u>4,765,651</u>
4,344,577	-	10,784,034
4,661,729	-	7,243,588
<u>9,006,306</u>	<u>-</u>	<u>18,027,622</u>
198,551	21,240	4,316,544
210,750	-	221,497
869,418	-	994,961
1,076,234	389,283	5,259,461
1,727,344	-	2,395,818
2,550,238	42,926,224	45,792,089
203,557	-	212,557
84,966	-	180,087
172,694	-	225,055
<u>7,093,752</u>	<u>43,336,747</u>	<u>59,598,069</u>
2,056,480	-	2,172,607
209,943	-	6,720,760
<u>2,090,994</u>	<u>-</u>	<u>3,878,894</u>
<u>\$ 21,655,180</u>	<u>\$ 43,336,747</u>	<u>\$ 95,163,603</u>

CITY OF PARIS, TEXAS  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 Year Ended September 30, 2016

Schedule 12

Function and Activity	Governmental Funds Capital Assets September 30, 2015	Increases	Decreases	Governmental Funds Capital Assets September 30, 2016
<b>General Government:</b>				
Council	\$ 3,812,053	\$ 338,467	\$ -	\$ 4,150,520
Manager	123,716	-	-	123,716
Attorney	10,187	-	-	10,187
Clerk	85,967	-	-	85,967
Finance	395,261	-	-	395,261
<b>Total General Government</b>	<b>4,427,184</b>	<b>338,467</b>	<b>-</b>	<b>4,765,651</b>
<b>Public Safety:</b>				
Police	10,678,106	170,499	64,571	10,784,034
Fire	6,258,404	985,184	-	7,243,588
<b>Total Public Safety</b>	<b>16,936,510</b>	<b>1,155,683</b>	<b>64,571</b>	<b>18,027,622</b>
<b>Public Works:</b>				
Community Development	4,295,304	21,240	-	4,316,544
Engineering	221,497	-	-	221,497
Public Works	994,961	-	-	994,961
Parks and Recreation	4,614,797	644,664	-	5,259,461
Solid Waste	2,395,818	-	-	2,395,818
Streets and Highways	44,089,509	1,702,580	-	45,792,089
Traffic and Public Lighting	212,557	-	-	212,557
Garage	180,087	-	-	180,087
Other Unclassified	225,055	-	-	225,055
<b>Total Public Works</b>	<b>57,229,585</b>	<b>2,368,484</b>	<b>-</b>	<b>59,598,069</b>
Emergency Medical Service	1,983,116	189,491	-	2,172,607
Cox Field	6,720,760	-	-	6,720,760
Library	3,286,144	592,750	-	3,878,894
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 90,583,299</b>	<b>\$ 4,644,875</b>	<b>\$ 64,571</b>	<b>\$ 95,163,603</b>



**STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the City of Paris' comprehensive annual financial report contains detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### Financial Trends

Tables 1-4

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### Revenue Capacity

Tables 5 - 8

These schedules contain information to help the reader assess the government's most significant local revenue source, the ad valorem tax.

### Debt Capacity

Tables 9-13

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### Demographic and Economic Information

Tables 14-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### Operating Information

Tables 16-19

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF PARIS, TEXAS  
Net Assets/Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
Unaudited

Table 1

	Fiscal Year			
	2007	2008	2009	2010
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 28,296,810	\$ 27,214,018	\$ 26,663,557	\$ 26,871,917
Restricted	1,356,091	2,634,911	952,225	5,454,967
Unrestricted	12,344,117	12,724,897	15,119,471	10,358,596
<b>Total Governmental Activities,   Net Position</b>	<b>\$ 41,997,018</b>	<b>\$ 42,573,826</b>	<b>\$ 42,735,253</b>	<b>\$ 42,685,480</b>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 23,735,238	\$ 24,810,704	\$ 26,288,945	\$ 28,883,901
Restricted	3,258,469	2,810,233	3,813,439	1,636,722
Unrestricted	6,530,918	7,362,285	7,237,951	9,815,653
<b>Total Business-Type Activities,   Net Position</b>	<b>\$ 33,524,625</b>	<b>\$ 34,983,222</b>	<b>\$ 37,340,335</b>	<b>\$ 40,336,276</b>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 52,032,048	\$ 52,024,722	\$ 52,952,502	\$ 55,755,818
Restricted	4,614,560	5,445,144	4,765,664	7,091,689
Unrestricted	18,875,035	20,087,182	22,357,422	20,174,249
<b>Total Primary Government,   Net Assets/Position</b>	<b>\$ 75,521,643</b>	<b>\$ 77,557,048</b>	<b>\$ 80,075,588</b>	<b>\$ 83,021,756</b>

Table 1  
(Continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 25,311,134	\$ 27,532,353	\$ 28,732,801	\$ 28,427,758	\$ 28,043,910	\$ 30,505,784
3,958,563	5,421,971	4,949,039	4,949,039	3,393,033	3,003,799
12,801,387	12,700,759	12,301,829	10,023,934	5,694,771	1,890,470
<u>\$ 42,071,084</u>	<u>\$ 45,655,083</u>	<u>\$ 45,983,669</u>	<u>\$ 43,400,731</u>	<u>\$ 37,131,714</u>	<u>\$ 35,400,053</u>
\$ 31,855,910	\$ 34,499,646	\$ 33,003,801	\$ 33,041,432	\$ 33,331,038	\$ 33,466,855
-	-	-	-	-	-
11,416,134	8,496,996	10,075,150	12,172,944	13,508,734	14,460,833
<u>\$ 43,272,044</u>	<u>\$ 42,996,642</u>	<u>\$ 43,078,951</u>	<u>\$ 45,214,376</u>	<u>\$ 46,839,772</u>	<u>\$ 47,927,688</u>
\$ 57,167,044	\$ 62,031,999	\$ 61,736,602	\$ 61,469,190	\$ 61,374,948	\$ 63,972,639
3,958,563	5,421,971	4,949,039	4,949,039	3,393,033	3,003,799
24,217,521	21,197,755	22,376,979	22,196,878	19,203,505	16,351,303
<u>\$ 85,343,128</u>	<u>\$ 88,651,725</u>	<u>\$ 89,062,620</u>	<u>\$ 88,615,107</u>	<u>\$ 83,971,486</u>	<u>\$ 83,327,741</u>

CITY OF PARIS, TEXAS  
Changes in Net Assets/Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
Unaudited

Table 2

	Fiscal Year			
	2007	2008	2009	2010
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 1,722,181	\$ 2,076,554	\$ 3,590,461	\$ 2,632,370
Finance	426,485	467,865	449,227	481,106
Public Safety	9,045,085	9,737,225	9,498,749	10,021,261
Public Works	7,217,841	7,705,564	6,905,252	7,279,655
Health	2,897,836	3,174,713	3,133,324	3,184,085
Library Services	690,413	790,216	730,925	751,523
Cox Field Airport	236,414	262,533	294,089	225,565
Interest on Long-Term Debt	584,861	557,588	507,788	460,678
Bond Issue Costs	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>22,821,116</b>	<b>24,772,258</b>	<b>25,109,815</b>	<b>25,036,243</b>
<b>Business-Type Activities:</b>				
Water and Sewer Services	<b>10,839,828</b>	<b>10,959,294</b>	<b>11,197,470</b>	<b>10,423,943</b>
<b>Total Primary Government Expenses</b>	<b>33,660,944</b>	<b>35,731,552</b>	<b>36,307,285</b>	<b>35,460,186</b>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services:</b>				
General Government	-	-	-	-
Public Safety	806,321	1,029,991	676,229	757,291
Public Works	1,626,253	1,690,210	1,693,133	1,709,552
Health	2,406,995	2,710,279	2,638,943	2,595,679
Library Services	19,601	22,464	21,335	21,123
Cox Field	-	-	-	-
Operating Grants and Contributions	1,244,186	1,407,529	1,317,832	1,431,301
Capital Grants and Contributions	25,599	55,152	224,458	355,429
<b>Total Governmental Activities Program Revenues</b>	<b>6,128,955</b>	<b>6,915,625</b>	<b>6,571,930</b>	<b>6,870,375</b>
<b>Business-Type Activities:</b>				
<b>Charges for Services:</b>				
Water and Sewer Service	<b>12,359,516</b>	<b>13,012,253</b>	<b>13,616,713</b>	<b>13,650,486</b>
<b>Total Primary Government Program Revenues</b>	<b>18,488,471</b>	<b>19,927,878</b>	<b>20,188,643</b>	<b>20,520,861</b>

Table 2  
(Continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 2,890,290	\$ 2,094,110	\$ 2,905,871	\$ 2,997,393	\$ 2,909,807	\$ 3,463,908
437,320	480,144	393,526	407,463	404,567	400,665
9,880,712	10,771,351	9,982,926	10,449,953	11,037,966	12,595,127
7,667,367	7,568,269	8,396,001	7,909,651	7,508,978	7,020,333
3,202,551	3,416,360	3,348,281	3,228,513	2,404,782	2,633,051
719,240	712,033	787,242	816,376	790,339	799,187
220,027	261,463	259,938	158,632	152,063	217,995
438,460	342,554	436,690	287,256	276,197	237,313
-	-	314,765	-	-	-
25,455,967	25,646,284	26,825,240	26,255,237	25,484,699	27,367,579
10,694,363	11,008,967	11,504,538	11,940,791	11,929,499	12,100,940
36,150,330	36,655,251	38,329,778	38,196,028	37,414,198	39,468,519
-	-	2,447	3,310	17,634	6,572
606,792	729,267	412,150	433,828	370,308	361,100
1,775,841	1,788,753	1,860,656	1,799,918	1,862,606	1,780,836
2,608,306	2,721,421	2,463,907	2,371,757	2,391,817	2,519,387
19,707	20,877	27,824	19,400	19,433	16,874
-	-	78,234	67,037	76,689	91,810
1,953,631	1,305,387	1,959,427	926,506	1,396,711	672,298
205,628	636,974	117,080	690,176	271,961	424,332
7,169,905	7,202,679	6,921,725	6,311,932	6,407,159	5,873,209
13,798,137	13,852,441	14,005,748	13,881,328	14,281,964	14,617,218
20,968,042	21,055,120	20,927,473	20,193,260	20,689,123	20,490,427

