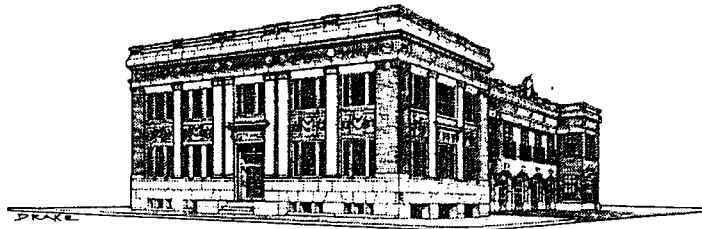


**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR**

CITY OF PARIS, TEXAS

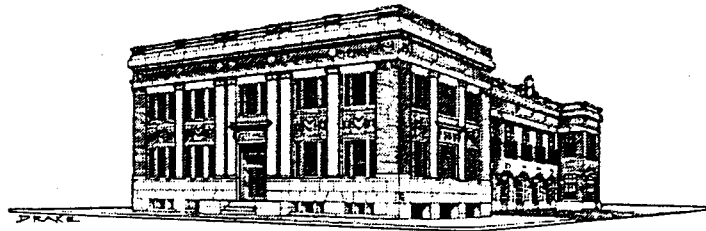
For the Fiscal Year Ended September 30, 2011

The **CITY OF PARIS**



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

The CITY OF PARIS



City of Paris, Texas
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2011

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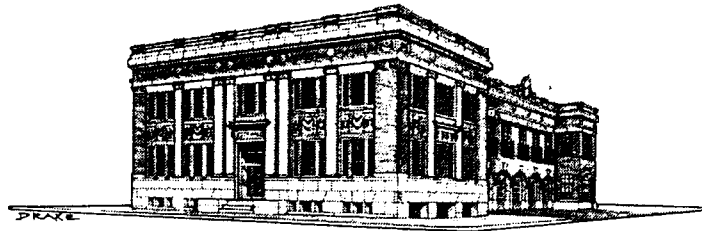
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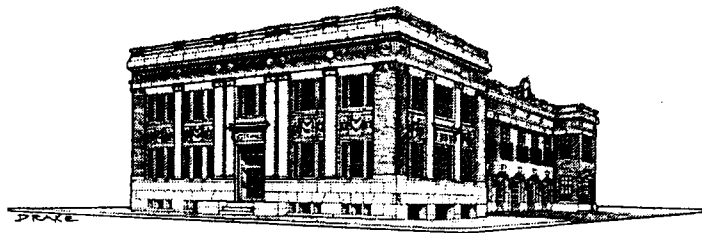
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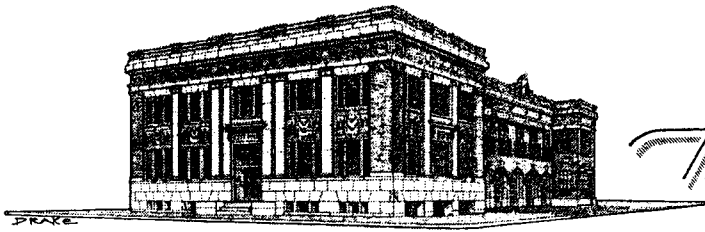
The CITY OF PARIS



INTRODUCTORY SECTION

The CITY OF PARIS





the CITY OF PARIS

March 29, 2012

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 (the City), for the fiscal year ended September 30, 2011.

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 (PEDC). More information about PEDC can be found in footnote I.A. 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, 2011, 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 nineteen 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 7 banks. The City's 2010 census is 25,171, a decrease of 2.80% from the 2000 census of 25,898. The City has doubts about the accuracy of the census count within its limits.

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. It is part of the Essent Health System. Both the north and south campuses operate fitness centers that offer a wide range of exercise programs and equipment. It compliments the City's 130 doctors and 21 dentists that provide a wide range of general and special medical services.

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 13,428.

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 3 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. 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

Current taxable values for fiscal year 2011-2012 reflect a 1.55% decrease over the 2010-2011 values. This decrease was caused by a decrease in non-home site improvement values. Building permits for new residential and commercial construction totaled \$10,594,986 for fiscal year 2010-11. This activity should be reflected in next year's taxable values.

Sales taxes for 2010-11 increased from the prior year by 3.25%. This increase had been predicted due to the recovering local economy. Current rebates are 0.91% above the 2010-11 rebates through March 2012.

Hotel occupancy taxes were down 10.29% compared to 2009-10 taxes and is reflective of the delinquency of two hotels. Both of these hotels have either paid or made arrangements to pay their tax obligations in the 2011-12 fiscal year.

Franchise fees decreased 0.86% due to lower solid waste fees. This area is a major source of revenue to the City and is aggressively guarded by City officials. There is some discussion by the Public Utilities Commission indicating that they may reverse an earlier decision which had reduced franchise fee collections in the past few years.

The Paris Economic Development Corporation is working hand in hand with the Lamar County Chamber of Commerce to recruit new business to the area as well as supporting already existing businesses.

General Fund receipts equaled 94.58% of budget. This shortfall of revenues was caused by anticipated grant revenues not materializing during the fiscal year. General Fund expenditures were only 91.01% of budget for the same reason, grant expenditures were less than anticipated. For the 2011-12 fiscal year, the City Council adopted a tax rate of .52 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 the interest and sinking fund for the certificates of obligation issued in 2002, 2003, and 2010.