CITY OF PARIS, TEXAS  
Changes in Net Assets/Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
Unaudited

Table 2  
(Continued)

	Fiscal Year			
	2007	2008	2009	2010
Net (Expense)/Revenue				
Governmental Activities	(16,692,161)	(17,856,633)	(18,537,885)	(18,165,868)
Business-Type Activities	1,519,688	2,052,959	2,419,243	3,226,543
<b>Total Primary Government, Net Expense</b>	<b><u>\$(15,172,473)</u></b>	<b><u>\$(15,803,674)</u></b>	<b><u>\$(16,118,642)</u></b>	<b><u>\$(14,939,325)</u></b>
<b>General Revenues and Other Changes in Net Assets/Position</b>				
<b>Governmental Activities:</b>				
Taxes				
Property	\$ 7,924,453	\$ 7,904,936	\$ 7,794,381	\$ 7,853,487
Sales	5,673,616	5,696,174	6,441,260	5,843,494
Franchise	3,082,183	2,898,214	2,859,338	2,743,214
Hotel Occupancy	430,991	434,441	526,998	500,755
Investment Earnings	571,678	399,676	174,636	113,006
Grants, Donations, and Miscellaneous	102,195	-	-	-
Capital Contributions	-	-	-	-
Loss on Sale of Capital Assets	-	-	-	-
Transfers	1,100,000	1,100,000	902,699	1,062,139
<b>Total Governmental Activities</b>	<b><u>18,885,116</u></b>	<b><u>18,433,441</u></b>	<b><u>18,699,312</u></b>	<b><u>18,116,095</u></b>
<b>Business-Type Activities:</b>				
Investment Earnings	367,601	309,586	212,479	103,220
Contributions	-	196,052	628,090	728,317
Transfers	(1,100,000)	(1,100,000)	(902,699)	(1,062,139)
<b>Total Business-Type Activities</b>	<b><u>(732,399)</u></b>	<b><u>(594,362)</u></b>	<b><u>(62,130)</u></b>	<b><u>(230,602)</u></b>
<b>Total Primary Government</b>	<b><u>\$ 18,152,717</u></b>	<b><u>\$ 17,839,079</u></b>	<b><u>\$ 18,637,182</u></b>	<b><u>\$ 17,885,493</u></b>
<b>Changes in Net Assets/Position</b>				
Governmental Activities	\$ 2,192,955	\$ 576,808	\$ 161,427	\$ (49,773)
Business-Type Activities	787,289	1,458,597	2,357,113	2,995,941
<b>Total Primary Government</b>	<b><u>\$ 2,980,244</u></b>	<b><u>\$ 2,035,405</u></b>	<b><u>\$ 2,518,540</u></b>	<b><u>\$ 2,946,168</u></b>

Table 2  
(Continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
(18,286,062)	(18,443,605)	(19,903,515)	(19,943,305)	(19,077,540)	(21,494,370)
3,103,774	2,843,474	2,501,210	1,940,537	2,352,465	2,516,278
<u>\$(15,182,288)</u>	<u>\$(15,600,131)</u>	<u>\$(17,402,305)</u>	<u>\$(18,002,768)</u>	<u>\$(16,725,075)</u>	<u>\$(18,978,092)</u>
\$ 7,620,281	\$ 7,619,472	\$ 7,597,667	\$ 7,575,840	\$ 7,651,005	\$ 7,748,872
6,033,469	5,993,859	6,304,250	6,416,749	7,684,113	7,051,858
2,719,496	2,731,097	2,550,447	2,662,604	2,641,537	2,502,614
449,213	498,667	572,150	547,354	594,493	630,545
84,327	55,875	64,386	45,799	51,741	80,129
-	1,642,126	615,222	122,703	369,689	315,989
-	-	-	-	-	651,847
-	-	-	-	-	(57,026)
764,880	3,486,508	2,527,979	(10,682)	1,087,474	1,579,100
<u>17,671,666</u>	<u>22,027,604</u>	<u>20,232,101</u>	<u>17,360,367</u>	<u>20,080,052</u>	<u>20,503,928</u>
162,374	63,722	(42,124)	83,206	77,787	291,131
434,500	303,910	550,978	101,000	-	-
<u>(764,880)</u>	<u>(3,486,508)</u>	<u>(2,527,979)</u>	<u>10,682</u>	<u>(1,087,474)</u>	<u>(1,579,100)</u>
<u>(168,006)</u>	<u>(3,118,876)</u>	<u>(2,019,125)</u>	<u>194,888</u>	<u>(1,009,687)</u>	<u>(1,287,969)</u>
<u>\$ 17,503,660</u>	<u>\$ 18,908,728</u>	<u>\$ 18,212,976</u>	<u>\$ 17,555,255</u>	<u>\$ 19,070,365</u>	<u>\$ 19,215,959</u>
\$ (614,396)	\$ 3,583,999	\$ 328,586	\$ (2,582,938)	\$ 1,002,512	\$ (990,442)
2,935,768	(275,402)	482,085	2,135,425	1,342,778	1,228,309
<u>\$ 2,321,372</u>	<u>\$ 3,308,597</u>	<u>\$ 810,671</u>	<u>\$ (447,513)</u>	<u>\$ 2,345,290</u>	<u>\$ 237,867</u>



CITY OF PARIS, TEXAS  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
Unaudited

Table 3

	Fiscal Year			
	2007	2008	2009	2010
<b>General Fund</b>				
Nonspendable	\$ 202,440	\$ 251,411	\$ 215,128	\$ 214,932
Restricted	-	-	-	-
Unassigned	11,581,136	11,478,815	13,751,446	11,376,619
<b>Total General Fund</b>	<u>\$ 11,783,576</u>	<u>\$ 11,730,226</u>	<u>\$ 13,966,574</u>	<u>\$ 11,591,551</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 1,440,583	\$ 2,704,009	\$ 1,008,826	\$ 5,540,873
Unreserved, Reported in:				
Special Revenue Funds	924,573	811,645	792,271	781,230
Permanent Funds	80,468	82,762	84,365	86,564
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
<b>Total All Other Governmental Funds</b>	<u>\$ 2,445,624</u>	<u>\$ 3,598,416</u>	<u>\$ 1,885,462</u>	<u>\$ 6,408,667</u>

(1) For years subsequent to 2011, the fund balance of All Other Governmental Funds is classified consistent with recent pronouncements (GASB 54). Previous years have not been restated.

Table 3  
(Continued)

Fiscal Year					
2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)
\$ 199,519	\$ 218,117	\$ 271,292	\$ 233,127	\$ 294,776	\$ 223,911
-	-	-	271,269	331,086	387,950
<u>12,156,169</u>	<u>11,764,593</u>	<u>11,969,203</u>	<u>11,194,101</u>	<u>12,969,124</u>	<u>10,227,839</u>
<u>\$ 12,355,688</u>	<u>\$ 11,982,710</u>	<u>\$ 12,240,495</u>	<u>\$ 11,698,497</u>	<u>\$ 13,594,986</u>	<u>\$ 10,839,700</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
88,520	89,632	90,062	90,572	90,800	91,565
3,870,043	5,332,339	4,858,977	3,031,192	2,726,900	2,525,049
<u>532,263</u>	<u>456,463</u>	<u>457,471</u>	<u>389,511</u>	<u>267,440</u>	<u>188,569</u>
<u>\$ 4,490,826</u>	<u>\$ 5,878,434</u>	<u>\$ 5,406,510</u>	<u>\$ 3,511,275</u>	<u>\$ 3,085,140</u>	<u>\$ 2,805,183</u>

CITY OF PARIS, TEXAS  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
Unaudited

Table 4

	Fiscal Year		
	2007	2008	2009
<b>REVENUES</b>			
Taxes	\$17,116,584	\$16,909,018	\$17,606,479
Licenses and Permits	106,997	101,776	171,906
Fines and Fees	571,165	652,804	554,424
Use of Money and Property	721,799	532,435	317,028
Public Safety	34,151	67,335	65,283
Sanitation	1,488,874	1,319,923	1,306,867
Health	2,935,839	2,646,417	2,583,958
Intergovernmental	613,665	1,504,435	1,575,080
Other	374,545	302,120	221,114
<b>Total Revenues</b>	<b>23,963,619</b>	<b>24,036,263</b>	<b>24,402,139</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General Government	966,627	962,561	1,075,990
Finance	414,080	448,951	430,364
Public Safety	8,564,024	9,283,682	9,303,726
Public Works	5,518,798	5,562,625	5,591,689
Health Department	816,419	925,195	900,945
Emergency Medical Service	1,979,104	2,128,274	2,111,069
Library	570,394	675,209	616,148
Cox Field Airport	117,574	145,052	180,364
Other	752,256	1,057,566	2,360,244
<b>Debt Service:</b>			
Interest	596,043	563,669	518,682
Principal	968,598	1,304,230	847,851
Capital Outlay	1,269,778	1,028,778	808,089
<b>Total Expenditures</b>	<b>22,533,695</b>	<b>24,085,792</b>	<b>24,745,161</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,429,924</b>	<b>(49,529)</b>	<b>(343,022)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Capital Leases	639,650	-	-
Transfers In	1,984,963	2,764,641	3,359,644
Transfers Out	(884,963)	(1,664,641)	(2,456,945)
Long-Term Debt Issued	-	-	-
Payment to Escrow Agent and Premium	-	-	-
Sale of General Capital Assets	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,739,650</b>	<b>1,100,000</b>	<b>902,699</b>
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>83,515</b>	<b>48,971</b>	<b>(36,283)</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 3,253,089</b>	<b>\$ 1,099,442</b>	<b>\$ 523,394</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>7.60%</b>	<b>8.17%</b>	<b>5.46%</b>

Table 4  
(Continued)