Long-term Financial Planning and Relevant Financial Policies

The City is in the process of developing a new long-range financial plan, given the substantial refunding of its outstanding debt, for savings that occurred in February 2010. The City gained \$1,993,902 in total debt service savings (11.58%) from the refunding. The City does not plan on any substantial capital investment in its utility infrastructure until 2013 at which time a substantial amount of utility related debt issued will be paid off. The City formalized a key financial policy 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 expected to be formalized is 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 refunding bonds referenced above.

Major Initiatives

The City of Paris continues to work in environmentally related areas. Since 1984, over \$50 million has been spent on water and wastewater improvements. The City is working on formulating a new long range plan to maintain its infrastructure.

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 various 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 should channel additional funds for revitalization of existing structures and businesses. The City continues to work closely with the Paris Economic Development Corporation to attract new businesses 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.

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 27th 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 September 30, 2011:

<u>Issue</u>	<u>Tax Supported</u>	<u>Revenue Supported</u>	<u>Final Maturity</u>	Moody's <u>Investors Rating Insured</u>
2002 Tax & Rev. C. O.	\$ 4,015,000	\$ -	12-15-21	Aa3
2003 G. O. Refunding Bonds	1,300,800	1,409,200	12-15-14	Aa3
2010 Tax & Rev. C. O.	3,005,000	-	12-15-29	Aa3
2010 G. O. Refunding Bonds	<u>3,510,000</u>	<u>9,845,000</u>	06-15-20	Aa3
Total	<u>\$11,830,800</u>	<u>\$11,254,200</u>		

The City has no outstanding lease/purchase agreements.

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, 2010. This was the fifteenth 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,

A handwritten signature in black ink, appearing to read "W. E. Anderson". The signature is fluid and cursive, with the first name "W. E." and the last name "Anderson" clearly distinguishable.

W. E. Anderson
Interim City Manager & Director of Finance

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



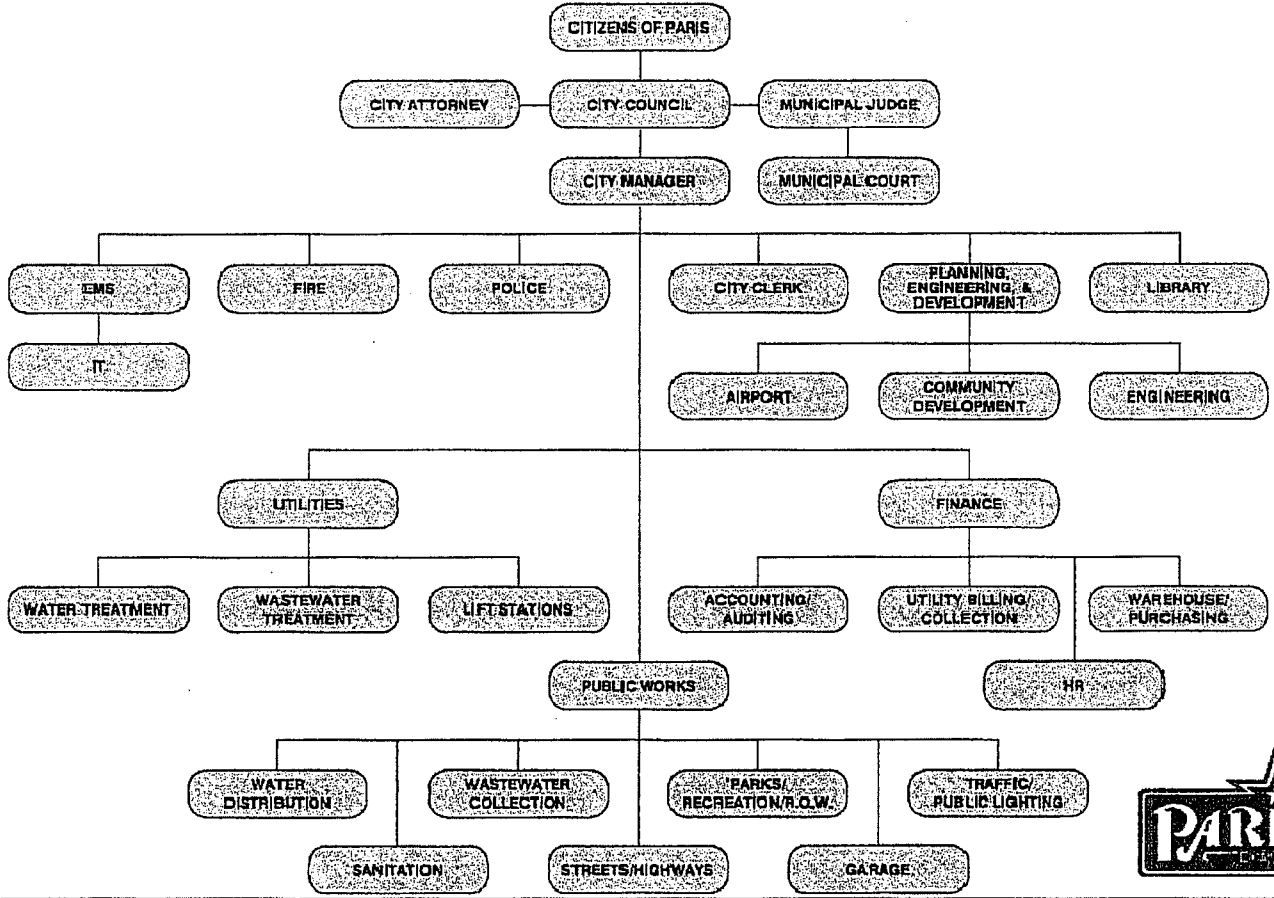
Linda C. Sandison

President

Jeffrey R. Emery

Executive Director

CITY OF PARIS ORGANIZATIONAL CHART



City of Paris, Texas
List of Elected and Appointed Officials

Elected Officials

A. J. Hashmi - Mayor
Richard Grossnickle - Mayor Pro-Tem
Robert Avila
Matt Frierson
Joe McCarthy
Edwin Pickle
John Wright