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$16,941,815	\$16,824,545	\$16,822,577	\$17,020,156	\$17,194,419	\$18,457,686	\$17,976,072
88,935	112,142	145,792	154,923	108,943	220,696	152,016
526,668	501,601	550,496	624,609	864,261	573,953	515,147
274,986	313,948	210,476	142,620	138,629	137,030	173,004
57,369	40,297	-	-	-	-	-
1,347,707	1,461,736	1,468,917	1,463,210	1,472,278	1,462,810	1,474,874
2,621,420	2,578,496	2,818,196	2,453,270	2,111,439	2,383,355	2,519,387
1,736,611	1,768,322	1,858,092	2,069,494	1,603,165	1,662,824	1,096,630
301,069	247,354	271,709	317,981	169,261	224,463	386,853
<u>23,896,580</u>	<u>23,848,441</u>	<u>24,146,255</u>	<u>24,246,263</u>	<u>23,662,395</u>	<u>25,122,817</u>	<u>24,293,983</u>
1,109,767	1,219,607	1,029,702	1,197,486	1,153,686	1,076,798	1,301,401
462,282	425,455	473,719	393,526	407,463	404,567	400,665
9,489,393	9,154,646	9,659,131	9,462,148	9,712,876	10,206,584	11,125,560
5,509,576	7,459,432	5,757,456	6,646,804	6,507,603	5,861,079	5,556,359
942,596	908,339	955,930	1,043,502	916,260	8,672	-
2,095,897	2,146,210	2,302,247	2,132,692	2,127,225	2,240,853	2,366,673
642,830	630,977	632,515	632,040	707,716	692,290	717,395
112,800	107,276	150,848	153,182	97,778	102,539	110,330
1,468,366	1,545,147	1,434,177	1,560,051	1,548,753	1,641,714	1,771,889
443,618	945,016	1,080,200	379,241	311,919	280,733	254,304
871,978	480,448	424,730	1,185,622	1,226,543	1,077,610	991,899
2,666,238	815,623	2,649,513	2,407,415	1,332,959	1,920,359	4,474,952
<u>25,815,341</u>	<u>25,838,176</u>	<u>26,550,168</u>	<u>27,193,709</u>	<u>26,050,781</u>	<u>25,513,798</u>	<u>29,071,427</u>
<u>(1,918,761)</u>	<u>(1,989,735)</u>	<u>(2,403,913)</u>	<u>(2,947,446)</u>	<u>(2,388,386)</u>	<u>(390,981)</u>	<u>(4,777,444)</u>
-	-	-	-	-	617,114	975,185
5,338,879	1,176,462	5,100,935	3,938,899	1,782,291	1,504,281	3,437,300
(4,276,740)	(411,581)	(1,614,427)	(1,410,920)	(1,792,973)	(416,807)	(1,858,200)
3,005,000	-	-	4,505,000	-	-	-
-	-	-	(4,424,955)	-	-	-
-	-	-	72,108	-	95,098	-
<u>4,067,139</u>	<u>764,881</u>	<u>3,486,508</u>	<u>2,680,132</u>	<u>(10,682)</u>	<u>1,799,686</u>	<u>2,554,285</u>
<u>(196)</u>	<u>(15,414)</u>	<u>18,599</u>	<u>53,175</u>	<u>(38,165)</u>	<u>61,649</u>	<u>(70,865)</u>
<u>\$ 2,148,182</u>	<u>\$ (1,240,268)</u>	<u>\$ 1,101,194</u>	<u>\$ (214,139)</u>	<u>\$ (2,437,233)</u>	<u>\$ 1,470,354</u>	<u>\$ (2,294,024)</u>
5.68%	6.11%	6.44%	6.74%	5.38%	5.76%	5.07%

CITY OF PARIS, TEXAS  
Property Tax Levies and Collections (1)  
Last Ten Fiscal Years  
Unaudited

Table 5

Roll	Fiscal Year	Total Tax Levy	Collection of Current Year's Taxes During Fiscal Year	Percent of Current Levy Collected During Fiscal Year	Delinquent Tax Collections	Total Collections
2006	2006-07	\$ 7,935,867	\$ 7,683,568	96.82%	\$ 91,574	\$ 7,775,142
2007	2007-08	7,952,325	7,696,134	96.78	24,297	7,720,431
2008	2008-09	7,837,300	7,579,213	96.71	68,332	7,647,545
2009	2009-10	7,797,457	7,624,228	97.78	66,691	7,690,919
2010	2010-11	7,651,941	7,418,544	96.95	57,409	7,475,953
2011	2011-12	7,543,165	7,387,161	97.93	-	7,387,161
2012	2012-13	7,544,315	7,368,232	97.67	110,036	7,478,268
2013	2013-14	7,498,327	7,309,230	97.48	119,430	7,428,660
2014	2014-15	7,626,530	7,348,250	96.35	111,210	7,459,460
2015	2015-16	7,627,731	7,406,830	97.10	215,544	7,622,374

Source:

Lamar County Appraisal District

Note:

- (1) Taxes stated are for General Fund and Debt Service Funds.
- (2) Penalty, interest, and attorney fees not included.

Table 5  
(Continued)

<u>Ratio of Total Collections To Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes To Total Tax Levy</u>
97.97%	\$ 53,058	0.67
97.08	56,786	0.71
97.58	67,925	0.87
98.63	86,464	1.11
97.70	110,655	1.45
97.93	156,004	2.07
99.12	190,166	2.52
99.07	186,382	2.49
97.81	279,144	3.66
99.93	221,880	2.91

CITY OF PARIS, TEXAS  
Property Tax Rates-All Direct and Overlapping Governments  
(Per \$100 of Assessed Value)  
Last Ten Fiscal Years  
Unaudited

Table 6

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
City of Paris										
M & O	\$ 0.49294	\$ 0.46526	\$ 0.43113	\$ 0.42439	\$ 0.41713	\$ 0.41000	\$ 0.41487	\$ 0.39129	\$ 0.40635	\$ 0.42547
I & S	0.09931	0.09474	0.08887	0.09561	0.10287	0.11000	0.09620	0.11066	0.09560	0.07648
Total	<u>\$ 0.59225</u>	<u>\$ 0.56000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.51107</u>	<u>\$ 0.50195</u>	<u>\$ 0.50195</u>	<u>\$ 0.50195</u>
Lamar County										
M & O	\$ 0.42140	\$ 0.42340	\$ 0.41430	\$ 0.40360	\$ 0.39420	\$ 0.39990	\$ 0.41850	\$ 0.40580	\$ 0.42640	\$ 0.40920
I & S	0.02150	0.01950	0.01860	0.01900	0.01890	0.01930	0.02020	0.01930	0.01900	0.01830
Total	<u>\$ 0.44290</u>	<u>\$ 0.44290</u>	<u>\$ 0.43290</u>	<u>\$ 0.42260</u>	<u>\$ 0.41310</u>	<u>\$ 0.41920</u>	<u>\$ 0.43870</u>	<u>\$ 0.42510</u>	<u>\$ 0.44540</u>	<u>\$ 0.42750</u>
Paris ISD										
M & O	\$ 1.37000	\$ 1.04000	\$ 1.04000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000
I & S	0.08200	0.40500	0.40500	0.15500	0.25500	0.25500	0.28500	0.28500	0.28500	0.28500
Total	<u>\$ 1.45200</u>	<u>\$ 1.44500</u>	<u>\$ 1.44500</u>	<u>\$ 1.32500</u>	<u>\$ 1.42500</u>	<u>\$ 1.42500</u>	<u>\$ 1.45500</u>	<u>\$ 1.45500</u>	<u>\$ 1.45500</u>	<u>\$ 1.45500</u>
Chisum ISD										
M & O	\$ 1.37000	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.16400	0.15570	0.20000	0.18000	0.16000	0.16000	0.16000	0.14500	0.14678	0.14678
Total	<u>\$ 1.53400</u>	<u>\$ 1.19575</u>	<u>\$ 1.24000</u>	<u>\$ 1.22000</u>	<u>\$ 1.20000</u>	<u>\$ 1.20000</u>	<u>\$ 1.20000</u>	<u>\$ 1.18500</u>	<u>\$ 1.18678</u>	<u>\$ 1.18678</u>
North Lamar ISD										
M & O	\$ 1.33370	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.08630	0.12811	0.11811	0.10811	0.09650	0.08650	0.08150	0.07110	0.06750	0.06750
Total	<u>\$ 1.42000</u>	<u>\$ 1.16816</u>	<u>\$ 1.15811</u>	<u>\$ 1.14811</u>	<u>\$ 1.13650</u>	<u>\$ 1.12650</u>	<u>\$ 1.12150</u>	<u>\$ 1.11110</u>	<u>\$ 1.10750</u>	<u>\$ 1.10750</u>
Paris Junior College										
M & O	\$ 0.19220	\$ 0.19800	\$ 0.18740	\$ 0.18500	\$ 0.18974	\$ 0.19000	\$ 0.18700	\$ 0.18660	\$ 0.18660	\$ 0.18750
I & S	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 0.19220</u>	<u>\$ 0.19800</u>	<u>\$ 0.18740</u>	<u>\$ 0.18500</u>	<u>\$ 0.18974</u>	<u>\$ 0.19000</u>	<u>\$ 0.18700</u>	<u>\$ 0.18660</u>	<u>\$ 0.18660</u>	<u>\$ 0.18750</u>

CITY OF PARIS, TEXAS  
 Assessed and Estimated Actual Value of Property  
 Last Ten Fiscal Years  
 Unaudited

Table 7

Roll	Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2006	2006-07	\$ 913,539,354	\$1,267,999,388	\$ 426,412,920	\$ 503,646,600
2007	2007-08	947,674,496	1,307,620,265	471,431,700	547,352,320
2008	2008-09	999,644,811	1,428,948,675	486,833,180	602,795,000
2009	2009-10	976,009,565	1,421,783,219	529,489,256	647,710,890
2010	2010-11	927,464,815	1,420,238,161	551,247,563	622,482,077
2011	2011-12	918,495,080	1,402,956,164	543,332,657	623,174,818
2012	2012-13	931,939,433	1,424,800,859	559,431,805	628,115,774
2013	2013-14	1,033,357,277	1,438,785,698	469,901,615	654,358,864
2014	2014-15	1,007,593,690	1,472,220,698	522,773,397	763,567,027
2015	2015-16	1,006,810,741	1,490,882,796	526,923,827	780,316,817

Sources:  
 Lamar County Appraisal District



Table 7  
(Continued)