Appointed Officials

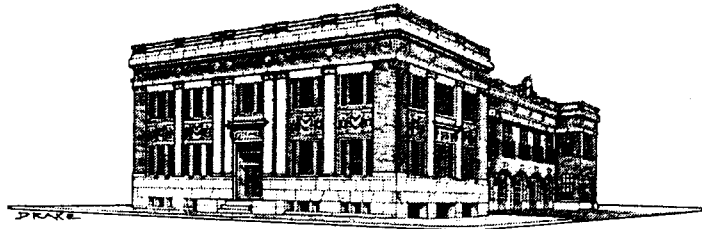
W. E. Anderson – Interim City Manager/
Finance Director
Shawn Napier – Engineering, Planning and Development Director
Doug Harris - Utilities Director
Bob Hundley - Police Chief
Ronnie Grooms - Fire Chief
Tom E. Hunt, III – Presiding Municipal Court Judge
Priscilla McAnally – Library Director
Kent McIlyar – City Attorney
Janice Ellis – City Clerk
Ron Sullivan – Public Works Director

The CITY OF PARIS



FINANCIAL SECTION

The CITY OF PARIS



McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

R. E. BOSTWICK, CPA
STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA

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PARIS, TEXAS 75460
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FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-9453

Unqualified Opinions on Financial Statements
Accompanied by Required Supplementary Information
and Supplementary 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, 2011, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Paris, Texas' management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 including the budgetary comparison of the City of Paris, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2012, 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, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control, our financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information immediately following this report 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paris, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical section, and continuing disclosure information section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Paris, Texas. The statistical and continuing disclosure information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.


Certified Public Accountants

Paris, Texas
March 29, 2012

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, 2011. 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 of 0.52 per \$100 of valuation. Fiscal year 2010-11 is the third consecutive year at this rate. The City has lowered its rate four times since the 2003-04 fiscal year when the tax rate was 0.695. For the upcoming 2011-12 fiscal year, the City will also maintain the 0.52 tax rate. The City has accomplished this 17.5 cent tax rate reduction by strict review of its operational needs and increases to the taxable value of property within the City. The City has been able to maintain the current tax rate despite a nationwide weak economy and an 8.5% decrease in local sales taxes in 2009-10 from which the City has recovered 66.2% in the 2010-11 fiscal year.
- The number of budgeted positions dropped from 369 in fiscal year 2002-03 to 322 in fiscal year 2009-10. This reduction was also part of an operational review and represents a significant and annually repeating savings to the City. Two positions were added in fiscal year 2010-11, bringing the total City employees to 324.
- City-wide revenues this year exceeded City-wide expenses by \$2,321,372 compared to \$2,946,168 last year. The City has made a concentrated effort to reduce expenses plus seeking new sources of revenue and protecting its existing revenue sources.
- The assets of the City of Paris exceeded its liabilities at the close of the most recent fiscal year by \$85,343,128 (net assets) an increase of \$2,321,372 or 2.79% over the previous year amount of \$83,021,756. The most important factor in this change was the decrease of long-term debt. Of the amount known as net assets, \$24,217,521 (unrestricted net assets) 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 \$16,759,950 compared to \$18,000,218 the previous year. This amounts to a decrease of \$1,240,268 or 6.89%. This decrease was due to primarily to a decrease in the cash and investments of the Capital Projects Fund. Unreserved 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 \$12,156,169 or 57.15% of the total general fund expenditures. The prior year, unassigned fund balance was \$11,376,619 or 52.7% of general fund expenditures. General fund expenditures were essentially unchanged (down 1.4%) while the unreserved fund balance increased due to increased cash and near cash assets.
- The City of Paris' non-current liabilities decreased by \$4,391,853 or 17.97% during the current fiscal year due to the usual debt payment.
- Total charges for services for the City of Paris were \$18,808,783 compared to \$18,734,131 the previous year. This represents less than a one half percent increase. Operating/capital grants & contributions were \$2,159,259 compared to \$1,786,730 the previous year. This increase was due to increased private contributions and grant activity. General revenues were \$17,503,660 compared to \$17,885,493 the previous year. This decrease was due to lower property taxes, hotel occupancy taxes, and contribution income. Property taxes were down due to the absorption of a new debt issue within the existing total tax rate. This shifted revenue from O&M operations to debt service. Hotel taxes were down due to delinquencies of two hotels. Since the end of the fiscal year, one hotel has completely paid its delinquency and the other has made payout arrangements on its delinquency.
- Transfers from business-type activities to governmental activities and from governmental activities to business-type activities occurred during the year in the net amount of \$764,880. This included administrative and franchise fees transferred from business-type activities to governmental activities.
- City-wide liabilities decreased \$4,336,032 from \$30,743,802 to \$26,407,770. This amounted to a 14.10% decrease. Long-term debt was the single factor most affecting this change.
- City-wide expenses increased \$690,144 (1.9%) increasing from \$35,460,186 to \$36,150,330 with slight increases in both government activities and business-type activities.
- The ratio of net assets to expenses was 234.12% for the year 2009-10 and 237.33% for the year 2010-11. A decrease in non-current debt was the major factor in this improvement. Unrestricted net assets changed from \$20,174,249 in 2009-10 to \$24,217,521 in 2010-11, an increase of 20.04% reflecting the decrease in restrictions for construction projects.

- The ratio of city-wide net assets restricted for debt service to total expenditures was 6.92% for the year 2009-10 and 9.52% for the year 2010-11. Both debt restricted net assets and total expenses were up from the previous year.
- Net long-term debt to assets, a measure of solvency, was 25.85% in 2009-10 and 22.02% in 2010-11. Decreasing debt caused this change.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Paris' basic financial statements. The City of Paris' basic financial statements are comprised of 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 assets presents information on all of the City of Paris' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, library, 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 the 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 maintains nine individual governmental 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 six 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 City of Paris adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 in Note V. in Notes to the Financial Statements.

Combining and individual fund statements and schedules can be found immediately after the Notes to the Financial Statements in this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$85,343,128 at the close of the most recent fiscal year. This compares to \$83,021,756 for the previous year. Increases in capital grant revenue/contributions plus the regular pay down of long-term debt account for most of this increase.

By far, the largest portion of the City of Paris' net assets (\$57,167,044 or 66.98%) reflects its 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.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current & Other Assets	\$ 18,329,557	\$19,313,523	\$ 12,366,088	\$14,550,349	\$ 30,695,645	\$ 33,863,872
Capital Assets	37,417,751	37,449,994	43,637,502	43,092,060	81,055,253	80,542,054
Total Assets	<u>55,747,308</u>	<u>56,763,517</u>	<u>56,003,590</u>	<u>57,642,409</u>	<u>111,750,898</u>	<u>114,405,926</u>
Liabilities						
Long-term Liabilities						
Outstanding	12,905,470	13,782,012	11,706,684	16,596,662	24,612,154	30,378,674
Other Liabilities	770,754	296,025	1,024,862	709,471	1,795,616	1,005,496
Total Liabilities	<u>13,676,224</u>	<u>14,078,037</u>	<u>12,731,546</u>	<u>17,306,133</u>	<u>26,407,770</u>	<u>31,384,170</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	25,311,134	26,871,917	31,855,910	28,883,901	57,167,044	55,755,818
Restricted	3,958,563	5,454,967	-	1,636,722	3,958,563	7,091,689
Unrestricted	12,801,387	10,358,596	11,416,134	9,815,653	24,217,521	20,174,249
Total Net Assets	<u>\$ 42,071,084</u>	<u>\$42,685,480</u>	<u>\$ 43,272,044</u>	<u>\$40,336,276</u>	<u>\$ 85,343,128</u>	<u>\$ 83,021,756</u>

An additional portion of the City of Paris' net assets (\$3,958,563 or 4.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24,217,521 or 28.37%) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a decrease in restricted net assets due to the elimination of the amount set aside for construction.

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

Governmental Activities

Governmental activities decreased the City of Paris' net assets by \$614,396 (0.71%) during the current fiscal year. This decrease was a result of decreases in property and hotel taxes. Total governmental revenues were down \$238,791 (0.99 %). General revenues were down \$337,822 (1.98%) due to lower property taxes and hotel occupancy taxes. Program revenues were up \$299,530 (4.35%) due to increased operating grants and contributions.

	General Revenues		
	2011	2010	Increase/ (Decrease)
General Revenues			
Property Taxes	\$ 7,620,281	\$ 7,853,487	\$ (233,206)
Sales Taxes	6,033,469	5,843,494	189,975
Franchise Taxes	2,719,496	2,743,214	(23,718)
Hotel Occupancy Taxes	449,213	500,755	(51,542)
Unrestricted Investment Earnings	84,327	113,006	(28,679)
Total General Revenues	<u>\$ 16,906,786</u>	<u>\$ 17,053,956</u>	<u>\$ (147,170)</u>

The following table provides a summary of the City's operations for the years ending 2010 and 2011 for both governmental and business-type activities.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 5,010,646	\$ 5,083,645	\$ 13,798,137	\$ 13,650,486	\$ 18,808,783	\$ 18,734,131
Operating Grants and Contributions	1,953,631	1,431,301	-	-	1,953,631	1,431,301
Capital Grants and Contributions	205,628	355,429	-	-	205,628	355,429
General Revenues:					-	-
Property Taxes	7,620,281	7,853,487	-	-	7,620,281	7,853,487
Sales Taxes	6,033,469	5,843,494	-	-	6,033,469	5,843,494
Franchise Taxes	2,719,496	2,743,214	-	-	2,719,496	2,743,214
Hotel Occupancy Taxes	449,213	500,755	-	-	449,213	500,755
Unrestricted						
Investment Earnings	84,327	113,006	162,374	103,220	246,701	216,226
Other	-	-	434,500	728,317	434,500	728,317
Total Revenues	<u>24,076,691</u>	<u>23,924,331</u>	<u>14,395,011</u>	<u>14,482,023</u>	<u>38,471,702</u>	<u>38,406,354</u>
Expenses						
General Government	2,890,290	2,632,370	-	-	2,890,290	2,632,370
Finance	437,320	481,106	-	-	437,320	481,106
Public Safety	9,880,712	10,021,261	-	-	9,880,712	10,021,261
Public Works	7,667,367	7,279,655	-	-	7,667,367	7,279,655
Health	3,202,551	3,184,085	-	-	3,202,551	3,184,085
Library Service	719,240	751,523	-	-	719,240	751,523
Cox Field	220,027	225,565	-	-	220,027	225,565
Interest on						
Long-Term Debt	438,460	460,678	-	-	438,460	460,678
Water and Sewer	-	-	10,694,363	10,423,943	10,694,363	10,423,943
Total Expenses	<u>25,455,967</u>	<u>25,036,243</u>	<u>10,694,363</u>	<u>10,423,943</u>	<u>36,150,330</u>	<u>35,460,186</u>
Increase (Decrease) in						
Net Assets before Transfers	(1,379,276)	(1,111,912)	3,700,648	4,058,080	2,321,372	2,946,168
Transfers/Special Item	<u>764,880</u>	<u>1,062,139</u>	<u>(764,880)</u>	<u>(1,062,139)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in						
Net Assets	(614,396)	(49,773)	2,935,768	2,995,941	2,321,372	2,946,168
Balance Beginning of Year	<u>42,685,480</u>	<u>42,735,253</u>	<u>40,336,276</u>	<u>37,340,335</u>	<u>83,021,756</u>	<u>80,075,588</u>
Balance End of Year	<u>\$42,071,084</u>	<u>\$42,685,480</u>	<u>\$43,272,044</u>	<u>\$40,336,276</u>	<u>\$85,343,128</u>	<u>\$83,021,756</u>