Exemptions	Total		Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value		
\$ 431,693,714	\$1,339,952,274	\$1,771,645,988	75.63%	\$ 0.05923
435,866,389	1,419,106,196	1,854,972,585	76.50	0.56000
545,265,684	1,486,477,991	2,031,743,675	73.16	0.52000
563,995,288	1,505,498,821	2,069,494,109	72.75	0.52000
564,007,862	1,478,712,378	2,042,720,238	72.39	0.52000
564,303,245	1,461,827,737	2,026,130,982	72.15	0.52000
561,543,395	1,491,371,238	2,052,916,633	72.65	0.51107
589,885,670	1,503,258,892	2,093,144,562	71.82	0.50195
705,420,637	1,530,367,087	2,235,787,725	68.45	0.50195
737,465,045	1,533,734,568	2,271,199,613	67.53	0.50195

CITY OF PARIS, TEXAS  
Principal Property Taxpayers  
September 30, 2016 and 2007  
Unaudited

Table 8

Taxpayer	Type of Business	2016		
		Taxable Assessed Value	Rank	Percentage of Total Freeze Adjusted Taxable Assessed Value
Lamar Power Partners	Electric Utility	\$ 296,943,390	1	19.66%
Campbell Soup Company - A	Food Manufacturer	88,017,542	2	5.83%
Kimberly-Clark Corp.	Disposable Diapers	88,006,369	3	5.83%
Essent PRMC, LP	Hospital	27,369,961	4	1.81%
Oncor Electric Delivery	Electric Utility	22,302,540	5	1.48%
Paris Generation, LP	Electric Utility	21,701,150	6	1.44%
Huhtamaki, Inc.	Packaging	12,775,831	7	0.85%
Alpha Lake Limited	Shopping Center	10,596,530	8	0.70%
Turner Industries	Pipe Mfg.	10,390,372	9	0.69%
Walmart Property Tax Dept	Discount Store	9,017,490	10	0.60%
Silgan Can Company	Can Manufacturer	-	-	-
Skinner Baking Co.	Food Manufacturer	-	-	-
Campbell Soup Company - B	Food Manufacturer	-	-	-
Totals		<u>\$ 587,121,175</u>		<u>38.89%</u>

Source:  
Lamar County Appraisal District

Table 8  
(Continued)

2007		
<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
\$ 249,843,560	2	17.58%
64,332,580	4	4.53%
120,999,590	3	8.51%
45,020,610	5	3.17%
22,062,180	6	1.55%
304,481,070	1	21.42%
-	-	-
-	-	-
10,768,235	9	0.76%
-	-	-
18,278,800	7	1.29%
12,778,110	8	0.90%
9,302,780	10	0.65%
<u>\$ 857,867,515</u>		<u>60.36%</u>

CITY OF PARIS, TEXAS  
Ratio of Net General Obligation Bonded Debt to  
Assessed Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years  
Unaudited

Table 9

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Taxable Assessed Value</u>	<u>Gross General Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt To Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
2006-07	26,732	\$ 1,339,952,274	\$ 12,296,600	\$ 736,869	\$ 11,559,731	0.86%	\$ 432.43
2007-08	26,852	1,419,106,196	11,504,600	741,912	10,762,688	0.76	400.82
2008-09	26,972	1,486,477,991	10,680,400	712,570	9,967,830	0.67	369.56
2009-10	27,092	1,505,498,821	12,766,600	2,628,654	10,137,946	0.67	374.20
2010-11	25,337	1,478,712,378	11,830,800	2,706,272	9,124,528	0.62	360.13
2011-12	25,337	1,461,827,737	10,750,600	2,797,611	7,952,989	0.54	313.89
2012-13	25,082	1,491,371,238	9,485,800	2,318,294	7,167,506	0.48	285.76
2013-14	25,171	1,503,258,892	8,310,000	1,432,199	6,877,801	0.46	273.24
2014-15	25,200	1,519,380,526	7,285,000	1,117,793	6,167,207	0.41	244.73
2015-16	25,400	1,627,397,467	6,442,624	1,087,664	5,354,960	0.33	210.83

CITY OF PARIS, TEXAS  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Capital Leases	Other	Water and Sewer Bonds	Capital Leases	Other
2007	\$ 12,296,600	\$ 539,832	\$ 34,315	\$ 23,733,400	\$ 101,665	\$ 578,917
2008	11,504,600	15,291	26,354	20,890,400	56,793	547,251
2009	10,680,400	-	17,994	17,914,600	-	514,590
2010	12,766,600	-	9,216	14,638,400	-	480,909
2011	11,830,800	-	-	11,254,200	-	-
2012	10,750,600	-	-	7,764,400	-	-
2013	9,485,800	-	-	43,239,200	-	-
2014	8,310,000	-	-	40,795,000	-	-
2015	7,285,000	617,114	-	38,545,000	-	-
2016	6,442,624	1,538,459	-	37,997,715	-	-

Notes:

(1) See Table 14 for personal income data and Table 9 for population data

Table 10  
(Continued)

	Total Primary Government	Percentage of Personal Income (1)	Per Capita
\$	37,284,729	2.76%	\$ 1,395
	33,040,689	2.28	1,231
	29,127,584	1.91	1,080
	27,895,125	1.76	1,030
	23,085,000	1.39	911
	18,515,000	1.06	733
	52,725,000	2.92	2,081
	49,105,000	2.64	1,951
	46,447,114	2.49	1,843
	45,978,798	2.47	1,810

CITY OF PARIS, TEXAS  
 Direct and Overlapping  
 Governmental Activities Debt  
 September 30, 2016  
 Unaudited

Table 11

<u>Taxing Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percent Applicable to Government</u>	<u>Amount Applicable to Government</u>
Lamar County	\$ 2,904,264	62.75%	\$ 1,822,426
Paris Independent School District	48,235,000	49.30	23,779,855
Chisum Independent School District	30,010,000	47.75	14,329,775
North Lamar Independent School District	<u>710,000</u>	32.67	<u>231,957</u>
Subtotal Overlapping Debt	81,859,264		40,164,013
City of Paris	<u>7,981,083</u>	100.00	<u>7,981,083</u>
Total Direct and Overlapping Debt	<u>\$ 89,840,347</u>		<u>\$ 48,145,096</u>
Per Capita Direct and Overlapping Funded Debt	<u>\$ 3,537</u>		<u>\$ 1,895</u>

Sources: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Paris. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF PARIS, TEXAS  
Legal Debt Margin Information  
September 30, 2016  
Unaudited

Table 12

The maximum tax rate permitted by Article XI, Section 5 of the State of Texas constitution is \$2.50 per \$100 of assessed valuation. Consequently, no legal debt margin can be calculated. The state attorney general has traditionally allowed up to \$1.50 per \$100 valuation to be applied to debt service. The City levied a tax rate of \$.50195 per \$100 valuation for the fiscal year ended September 30, 2016.



CITY OF PARIS, TEXAS  
Revenue Pledged Coverage - Water and Sewer Revenue Bonds  
Last Ten Fiscal Years  
Unaudited

Table 13

Fiscal Year	Gross Revenues*	Operating Expenses**	Net Revenue Available For Debt Service	Average Remaining Debt Service Requirements			Percent Coverage
				Principal	Interest	Total***	
2006-07	\$ 12,727,118	\$6,613,931	\$6,113,187	\$1,825,646	\$ 448,869	\$2,274,515	2.69%
2007-08	13,321,839	6,873,535	6,448,304	1,740,867	394,042	2,134,909	3.02
2008-09	13,829,192	7,244,274	6,584,918	1,628,600	341,402	1,970,002	3.34
2009-10	13,753,706	6,732,799	7,020,907	1,463,840	173,848	1,637,688	4.29
2010-11	13,960,511	7,201,866	6,758,645	-	-	-	N/A
2011-12	13,916,163	7,445,178	6,470,985	-	-	-	N/A
2012-13	13,963,624	7,578,446	6,385,178	-	-	-	N/A
2013-14	13,964,534	7,342,744	6,621,790	-	-	-	N/A
2014-15	14,359,751	7,248,302	7,111,449	-	-	-	N/A
2015-16	14,894,489	7,834,768	7,059,721	-	-	-	N/A

Notes:

(1)\* Gross Revenues = Operating and Nonoperating Revenue of the Water and Sewer Fund  
Excluding Contribution Revenue and Premium Amortization

(2)\*\* Operating Expenses Excluding Depreciation

(3)\*\*\* Agent Fees Not Included

(4) As of 2010-11, the City no longer had revenue bonds outstanding; however, water and sewer general obligation debt are expected to be paid out of system revenues and not ad valorem taxes.

CITY OF PARIS, TEXAS  
Demographic and Economic Statistics  
Last Ten Calendar Years  
Unaudited

Table 14

Calendar Year	Paris, TX Micropolitan Service Area Population	Paris, TX Micropolitan Service Area Personal Income	Paris, TX Micropolitan Service Area Per Capita Personal Income	Paris, TX Micropolitan Service Area Median Age	School Enrollments (1)	Percent Unemployment Rate
2006	49,863	\$ 1,277,234,000	\$ 25,615	37.5	12,139	5.5%
2007	49,090	1,349,975,000	27,500	37.5	12,441	5.2
2008	49,286	1,451,000,000	29,440	37.2	13,156	5.5
2009	49,027	1,522,000,000	31,044	37.9	13,761	8.4
2010	49,793	1,585,028,000	31,832	39.7	13,428	9.7
2011	50,074	1,657,062,000	33,092	39.9	12,865	8.5
2012	49,811	1,750,363,000	35,140	39.0	12,671	7.9
2013	49,426	1,804,479,000	36,509	37.1	12,377	7.6
2014	49,523	1,859,083,000	37,540	40.4	12,414	6.1
2015	49,440	1,857,879,000	37,578	40.5	12,121	5.4

(1) Includes Paris Independent School District, North Lamar Independent School District, Chisum Independent School District, and Paris Junior College

Sources:

Paris Independent School District - 3,665  
 North Lamar Independent School District - 2,715  
 Chisum Independent School District - 922  
 Paris Junior College - 4,819  
 Bureau of Economic Analysis  
 Factfinder.census.gov

CITY OF PARIS, TEXAS  
Principal Employers  
Fiscal Years End 2016 and 2007  
Unaudited

Table 15

Taxpayer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Paris Regional Medical Center	900	1	8.60%	1,000	1	9.79%
Campbell Soup Company	887	2	8.48	800	3	7.83
Turner Industries	747	3	7.14	500	6	4.89
Kimberly-Clark Corporation	730	4	6.98	850	2	8.32
RK Hall Construction LTD	299	5	2.85	250	8 (3)	2.44
Huhtamaki	180	6	1.72	176	9 (2)	1.72
We Pack Logistics, Inc.	150	7	1.43	300	7	2.93
Daisy Farms	115	8	-	-	-	-
J. Skinner Baking Company	95	9	0.90	600	4 (1)	5.87
Silgan Can Company	78	10	0.74	-	-	-
TCIM	-	-	-	550	5	5.38
Rogers-Wade Mfg.	-	-	-	120	10	1.17
<b>Totals</b>	<b><u>4,181</u></b>		<b><u>38.84%</u></b>	<b><u>5,146</u></b>		<b><u>50.34%</u></b>

Source:  
Chamber of Commerce  
U.S. Department of Labor

Additional Information:

Public Employers:

Paris ISD	618
North Lamar ISD	480
City of Paris	328
Paris Junior College	214
Lamar County	184
<b>Total</b>	<b><u>1,824</u></b>

Notes:

- (1) 600 as Sara Lee
- (2) 176 as Paris Packaging
- (3) 250 as Buster Paving Co.