Business-type Activities

Business-type activities increased the City of Paris' net assets by \$2,935,768. This increase was from a combination of increased program revenues and increased contribution revenues.

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, unreserved 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	
	<u>2011</u>	<u>2010</u>
Total Assets	<u>\$ 18,253,551</u>	<u>\$ 19,037,115</u>
Total Liabilities	<u>\$ 1,493,601</u>	<u>\$ 1,036,897</u>
Fund Balances:		
Nonspendable:		
Inventory	199,519	214,932
Perm. Fund Principal	88,520	86,564
Restricted for:		
Construction	-	2,783,934
Debt Service	3,426,387	2,628,654
Notes	95,900	128,285
Law Enforcement	132,367	-
Health	215,389	-
Assigned:		
Library	123,249	-
Community Development	322,450	-
Unassigned:		
General Fund	12,156,169	11,376,619
Special Revenue Fund	-	781,230
Total Fund Balances	<u>16,759,950</u>	<u>18,000,218</u>
Total Liabilities and Fund Balances	<u>\$ 18,253,551</u>	<u>\$ 19,037,115</u>

As of the end of the current fiscal year, the City of Paris' governmental funds reported combined ending fund balances of \$16,759,950. Approximately 72.53% of this total amount (\$12,156,169) 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 permanent fund principal (\$88,520), pay debt service (\$3,426,387), outstanding notes (\$95,900), inventories (\$199,519), law enforcement (\$132,367), health (\$215,389), library (\$123,249), and community development (\$322,450).

	Governmental Funds	
	Revenues, Expenditures, and Changes in Fund Balances	
	2011	2010
Revenues	\$ 23,848,441	\$ 23,896,580
Expenditures	25,838,176	25,815,341
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,989,735)	(1,918,761)
Total Other Financing Sources	764,881	4,067,139
Net Increase (Decrease) in Fund Balances	(1,224,854)	2,148,378
Decrease in Inventory	(15,414)	(196)
Fund Balances-Beginning	18,000,218	15,852,036
Fund Balances-Ending	<u>\$ 16,759,950</u>	<u>\$ 18,000,218</u>

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 \$12,156,169 (\$11,376,619 the previous year), while total fund balance reached \$12,355,688 (\$11,591,551) the previous year). The increase in the fund balance of the general fund was due to increased receivables, cash, and cash equivalents. 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 57.15% of total general fund expenditures, while total fund balance represents 58.09% of that same amount.

During the year, the City made budgeted transfers from the Water and Sewer Fund and Other Governmental Funds to the General Fund of \$1,176,462 for administrative support and franchise fees and from the General Fund to the Capital Projects Fund of \$4,807 to complete specific projects.

Debt Service Fund

The debt service fund has a total fund balance of \$2,706,272 (\$2,628,654 the previous year), all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$77,618 (\$1,916,084 increase the previous year). The increase was 2.95% and was due to excess revenues over expenditures. The government enacted a dedicated property tax for debt service at the beginning of the current fiscal year. This tax produced revenues of \$1,483,577 in the current fiscal year (\$1,418,025 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 assets of the Water and Sewer Fund at the end of the year amounted to \$11,416,134 (\$9,815,653 the previous year). This change was due to a decreased restriction for construction. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Paris' business-type activities.

General Fund Budgetary Highlights

The final appropriation of the general fund was under spent by \$2,098,585 (under spent \$6,287,760 the previous year).

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, 2011, amounts to \$81,055,253 (\$90,542,054 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. The increase was primarily due to the acquisition of water rights in Pat Mayse Reservoir.

	Net Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,912,108	\$ 5,912,108	\$ 339,620	\$ 339,620	\$ 6,251,728	\$ 6,251,728
Buildings and System Improvements Other than Buildings	10,719,401	11,112,173	38,242,651	39,644,856	48,962,052	50,757,029
Machinery, Furniture, and Equipment	3,509,976	3,080,230	-	-	3,509,976	3,080,230
Infrastructure	1,952,302	2,559,125	432,051	583,014	2,384,353	3,142,139
Construction in Progress	14,709,357	13,324,302	-	-	14,709,357	13,324,302
Water Rights-Net	342,635	11,162,124	532,553	1,053,876	875,188	12,216,000
Unamortized Bond Expense	-	-	3,563,235	778,803	3,563,235	778,803
	271,972	299,932	527,392	691,891	799,364	991,823
Total	\$37,417,751	\$47,449,994	\$43,637,502	\$43,092,060	\$81,055,253	\$90,542,054

Additional information on the City of Paris' capital assets can be found in note IV C 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 \$23,085,000. Of this amount, \$11,830,800 comprises debt being paid for by property tax revenues, and \$11,254,200 represents bonds being paid for by water and sewer revenues.