CITY OF PARIS, TEXAS  
 Operating Indicators by Function  
 Last Ten Fiscal Years  
 Unaudited

Table 16

GOVERNMENT:

Date of Incorporation - 1836

Current Charter - Adopted November 2, 1948

	Fiscal Year			
	2007	2008	2009	2010
<b>FACILITIES:</b>				
<b>Airports:</b>				
Number of Airports	1	1	1	1
<b>Fire Protection:</b>				
Number of Stations	4	3	3	3
Number of Fire Hydrants	1,093	1,112	1,173	1,189
Number of Employees (certified)	48	48	48	51
Employees Per 1,000 Population	1.80	1.79	1.77	1.88
<b>Libraries:</b>				
Number of Libraries	1	1	1	1
Number of Volumes	109,789	106,607	97,243	98,895
Circularization of Materials	187,547	162,278	162,957	159,966
Circulation Per Capita	7.02	6.07	6.04	5.90
Library Cards in Force	23,285	12,011	12,011	15,941
<b>Police Protection:</b>				
Number of Stations	1	1	1	1
Number of Employees (certified)	63	62	61	62
Employees Per 1,000 Population	2.35	2.31	2.26	2.28
<b>Parks and Recreation:</b>				
Park Acres Developed	87	87	87	87
Park Acres Undeveloped	221	221	221	221
City Parks	24	24	24	25
<b>Streets:</b>				
Paved Lanes - Miles	171	172	160	171
Unpaved Streets - Miles	3	3	3	3
<b>WATER AND SEWER UTILITY:</b>				
Average Daily Water Consumption - Gallons	10,335,000	10,678,976	10,185,500	10,069,000
Maximum Day's Water Consumption - Gallons	16,842,000	18,360,000	20,394,000	21,311,000
Annual Water Consumption - Gallons	3,774,782,000	3,912,548,000	3,624,429,000	3,675,218,000
Water Mains - Miles	183	184	184	183
Water Connections - Metered	9,979	9,888	9,905	10,076
Sewer Mains - Miles	189	190	190	197
Area Miles	39.18	39.18	39.18	39.18
Number of Full-Time Employees	319	321	322	322

Table 16  
(Continued)

Fiscal Year						
2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1
3	3	3	3	3	3	3
1,222	1,217	1,240	1,262	1,299	1,313	
51	51	51	51	51	51	
2.01	2.01	2.01	2.03	2.02	2.01	
1	1	1	1	1	1	
90,524	85,357	82,878	82,832	81,893	84,162	
144,830	136,286	127,053	127,002	127,824	119,265	
5.71	5.37	5.01	5.06	5.07	4.69	
13,461	14,563	14,896	16,519	15,507	13,551	
1	1	1	1	1	1	
62	62	62	60	60	60	
2.44	2.44	2.44	2.39	2.38	2.36	
87	87	87	87	87	87	
221	221	221	221	221	221	
24	24	24	24	24	24	
160	160	160	160	160	160	
3	3	3	3	3	3	
11,687,000	11,560,000	11,400,000	11,472,271	11,006,721	10,701,294	
21,900,000	21,010,000	20,764,000	17,201,000	20,662,000	17,983,000	
4,611,321,000	4,234,583,000	4,177,171,000	4,187,379,000	4,017,453,000	3,977,369,000	
183	183	183	183	185	185	
9,834	9,966	9,816	9,819	10,024	9,995	
188	188	188	189	209	209	
39.18	39.18	39.18	39.18	39.18	38.02	
324	325	325	327	327	328	

CITY OF PARIS, TEXAS  
 Capital Asset Statistics by Function  
 Last Ten Fiscal Years  
 Unaudited

Table 17

<b>Function:</b>	Fiscal Year			
	2007	2008	2009	2010
<b>Public Safety</b>				
<b>Police</b>				
Stations	1	1	1	1
Patrol Units	11	10	10	10
Fire Stations	4	4	3	3
<b>Sanitation</b>				
Collection Trucks	8	8	8	8
<b>Highways and Streets</b>				
Streets (miles)	174	174	160	174
Streetlights	2,212	2,224	2,217	2,216
Traffic Signals*	-	-	-	-
<b>Culture and Recreation</b>				
Park Acreage	308	308	308	308
Swimming Pools - Municipal	1	1	1	1
Tennis Courts	14	14	14	14
Community Centers	1	1	1	1
<b>Water</b>				
Water Mains (miles)	183	184	184	184
Fire Hydrants	1,093	1,112	1,173	1,189
Maximum Daily Capacity (thousands of gallons)	36,000	36,000	36,000	36,000
<b>Sewer</b>				
Sanitary Sewers (miles)	189	190	190	190
Maximum Daily Treatment Capacity (thousands of gallons)	7,250	7,250	7,250	7,250

Source: Various City Departments

\* City has none. All inside the City limits belong to the State of Texas.

Table 17  
(Continued)

Fiscal Year						
2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1
10	10	10	10	10	10	10
3	3	3	3	3	3	3
8	7	6	6	6	6	6
174	163	163	163	174	174	174
2,220	2,220	2,223	2,225	2,228	2,228	2,228
-	-	-	-	-	-	-
286	286	286	286	286	286	286
1	1	1	1	1	1	1
14	14	14	14	14	14	14
1	1	1	1	1	1	2
183	183	183	183	185	185	185
1,222	1,217	1,240	1,262	1,299	1,313	1,313
36,000	36,000	36,000	36,000	36,000	36,000	36,000
189	189	189	189	209	209	209
7,250	7,250	7,250	7,250	7,250	7,250	7,250

CITY OF PARIS, TEXAS  
 Building Permits at Market Value  
 Last Ten Fiscal Years  
 Unaudited

Table 18

<u>Property Value Fiscal Year</u>	<u>Commercial Units</u>	<u>Commercial Construction Value</u>	<u>Residential Units</u>	<u>Residential Construction Value</u>	<u>Total Construction Value</u>
2007	22	\$ 24,575,805	31	\$ 2,943,125	\$ 27,518,930
2008	21	20,329,436	13	1,167,500	21,496,936
2009	17	51,951,894	10	1,447,675	53,399,569
2010	11	12,228,169	10	1,276,918	13,505,087
2011	9	10,025,486	7	569,500	10,594,986
2012	13	7,836,610	10	760,000	8,596,610
2013	15	9,653,725	24	2,171,613	11,825,338
2014	10	5,336,150	16	1,924,218	7,260,368
2015	14	61,243,705	10	823,430	62,067,135
2016	59	7,838,210	44	3,252,018	11,090,228



CITY OF PARIS, TEXAS  
 Full-Time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years  
 Unaudited

Table 19

Function:	Fiscal Year			
	2007	2008	2009	2010
Manager	1.0	2.0	2.0	2.0
Attorney	3.0	3.0	4.0	4.0
Court Clerk	3.0	3.0	3.0	4.0
City Clerk	2.0	3.0	3.0	3.0
Finance	5.5	5.5	5.5	5.5
Police*	87.0	85.0	84.0	84.0
Fire	52.0	52.0	52.0	52.0
Community Development	6.5	6.5	5.5	5.5
Engineering	6.5	6.5	6.5	6.5
Public Works	2.5	2.5	3.0	3.0
Parks & ROW	9.0	9.5	9.5	9.5
Sanitation	12.5	12.5	12.0	12.0
Streets	15.0	15.0	15.0	15.0
Traffic & Lighting	2.0	2.0	2.0	2.0
Garage	6.0	6.0	6.0	6.0
EMS	26.0	26.0	26.0	26.0
Airport	2.0	1.0	0.0	0.0
Library	10.5	11.5	11.5	10.5
Warehouse	1.0	2.0	2.0	2.0
Water Billing	7.0	7.5	8.0	8.0
Water Treatment Plant	15.5	15.5	15.5	15.5
Water Distribution	11.5	11.0	11.5	11.5
Waste Water Collection	7.5	7.5	7.5	7.5
Waste Water Treatment Plant	21.5	22.5	22.5	22.5
Lift Stations	3.0	3.0	3.0	3.0
Information Technology	1.0	1.0	2.0	2.0
<b>Totals</b>	<b>320.0</b>	<b>322.5</b>	<b>322.5</b>	<b>322.5</b>

\* Includes related grant employees.  
 Seasonal employees not included.