	Outstanding Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 11,830,800	\$ 12,766,600	\$ -	\$ -	\$ 11,830,800	\$ 12,766,600
Revenue Bonds	-	-	11,254,200	14,638,400	11,254,200	14,638,400
Note	-	9,216	-	-	-	9,216
Total	\$ 11,830,800	\$ 12,775,816	\$ 11,254,200	\$ 14,638,400	\$ 23,085,000	\$ 27,414,216

The City of Paris' bond debt decreased by \$4,320,000 (15.76%) during the fiscal year. The City maintains an underlying bond rating from Moody's of A2 (affirmed January 2010) with that rating being upgraded to Aa3 when the issues are insured. In February 2010, S&P granted the City an underlying rating of A+ upgraded to AAA when insured.

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 \$0.52 per \$100 valuation for the 2010-11 fiscal year. This rate was broken down into \$0.41713 per \$100 valuation for operations and \$0.10287 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 6.85% of its debt capacity.

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

Economic Factors and Next Year's Budgets and Rates

- Sales tax revenues are projected to increase 6.68% over the current budget.
- New construction amounted to 7 residential units and 9 commercial units.
- Local population growth is expected to be minimal.
- The tax rate is expected to remain at \$.52 per \$100 of value.
- Electrical utility franchise fees are expected to hold steady.

All of these factors were considered in preparing the City of Paris' budget for 2011-12.

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, City of Paris, 135 S.E. First Street, Paris, Texas 75460.

City of Paris, Texas
Statement of Net Assets
September 30, 2011

Statement I

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
ASSETS				
Cash and Cash Equivalents	\$ 10,362,587	\$ 7,922,969	\$ 18,285,556	\$ 4,000,802
Investments	4,181,709	2,082,000	6,263,709	477,344
Receivables (Net of Allowance for Uncollectibles)	2,312,377	1,870,463	4,182,840	209,000
Internal Balances	620,765	(620,765)	-	-
Inventories	199,519	358,909	558,428	-
Due from Other Governments	515,833	-	515,833	-
Restricted Assets:				
Cash and Cash Equivalents	-	226,945	226,945	578,937
Investments	-	525,567	525,567	-
Notes Receivable	4,557	-	4,557	-
Net Pension Asset	132,210	-	132,210	-
Capital Assets (Net of Accumulated Depreciation):				
Land	5,912,108	339,620	6,251,728	1,655,772
Buildings and System Improvements Other Than Buildings	10,719,401	38,242,651	48,962,052	-
Machinery and Equipment	3,509,976	-	3,509,976	-
Infrastructure	1,952,302	432,051	2,384,353	-
Construction in Progress	14,709,357	-	14,709,357	-
Water Rights (Net of Accumulated Amortization)	342,635	532,553	875,188	-
Unamortized Bond Expense	-	3,563,235	3,563,235	-
	271,972	527,392	799,364	75,375
Total Assets	<u>55,747,308</u>	<u>56,003,590</u>	<u>111,750,898</u>	<u>6,997,230</u>

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

City of Paris, Texas
Statement of Net Assets
September 30, 2011

Statement 1
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
LIABILITIES				
Accounts Payable and Other Current Liabilities	640,273	167,206	807,479	20,846
Accrued Interest	130,481	47,076	177,557	5,984
Customers' Deposits	-	810,580	810,580	-
Noncurrent Liabilities:				
Due Within One Year	1,080,200	3,496,333	4,576,533	280,000
Due in More Than One Year	11,825,270	8,210,351	20,035,621	1,860,000
Total Liabilities	<u>13,676,224</u>	<u>12,731,546</u>	<u>26,407,770</u>	<u>2,166,830</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	25,311,134	31,855,910	57,167,044	1,655,772
Restricted for:				
Construction	-	-	-	-
Debt Service	3,426,387	-	3,426,387	292,953
Notes Receivables	95,900	-	95,900	-
Law Enforcement	132,367	-	132,367	-
Health	215,389	-	215,389	-
Permanent Library Funds, Nonexpendable	88,520	-	88,520	-
Committed to:				
Industrial Incentives	-	-	-	1,319,300
Unrestricted	12,801,387	11,416,134	24,217,521	1,562,375
Total Net Assets	<u>\$ 42,071,084</u>	<u>\$ 43,272,044</u>	<u>\$ 85,343,128</u>	<u>\$ 4,830,400</u>

City of Paris, Texas
Statement of Activities
For the Year Ended September 30, 2011

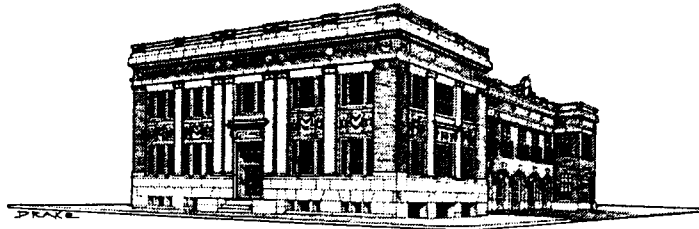
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,890,290	\$ -	\$ 326,552	\$ -
Finance	437,320	-	-	-
Public Safety	9,880,712	606,792	202,827	-
Public Works	7,667,367	1,775,841	655,612	197,200
Health	3,202,551	2,608,306	671,018	-
Library Service	719,240	19,707	5,066	8,428
Cox Field Airport	220,027	-	82,267	-
Interest on Long-Term Debt	438,460	-	10,289	-
Total Governmental Activities	<u>25,455,967</u>	<u>5,010,646</u>	<u>1,953,631</u>	<u>205,628</u>
Business-Type Activities:				
Water and Sewer	10,694,363	13,798,137	-	-
Total Business-Type Activities	<u>10,694,363</u>	<u>13,798,137</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 36,150,330</u>	<u>\$ 18,808,783</u>	<u>\$ 1,953,631</u>	<u>\$ 205,628</u>
Component Unit:				
Economic Development	<u>\$ 848,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Hotel Occupancy Tax
Unrestricted Investment Earnings
Contribution Income
Transfers
Total General Revenues, Contribution Income, and Transfers
Changes in Net Assets
Net Assets - Beginning, October 1, 2010
Net Assets - Ending, September 30, 2011