Table 19  
(Continued)

Fiscal Year						
2011	2012	2013	2014	2015	2016	
2.0	3.0	3.0	3.0	3.0	3.0	3.0
4.0	4.0	4.0	4.0	4.0	4.0	4.0
4.0	4.0	4.0	4.0	4.0	4.0	4.0
3.0	3.0	3.0	2.0	2.0	2.0	2.0
6.0	5.0	5.0	5.0	5.0	5.0	5.0
84.5	85.5	85.5	83.0	83.0	83.0	83.0
52.0	52.0	52.0	57.0	57.0	57.0	57.0
7.0	7.5	7.5	5.5	4.5	4.5	4.5
6.5	6.5	6.5	7.5	7.5	7.5	7.5
3.0	3.0	3.0	3.0	2.0	2.0	2.0
9.0	10.0	10.0	10.0	11.0	11.0	11.0
12.0	12.0	12.0	12.0	12.0	12.0	12.0
15.0	15.0	15.0	15.0	15.0	15.0	15.0
2.0	2.0	2.0	2.0	2.0	2.0	2.0
5.5	5.5	5.5	5.5	5.5	5.5	5.5
26.0	26.0	26.0	26.0	26.0	26.0	26.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
10.5	10.5	10.5	10.5	10.5	10.5	10.5
2.0	2.0	2.0	2.0	2.0	2.0	2.0
8.0	8.0	8.0	8.0	8.0	8.0	8.0
15.5	15.5	15.5	15.5	15.5	15.5	16.5
11.5	10.5	10.5	11.0	11.0	11.0	11.0
7.5	7.5	7.5	7.5	8.5	8.5	8.5
22.5	22.5	22.5	22.5	22.5	22.5	22.5
3.0	3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.5	2.5	2.5
<u>324.0</u>	<u>325.5</u>	<u>325.5</u>	<u>326.5</u>	<u>327.0</u>	<u>328.0</u>	

**CONTINUING DISCLOSURE INFORMATION**

**(UNAUDITED)**

**CONTINUING DISCLOSURE INFORMATION FOR  
CITY OF PARIS, TEXAS**

**ASSESSED VALUATION**

**TABLE 1**

2016-2017 Actual Market Value of Taxable Property (100% of Actual)		\$ 2,471,993,342
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 46,662,768	
Disabled and Deceased Veterans' Exemptions	7,395,996	
Productivity Loss	19,896,755	
Personal Use of Business Vehicle	376,770	
Freeport	109,717,826	
Pollution Control / Solar	61,792,647	
Abatement Loss	280,503,879	
Cap Loss (10%)	6,598,959	
Historical / Other	699,739	
Totally Exempt Property	<u>310,950,536</u>	
Total Exemptions		<u>844,595,875</u>
2016-2017 Net Taxable Assessed Valuation		1,627,397,467
Frozen Taxable Value and Transfer Adjustment		<u>(117,126,272)</u>
Freeze Adjusted Net Taxable Assessed Valuation		<u>\$ 1,510,271,195</u>

Source: Lamar County Appraisal District and the Issuer.

**GENERAL OBLIGATION BONDED DEBT PRINCIPAL**

**TABLE 2**

<b>General Obligation Debt Principal Outstanding: (As of September 30, 2016)</b>		
General Obligation Refunding Bonds, Series 2010		\$ 4,415,000
Combination Tax and Revenue Certificates of Obligation, Series 2010		2,445,000
General Obligation Refunding Bonds, Series 2012		2,290,000
Combination Tax and Revenue Certificates of Obligation, Series 2013 (TWDB)		2,450,000
General Obligation Bonds, Series 2013		<u>31,615,000</u>
Total Gross General Obligation Debt Principal Outstanding:		<u>43,215,000</u>
<b>Less: Self-Supporting General Obligation Debt Principal</b>		
General Obligation Refunding Bonds, Series 2010 (62% WS)		2,730,000
Combination Tax and Revenue Certificates of Obligation, Series 2013 (TWDB) (100% WS)		2,450,000
General Obligation Bonds, Series 2013 (100% WS)		<u>31,615,000</u>
Total Self-Supporting General Obligation Debt Outstanding Following the Issuance of the Bonds:		36,795,000
Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Bonds:		<u>\$ 6,420,000</u>
General Obligation Interest and Sinking Fund Balance as of September 30, 2016		\$ 891,260
Ratio of Gross General Obligation Debt Principal to 2016-2017 Freeze Adjusted Net Taxable Assessed Valuation		2.86%
Ratio of Net General Obligation Debt Principal to 2016-2017 Freeze Adjusted Net Taxable Assessed Valuation		0.43%
2016-2017 <u>Freeze Adjusted</u> Net Taxable Assessed Valuation		\$ 1,510,271,195
Population: 1980 - 25,498; 1990 - 24,699; 2000 - 25,898; 2010 - 25,171	Current (Estimate)	25,400
Per Capita 2016-2017 Freeze Adjusted Net Taxable Assessed Valuation		\$ 59,459
Per Capita Gross General Obligation Debt Principal		\$ 1,701
Per Capita Net General Obligation Debt Principal		\$ 253

**CLASSIFICATION OF ASSESSED VALUATION<sup>(a)</sup>**

**TABLE 3**

<b>Category</b>	<b>2016-2017</b>	<b>% of Total</b>	<b>2015-2016</b>	<b>% of Total</b>	<b>2014-2015</b>	<b>% of Total</b>	<b>2013-2014</b>	<b>% of Total</b>	<b>2012-2013</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 492,321,832	19.93%	\$ 480,226,542	20.93%	\$ 470,196,966	20.83%	\$ 470,725,622	22.25%	\$ 470,539,375	22.65%
Real, Residential, Multi-Family	53,990,547	2.18	53,843,387	2.34	52,669,735	2.33	46,978,495	2.22	45,911,390	2.21
Real, Vacant Lots/Tracts	30,536,814	1.24	28,523,324	1.24	17,374,401	0.77	17,384,757	0.82	17,741,132	0.85
Real, Acreage (Land Only)	38,531,048	1.56	39,756,598	1.73	38,581,158	1.71	38,889,018	1.84	27,194,528	1.31
Farm & Ranch Improvements	337,570	0.01	423,770	0.02	413,500	0.02	408,400	0.02	11,738,730	0.57
Real, Commercial	281,898,938	11.40	279,980,115	12.19	280,408,794	12.42	261,739,779	12.37	270,251,036	13.01
Real Industrial	566,417,810	22.91	466,395,690	20.31	475,970,232	21.08	454,066,572	21.46	338,724,928	16.30
Real & Tangible, Personal Utilities	39,254,700	1.59	40,297,180	1.75	36,804,620	1.63	35,164,790	1.66	33,072,690	1.59
Tangible Personal, Commercial	139,533,387	5.64	131,778,067	5.74	132,126,257	5.85	124,143,334	5.87	125,737,064	6.05
Tangible Personal, Industrial	498,480,500	20.17	450,783,530	19.63	434,917,430	19.26	353,289,830	16.70	430,195,120	20.71
Tangible Personal, Mobile Homes	786,850	0.03	751,440	0.03	705,510	0.03	746,110	0.03	770,490	0.04
Residential / Special, Inventory	18,576,040	0.75	16,976,540	0.74	15,346,780	0.68	14,265,560	0.67	12,629,870	0.61
Totally Exempt Property	311,327,306	12.59	306,675,207	13.35	302,286,562	13.39	298,144,038	14.09	292,987,660	14.10
<b>Total Market Value</b>	<b>2,471,993,342</b>	<b>100.00%</b>	<b>2,296,411,390</b>	<b>100.00%</b>	<b>2,257,801,945</b>	<b>100.00%</b>	<b>2,115,946,305</b>	<b>100.00%</b>	<b>2,077,494,013</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Productivity Loss	19,896,755		21,114,465		20,638,320		20,875,710		22,250,900	
Cap Loss (10%)	6,598,959		4,097,312		1,375,900		1,926,033		2,326,480	
Local, Optional Over-65/Disabled	46,662,768		45,146,544		44,943,985		44,843,498		45,402,320	
Disabled and Deceased Veterans'	7,395,996		6,570,475		6,036,649		5,659,793		5,755,101	
Exempt Property	310,950,536		306,021,687		302,039,162		298,144,038		293,009,514	
Freeport	109,717,826		112,530,666		115,052,946		95,061,517		93,238,379	
Pollution Control / Solar	61,792,647		46,002,535		46,097,383		47,396,675		46,362,004	
Tax Abatement Loss	280,503,879		219,967,287		190,473,730		98,174,320		77,120,210	
Personal Use of Business Vehicle	376,770		653,520		247,400		-		-	
Other / Historical	699,739		572,331		529,382		605,829		657,867	
<b>Total Exemptions</b>	<b>844,595,875</b>		<b>762,676,822</b>		<b>727,434,857</b>		<b>612,687,413</b>		<b>586,122,775</b>	
<b>Net Taxable Assessed Valuation</b>	<b>1,627,397,467</b>		<b>1,533,734,568</b>		<b>1,530,367,088</b>		<b>1,503,258,892</b>		<b>1,491,371,238</b>	
<b>Freeze Taxable &amp; Transfer Adjustment</b>	<b>(117,126,272)</b>		<b>(114,701,909)</b>		<b>(108,151,971)</b>		<b>(107,205,760)</b>		<b>(106,183,087)</b>	
<b>Freeze Adjusted Net Taxable Assessed Valuation</b>	<b>\$ 1,510,271,195</b>		<b>\$ 1,419,032,659</b>		<b>\$ 1,422,215,117</b>		<b>\$ 1,396,053,132</b>		<b>\$ 1,385,188,151</b>	

<sup>(a)</sup> Values shown in this table are Certified Values as of July. Values may change during the tax year due to various supplements and protests. Valuations reported on a different date may not match those shown on this table.

Source: Lamar County Appraisal District and the Issuer.

Name	Type of Property	2016 Net Taxable Assessed Valuation	% of Total 2016 Assessed Valuation
Lamar Power Partners	Electric Utility	\$ 296,943,390	19.66%
Campbell Soup	Food Manufacturing	88,017,542	5.83
Kimberly Clark Corporation	Disposable Diaper Mfg.	88,006,369	5.83
Paris Regional Medical Center	Hospital	27,369,961	1.81
Oncor Electric Delivery Company	Utility	22,302,540	1.48
Paris Generation, LP	Utility	21,701,150	1.44
Huhtamaki Inc.	Packaging Manufacturing	12,775,831	0.85
Alpha Lake LTD	Shopping Center	10,596,530	0.70
Turner Industries Group, Inc	Pipe Manufacturing	10,390,372	0.69
Wal-Mart Stores	Retail	9,017,490	0.60
<b>Total</b>		<b>\$ 587,121,175</b>	<b>38.89%</b>

Based on a 2016 Freeze Adjusted Taxable Value of \$ 1,510,271,195

Source: Lamar County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS

TABLE 5

Tax Year	Net Taxable Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2006	\$ 1,339,952,274	\$0.59225	\$ 7,935,867	96.82%	97.53%	9-30-07
2007	1,419,106,196	0.56000	7,952,325	96.78	96.78	9-30-08
2008	1,507,138,018	0.52000	7,837,300	96.71	97.44	9-30-09
2009	1,405,294,035	0.52000	7,797,457	97.78	98.43	9-30-10
2010	1,380,460,473	0.52000	7,651,941	96.95	98.38	9-30-11
2011	1,359,521,473	0.52000	7,543,165	97.93	99.41	9-30-12
2012	1,385,188,151	0.51107	7,544,315	97.67	99.22	9-30-13
2013	1,493,839,431	0.50195	7,498,327	97.48	100.03	9-30-14
2014	1,519,380,525	0.50195	7,626,530	96.35	99.17	9-30-15
2015	1,510,271,195	0.50195	7,627,731	97.10	99.90 <sup>(b)</sup>	9-30-16

Note: Although "Total" tax collection percentages in this table include delinquent tax collections, they are allocated to the year they were originally levied instead of the year in which they were collected.

<sup>(a)</sup> Certified Values may change during the tax year due to various supplements and protests, and valuations reported on a different date may not match those shown on this table.

Financial Report. Valuations for tax years 2008-2016 represent Freeze Adjusted Net Taxable Valuations.

<sup>(b)</sup> Current Fiscal Year collections are as of September 30, 2016 (Unaudited).

Source: The Lamar County Appraisal District, the City's 2015 Comprehensive Annual Financial Report and additional information from the City.

TAX RATE DISTRIBUTION

TABLE 6

	2016-17	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
General Fund	\$ 0.42443	\$0.42547	\$ 0.40635	\$ 0.39129	\$ 0.41487	\$ 0.41000
I & S Fund	0.07752	0.07648	0.09560	0.11066	0.09620	0.11000
TOTAL	\$ 0.50195	\$0.50195	\$ 0.50195	\$ 0.50195	\$ 0.51107	\$ 0.52000

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and the Lamar County Appraisal District.

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The voters of the City approved the imposition of a 1/4 cent additional sales tax to be used for property tax reduction and a 1/4 cent sales tax for economic development purposes. Levy of the additional sales taxes began on October 1, 1993, and the City received its first payment in December, 1993. Collections on a calendar year basis are as follows:

<u>Calendar Year</u>	<u>Total Collected</u>	<u>1.00% City</u>	<u>0.25% Prop Tax Red</u>	<u>City Collections as % of Ad Valorem Tax Levy</u>	<u>(\$ Equivalent of Ad Valorem Tax Rate</u>	<u>0.25% EDC</u>
2006	\$ 6,601,772	\$ 4,401,182	\$ 1,100,295	71.73%	\$0.50	\$ 1,100,295
2007	6,628,611	4,419,074	1,104,769	69.61	0.41	1,104,769
2008	7,051,372	4,700,915	1,175,229	73.89	0.41	1,175,229
2009	7,591,224	5,060,816	1,265,204	80.72	0.42	1,265,204
2010	7,029,392	4,686,262	1,171,565	75.12	0.39	1,171,565
2011	7,202,519	4,801,679	1,200,420	78.44	0.41	1,200,420
2012	7,268,103	4,845,402	1,211,351	80.29	0.42	1,211,351
2013	7,624,480	5,082,987	1,270,747	84.22	0.43	1,270,747
2014	8,786,209 *	5,857,473	1,464,368	97.65	0.49	1,464,368
2015	8,173,696	5,449,131	1,362,283	89.3	0.45	1,362,283
2016	8,472,647 <sup>(a)</sup>	5,648,431	1,412,108	92.56	0.46	1,412,108

<sup>(a)</sup> Current year collections are for January 2016 through October 2016.

\* Sales taxes increased from the prior year due to a one time collection of an amount due from a prior period. This collection alone would have provided the City a 13.50% increase in sales taxes. The remaining increase is consistent with the expected sales tax revenues due to the recovering local economy.

Source: State Comptroller of Public Accounts Website.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AND ANALYSIS OF CHANGES IN FUND BALANCES**

**TABLE 8**

	Fiscal Year Ended September 30				
	2016	2015	2014	2013	2012
<b>Revenues:</b>					
Ad Valorem Taxes	\$ 6,622,742	\$ 6,122,949	\$ 5,922,165	\$ 6,160,244	\$ 6,050,788
Sales Taxes	7,051,858	7,684,113	6,416,749	6,304,250	5,993,859
Franchise Tax	2,502,614	2,641,537	2,662,604	2,550,447	2,731,097
Hotel Occupancy Taxes	630,545	594,493	555,141	600,037	462,991
Licenses and Permits	152,016	220,696	108,943	154,923	145,792
Fines and Fees	498,164	528,433	586,429	567,798	550,496
Use of Money and Property	141,134	122,264	119,847	111,749	166,125
Sanitation	1,474,874	1,462,810	1,472,278	1,463,210	1,468,917
Health	2,519,387	2,383,355	2,111,439	2,179,624	2,337,732
Intergovernmental Revenue	705,786	1,033,512	1,128,989	680,296	1,187,258
Other Revenues	377,469	218,616	166,021	314,301	267,470
<b>Total Revenues</b>	<b>22,676,589</b>	<b>23,012,778</b>	<b>21,250,605</b>	<b>21,086,879</b>	<b>21,362,525</b>
<b>Expenditures:</b>					
<b>Current</b>					
General Government	1,687,660	1,463,624	1,528,924	1,562,980	1,009,366
Finance	-	-	-	-	473,719
Public Safety	11,037,399	10,190,716	9,703,311	9,436,179	9,648,763
Public Works	5,199,269	5,311,538	6,218,485	5,889,763	5,681,260
Health	2,351,220	2,240,853	2,127,225	2,132,692	2,302,247
Culture and Recreation	688,258	687,923	685,970	651,045	-
Library Service	-	-	-	-	630,387
Cox Field Airport	110,330	-	-	-	150,848
Other	1,771,889	1,744,253	1,646,531	1,606,264	1,434,177
<b>Capital Outlay</b>					
General Government	268,397	40,375	-	-	-
Public Safety	1,096,587	856,859	398,186	350,933	26,247
Public Works	952,651	580,152	655,750	1,718,064	885,033
Health	176,386	161,756	165,765	200,767	128,878
Debt Service	72,353	-	-	-	-
Other	9,680	6,109	-	-	101,808
<b>Total Expenditures</b>	<b>25,422,079</b>	<b>23,284,158</b>	<b>23,130,147</b>	<b>23,548,687</b>	<b>22,472,733</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(2,745,490)</b>	<b>(271,380)</b>	<b>(1,879,542)</b>	<b>(2,461,808)</b>	<b>(1,110,208)</b>
<b>Other Financing Sources (Uses):</b>					
Capital Lease	975,185	617,114	-	-	-
Operating Transfers In	1,633,000	1,497,286	1,579,000	3,192,067	1,544,400
Operating Transfers Out	(1,806,200)	(13,178)	(203,291)	(567,995)	(825,769)
Sale of Capital Assets	-	4,998	-	72,108	-
<b>Total Other Financing Sources (Uses):</b>	<b>801,985</b>	<b>2,106,220</b>	<b>1,375,709</b>	<b>2,696,180</b>	<b>718,631</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1,943,505)</b>	<b>1,834,840</b>	<b>(503,833)</b>	<b>234,372</b>	<b>(391,577)</b>
<b>Fund Balance - Beginning of Year</b>	<b>13,594,986</b>	<b>11,698,497</b>	<b>12,240,495</b>	<b>11,952,948</b> <sup>(a)</sup>	<b>12,355,688</b>
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>(70,865)</b>	<b>61,649</b>	<b>(38,165)</b>	<b>53,175</b>	<b>18,599</b>
<b>Prior Period Adjustment</b>	<b>(740,916)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 10,839,700</b>	<b>\$ 13,594,986</b>	<b>\$ 11,698,497</b>	<b>\$ 12,240,495</b>	<b>\$ 11,982,710</b>

<sup>(a)</sup> Restated.

Source: The Issuer's Comprehensive Annual Financial Reports.



**CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

**TABLE 9**

	Fiscal Year Ended September 30				
	2016 (Unaudited)	2015	2014	2013	2012
<b>Operating Revenues <sup>(a)</sup></b>					
<b>Total Revenues</b>	\$ 15,053,698	\$ 14,284,506	\$ 13,888,079	\$ 13,887,394	\$ 13,839,910
<b>Expenses <sup>(b)</sup></b>	7,799,136	7,400,588	7,342,744	7,578,446	7,445,178
<b>Net Revenue Available for Debt Service</b>	<u>\$ 7,254,562</u>	<u>\$ 6,883,918</u>	<u>\$ 6,545,335</u>	<u>\$ 6,308,948</u>	<u>\$ 6,394,732</u>
Annual Revenue Bond Debt Service Requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Bonds Paid from System Revenues	\$ 3,338,021	\$ 3,867,154	\$ 4,049,311	\$ 3,329,112	\$ 3,817,033
Coverage of Annual Requirements on all Bonds Paid from System Revenues	2.17	1.78 x	1.62 x	1.90 x	1.68 x
Customer Count:					
Water	9,995	10,024	9,794	9,823	9,966
Sewer	9,276	9,320	9,274	9,341	9,483

<sup>(a)</sup> Revenues include operating revenues, interest income and other revenues of the Waterworks and Sewer System.

<sup>(b)</sup> Expenses include total expenses less depreciation and amortization of the Waterworks and Sewer System.

Sources: Information from the Issuer and the Issuer's Annual Audited Financial Reports.