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
\$ (2,563,738)	\$ -	\$ (2,563,738)	\$ -
(437,320)	-	(437,320)	-
(9,071,093)	-	(9,071,093)	-
(5,038,714)	-	(5,038,714)	-
76,773	-	76,773	-
(686,039)	-	(686,039)	-
(137,760)	-	(137,760)	-
(428,171)	-	(428,171)	-
<u>(18,286,062)</u>	<u>-</u>	<u>(18,286,062)</u>	<u>-</u>
-	3,103,774	3,103,774	-
<u>-</u>	<u>3,103,774</u>	<u>3,103,774</u>	<u>-</u>
(18,286,062)	3,103,774	(15,182,288)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(848,107)</u>
7,620,281	-	7,620,281	-
6,033,469	-	6,033,469	1,206,494
2,719,496	-	2,719,496	-
449,213	-	449,213	-
84,327	162,374	246,701	66,494
-	434,500	434,500	7,500
764,880	(764,880)	-	-
<u>17,671,666</u>	<u>(168,006)</u>	<u>17,503,660</u>	<u>1,280,488</u>
(614,396)	2,935,768	2,321,372	432,381
42,685,480	40,336,276	83,021,756	4,398,019
<u>\$ 42,071,084</u>	<u>\$ 43,272,044</u>	<u>\$ 85,343,128</u>	<u>\$ 4,830,400</u>

The CITY OF PARIS



City of Paris
Balance Sheet - Governmental Funds
September 30, 2011

Statement 3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 6,671,715	\$ 2,082,006	\$ 1,029,232	\$ 579,634	\$ 10,362,587
Investments	4,093,496	-	-	88,213	4,181,709
Receivables (Net of Allowance for Uncollectibles)	2,161,664	94,813	-	55,900	2,312,377
Notes Receivable	4,557	-	-	-	4,557
Due from Other Funds	-	620,765	-	56,204	676,969
Inventories	199,519	-	-	-	199,519
Due from Other Governments	188,992	-	-	326,841	515,833
Total Assets	\$ 13,319,943	\$ 2,797,584	\$ 1,029,232	\$ 1,106,792	\$ 18,253,551
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 255,579	\$ -	\$ 309,117	\$ 75,577	\$ 640,273
Due to Other Funds	56,204	-	-	-	56,204
Deferred Revenue	652,472	91,312	-	53,340	797,124
Total Liabilities	964,255	91,312	309,117	128,917	1,493,601
Fund Balances:					
Nonspendable:					
Inventory	199,519	-	-	-	199,519
Permanent Fund Principal	-	-	-	88,520	88,520
Restricted For:					
Debt Service	-	2,706,272	720,115	-	3,426,387
Notes	-	-	-	95,900	95,900
Law Enforcement	-	-	-	132,367	132,367
Health	-	-	-	215,389	215,389
Assigned:					
Library	-	-	-	123,249	123,249
Community Development	-	-	-	322,450	322,450
Unassigned: General Fund	12,156,169	-	-	-	12,156,169
Total Fund Balances	12,355,688	2,706,272	720,115	977,875	16,759,950
Total Liabilities and Fund Balances	\$ 13,319,943	\$ 2,797,584	\$ 1,029,232	\$ 1,106,792	

Amounts reported for governmental activities in the statement of net assets 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)	37,145,779
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred or not reflected in the funds.	929,335
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(12,763,980)
Net assets of governmental activities	\$ 42,071,084

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
For the Year Ended September 30, 2011

Statement 4

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad Valorem	\$ 6,138,790	\$ 1,483,577	\$ -	\$ -	\$ 7,622,367
Sales	6,033,469	-	-	-	6,033,469
Hotel Occupancy	449,213	-	-	-	449,213
Franchise and Gross Receipts	2,719,496	-	-	-	2,719,496
Licenses and Permits	112,142	-	-	-	112,142
Fines and Fees	501,601	-	-	-	501,601
Use of Money and Property	276,105	10,289	16,412	11,142	313,948
Public Safety	-	-	-	40,297	40,297
Sanitation	1,461,736	-	-	-	1,461,736
Health	2,342,766	-	-	235,730	2,578,496
Intergovernmental Revenues	788,084	-	-	980,238	1,768,322
Other	244,481	-	-	2,873	247,354
Total Revenues	21,067,883	1,493,866	16,412	1,270,280	23,848,441
Expenditures:					
Current:					
General Government	1,170,774	-	30,556	18,277	1,219,607
Finance	425,455	-	-	-	425,455
Public Safety	9,142,531	-	-	12,115	9,154,646
Public Works	5,469,848	-	1,679,363	310,221	7,459,432
Health	2,146,210	-	-	908,339	3,054,549
Library Service	627,907	-	-	3,070	630,977
Cox Field Airport	107,276	-	-	-	107,276
Other	1,545,147	-	-	-	1,545,147
Debt Service:					
Principal	9,216	935,800	-	-	945,016
Interest	-	480,448	-	-	480,448
Capital Outlay:					
General Government	79,551	-	-	-	79,551
Public Safety	176,875	-	-	-	176,875
Public Works	409,664	-	-	-	409,664
Health	126,850	-	-	-	126,850
Cox Field Airport	22,683	-	-	-	22,683
Total Expenditures	21,459,987	1,416,248	1,709,919	1,252,022	25,838,176
Excess (Deficiency) of					
Revenues Over					
(Under) Expenditures	(392,104)	77,618	(1,693,507)	18,258	(1,989,735)