**WATER RATES**

**TABLE 10**

Current Rates (Rates Effective October 1, 2014)		
<b><u>Residential Class</u></b>		
<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
5/8" - 3/4"	\$10.78 for first 200 Cubic Feet	\$3.65 / 100 Cubic Feet
1" and Larger	\$52.57 for first 1,000 Cubic Feet	\$3.65 / 100 Cubic Feet
<b><u>Commercial Industrial Class</u></b>		
<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
5/8" - 3/4"	\$12.89 for first 200 Cubic Feet	\$3.58 / 100 Cubic Feet
1" - 2"	\$51.56 for first 1,000 Cubic Feet	\$2.93 / 100 Cubic Feet
Larger than 2"	\$185.10 for first 2,000 Cubic Feet	\$2.93 / 100 Cubic Feet
<b><u>Commercial Industrial Class (Meters Greater Than Three Inches)</u></b>		
<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
4"	\$3,041.49 for first 100,000 Cubic Feet	\$2.93 / 100 Cubic Feet
6"	\$4,560.52 for first 150,000 Cubic Feet	\$2.93 / 100 Cubic Feet
8" and Larger	\$6,081.84 for first 200,000 Cubic Feet	\$2.93 / 100 Cubic Feet

Source: Information from the Issuer

**PRINCIPAL WATER CUSTOMERS 2015-2016**

**TABLE 11**

(October 1, 2015 to September 30, 2016)

<u>Name of Customer</u>	<u>Average Monthly Consumption (Gals.)</u>	<u>Average Monthly Bill</u>
Lamar Power Partners	14,469,879	\$ 17,550
Campbell Soup Company	12,763,566	105,988
Lamar County Water Supply	10,990,877	95,947
Daisy Farms	3,206,700	25,947
Paris Generation	1,471,639	21,358
Kimberly Clark	876,866	25,914
Paris Regional Medical Center	353,865	11,978
Paris Housing Authority	201,047	6,050
The James Skinner Baking Co.	184,833	5,712
Paris Junior College	174,914	5,563
<b>Total</b>	<u>44,694,186</u>	<u>\$ 322,007</u> <sup>(a)</sup>

Total Water Sales as of September 30, 2016 (unaudited) \$ 14,554,498

<sup>(a)</sup> Principal Water Customers represent approximately 26.55% of total annual water sales.

**SEWER RATES**

**TABLE 12**

**Current Rates**  
(Rates Effective October 1, 2014)

**Residential Class**

<u>Meter Size (Inches)</u>	<u>Base Cost (Per Cubic Foot)</u>	<u>Service in Excess of Base (For Each Additional 100 Cubic Feet)</u>
3/4" or Less	\$12.29 for first 200 Cubic Feet	\$4.98 / 100 Cubic Feet
1" and Larger	\$57.33 for first 1,000 Cubic Feet	\$4.98 / 100 Cubic Feet

**Commercial Industrial Class**

<u>Meter Size (Inches)</u>	<u>Base Cost (Per Cubic Foot)</u>	<u>Service in Excess of Base (For Each Additional 100 Cubic Feet)</u>
3/4" or Less	\$16.37 for first 200 Cubic Feet	\$5.17 / 100 Cubic Feet
1" - 2"	\$57.33 for first 1,000 Cubic Feet	\$5.17 / 100 Cubic Feet
Larger than 2"	\$115.99 for first 2,000 Cubic Feet	\$5.17 / 100 Cubic Feet

**PRINCIPAL SEWER CUSTOMERS - 2015-2016**

**TABLE 13**

(October 1, 2015 to September 30, 2016)

<u>Name of Customer</u>	<u>Average Monthly Consumption (Gals.)</u>	<u>Average Monthly Bill</u>
Kimberly Clark	486,188	\$ 25,148
Paris Regional Medical Center	288,527	15,361
Paris Housing Authority	201,046	10,468
The James Skinner Baking Co	184,833	9,684
Texas State Highway Department	158,324	8,196
Paris Junior College	151,760	8,088
Paris Independent School District	98,383	5,284
Potters Industries	93,747	5,283
Lamar County Human Resources	82,213	4,256
Lamar County	74,547	3,890
<b>Total</b>	<u>1,819,568</u>	<u>\$ 95,658</u> <sup>(a)</sup>

Total Sewer Charges as of September 30, 2016 (unaudited) \$ 5,750,661

<sup>(a)</sup> Principal Sewer Customers represent approximately 19.96% of total annual sewer charges.

**OVERALL COMPLIANCE, INTERNAL CONTROLS  
AND FEDERAL AWARDS SECTION**

**Overall Compliance, Internal Controls,  
And Federal Awards Section**

**This section includes elements required by Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).**

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Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council  
City of Paris, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Paris, Texas (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

Honorable Mayor and City Council  
City of Paris, Texas

**Purpose of this Report**

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

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Paris, Texas  
March 24, 2017

CITY OF PARIS, TEXAS  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2016

**Finding:**

None

CITY OF PARIS, TEXAS  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

Section I – Summary of Auditors’ Results

**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material Weakness(es) identified?  yes  no

Significant Deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

Material Weakness(es) identified?  yes  no

Significant Deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Loan Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

Section II – Financial Statement Findings

None



CITY OF PARIS, TEXAS  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2016

Section III – Federal Award Findings and Questioned Costs

None

**CITY OF PARIS, TEXAS  
Corrective Action Plan  
Year Ended September 30, 2016**

**None**

# McClanahan and Holmes, LLP

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## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and City Council  
City of Paris, Texas

### Report on Compliance for Each Major Federal Program

We have audited the City of Paris (the City), Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Paris, Texas' major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

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

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

### Opinion on Each Major Federal Program

In our opinion, the City of Paris, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Honorable Mayor and City Council  
City of Paris, Texas

### **Report on Internal Control Over Compliance**

Management of the City of Paris, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Paris, Texas  
March 24, 2017

CITY OF PARIS, TEXAS  
Notes on Accounting Policies for Federal Awards  
Year Ended September 30, 2016

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Paris, Texas under programs of the federal government for the fiscal year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Paris, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Paris, Texas.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

During the year, federal awards did not include non-cash assistance or insurance. Federal awards included a loan from the U.S. Environmental Protection Agency passed through the Texas Water Development Board. The loan was originally awarded during the 2012-13 fiscal year for \$2,900,000. The loan was drawn from during 2012-13, 2013-14, 2014-15, and 2015-16.

**Note 3: Subrecipients**

Of the federal expenditures presented in the schedule, the City of Paris, Texas, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	\$ <u>6,119</u>

CITY OF PARIS, TEXAS  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Texas Department of Agriculture:				
Community Development Block Grants/Entitlement Grants	14.228	7215182	\$ 11,804	\$ -
Passed Through Texas Department of Housing and Community Affairs:				
Home Investment Partnerships Program (HOME)	14.239	1001776	347,642	-
Total U.S. Department of Housing and Urban Development			<u>359,446</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0443	12,237	6,119
Total U.S. Department of Justice			<u>12,237</u>	<u>6,119</u>
<u>U.S. Department of Transportation</u>				
Passed Through Texas Department of Transportation:				
Highway Planning and Construction	20.205	STP-2011(501)SRTS	6,026	-
Total U.S. Department of Transportation			<u>6,026</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Passed Through Texas Water Development Board:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62525	394,774	-
Total U.S. Environmental Protection Agency			<u>394,774</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through Office of the Governor				
Homeland Security Grant Program	97.067	2946701	11,654	-
Homeland Security Grant Program	97.067	2947001	15,000	-
Passed through Texas Department of Public Safety:				
Homeland Security Grant Program	97.067	2946901	3,000	-
Total U.S. Department of Homeland Security			<u>29,654</u>	<u>-</u>
<u>Federal Highway Administration</u>				
Passed through Texas Parks and Wildlife Department:				
Recreational Trails Program	20.219	RT-011017	179,609	-
Total Federal Highway Administration			<u>179,609</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 981,746</u>	<u>\$ 6,119</u>

The accompanying notes are an integral part of this schedule. See Notes to the Schedule of Expenditures of Federal Awards.

CITY OF PARIS, TEXAS  
 Capitalization Grants for Drinking Water State Revolving Funds  
 Schedule of Revenues and Expenditures  
 Year Ended September 30, 2016

Federal Financial Assistance

Federal Grantor: U.S. Environmental Protection Agency

Passed Through Texas Water Development Board

CFDA Number: 66.468

Project Number: 62525

Contract Period: 9/20/12 - 9/19/16

	Award Budget	Prior Years	Current Year	Total	Variance
<b>Sources:</b>					
Federal Revenue	\$ 500,778	\$ 500,778	\$ -	\$ 500,778	\$ -
Federal Loan	2,900,000	2,500,179	398,706	2,898,885	1,115
<b>Total Sources</b>	<b>3,400,778</b>	<b>3,000,957</b>	<b>398,706</b>	<b>3,399,663</b>	<b>1,115</b>
<b>Expenditures:</b>					
Construction Engineering	103,014	91,254	11,059	102,313	701
Inspection	-	-	-	-	-
Project Management	2,647	6,005	787	6,792	(4,145)
Testing	7,713	7,713	-	7,713	-
Bond Counsel	17,319	17,319	-	17,319	-
Financial Advisor	20,960	20,960	-	20,960	-
Issuance Costs	4,703	4,703	-	4,703	-
Loan Origination Fee	63,814	63,814	-	63,814	-
Administration	-	-	-	-	-
Design	199,128	161,635	-	161,635	37,493
Planning	23,000	23,000	-	23,000	-
Application	9,000	9,000	-	9,000	-
Environmental	2,000	4,209	-	4,209	(2,209)
Surveying	38,584	31,853	-	31,853	6,731
Other (Record Drawings)	7,486	5,886	1,552	7,438	48
Construction Contract	2,901,410	2,557,538	381,376	2,938,914	(37,504)
<b>Total Expenditures</b>	<b>3,400,778</b>	<b>3,004,889</b>	<b>394,774</b>	<b>3,399,663</b>	<b>1,115</b>
<b>Excess (Deficiency) Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (3,932)</b>	<b>\$ 3,932</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF PARIS, TEXAS  
Schedule of Expenditures of State of Texas Awards  
Year Ended September 30, 2016

<u>State Grantor/Program Title</u>	<u>Project Number</u>	<u>Expenditures</u>
<u>Automobile Burglary and Theft Prevention Authority</u>		
Northeast Texas Auto Theft Task Force	608-16-1390200	\$ 110,684
Northeast Texas Auto Theft Task Force	608-17-1390200	6,977
Total Automobile Burglary and Theft Prevention Authority		<u>117,661</u>
<u>Office of the Governor</u>		
Body Worn Camera Program	3046101	31,500
Total Office of the Governor		<u>31,500</u>
<u>Texas Department of Transportation</u>		
Routine Airport Maintenance Program	42M1601PARI	10,238
Total Texas Department of Transportation		<u>10,238</u>
<u>Texas Historical Commission</u>		
J. J. Culbertson Fountain Restoration	TX-14-022	3,270
Total Texas Historical Commission		<u>3,270</u>
 Total Expenditures of State of Texas Awards		 <u>\$ 162,669</u>