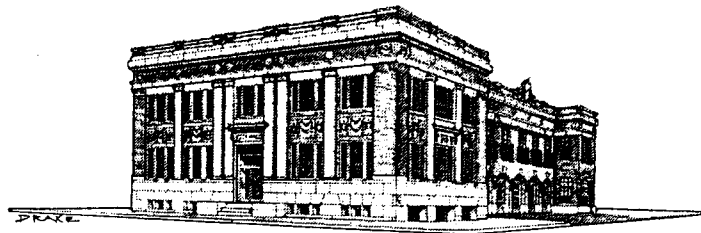
The accompanying notes to the financial statements are an integral part of this statement.

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2011

Statement 4
(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):					
Transfers In	1,176,462	-	-	-	1,176,462
Transfers Out	<u>(4,807)</u>	<u>-</u>	<u>(370,312)</u>	<u>(36,462)</u>	<u>(411,581)</u>
 Total Other Financing Sources (Uses)	 <u>1,171,655</u>	 <u>-</u>	 <u>(370,312)</u>	 <u>(36,462)</u>	 <u>764,881</u>
 Net Changes in Fund Balances	 779,551	 77,618	 (2,063,819)	 (18,204)	 (1,224,854)
 Fund Balances - September 30, 2010	 11,591,551	 2,628,654	 2,783,934	 996,079	 18,000,218
 Increase (Decrease) in Inventory	 <u>(15,414)</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(15,414)</u>
 Fund Balances - September 30, 2011	 <u>\$ 12,355,688</u>	 <u>\$ 2,706,272</u>	 <u>\$ 720,115</u>	 <u>\$ 977,875</u>	 <u>\$ 16,759,950</u>

The CITY OF PARIS



City of Paris, Texas
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2011

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).	\$ (1,224,854)
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 depreciation exceeded capital outlays in the current period.	(309,283)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	228,249
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	41,988
The net change in inventory is a direct adjustment to fund balance in the funds.	(15,414)
Some 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.	(274,044)
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 assets. Also, governmental funds report the effect of issuance costs, premium, 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>938,962</u>
Change in net assets of governmental activities (Statement 2).	<u><u>\$ (614,396)</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
For the Year Ended September 30, 2011

Statement 6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Ad Valorem Taxes	\$ 6,298,848	\$ 6,298,848	\$ 6,138,790	\$ (160,058)
Municipal Sales Tax	5,630,000	5,630,000	6,033,469	403,469
Hotel Occupancy Tax	480,000	480,000	449,213	(30,787)
Franchise and Gross Receipts Tax	2,635,600	2,635,600	2,719,496	83,896
Licenses and Permits	96,125	96,125	112,142	16,017
Fines and Fees	516,100	516,100	501,601	(14,499)
Use of Money and Property	374,511	374,511	276,105	(98,406)
Sanitation	1,496,445	1,496,445	1,461,736	(34,709)
Emergency Medical Services	2,331,208	2,331,208	2,342,766	11,558
Intergovernmental Revenues	1,989,351	1,989,351	788,084	(1,201,267)
Other	224,850	224,850	244,481	19,631
Total Revenues	22,073,038	22,073,038	21,067,883	(1,005,155)
Expenditures:				
General Government:				
Council	111,423	134,423	203,779	(69,356)
Manager	295,587	300,587	298,399	2,188
Attorney	426,448	426,448	383,651	42,797
Municipal Court Clerk	231,178	231,178	219,364	11,814
	160,065	160,065	145,131	14,934
Total General Government	1,224,701	1,252,701	1,250,324	2,377
Finance:				
Accounting and Auditing	469,876	469,876	425,455	44,421
Public Safety:				
Police	6,131,484	6,037,884	5,757,375	280,509
Fire	3,780,611	3,874,811	3,566,305	308,506
Total Public Safety	9,912,095	9,912,695	9,323,680	589,015
Public Works:				
Community Development	1,498,643	1,248,643	877,182	371,461
Engineering	458,905	458,905	426,212	32,693
Public Works	210,063	210,063	204,203	5,860
Parks and Recreation	1,862,050	1,862,050	1,149,278	712,772
Sanitation	1,089,433	1,014,933	877,540	137,393
Streets and Highways	1,529,556	1,529,556	1,578,475	(48,919)
Traffic and Public Lighting	497,401	497,401	484,776	12,625
Garage	283,535	283,535	277,570	5,965
Total Public Works	7,429,586	7,105,086	5,875,236	1,229,850

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
For the Year Ended September 30, 2011

Statement 6
(Continued)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures: (Continued)				
Emergency Medical Services	2,294,297	2,347,147	2,278,248	68,899
Cox Field Airport	113,390	133,390	129,959	3,431
Paris Band	20,850	22,350	22,218	132
Library Services	633,634	633,634	627,907	5,727
General	1,491,041	1,491,041	1,526,960	(35,919)
Contingency	50,000	-	-	-
 Total Expenditures	 <u>23,639,470</u>	 <u>23,367,920</u>	 <u>21,459,987</u>	 <u>1,907,933</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(1,566,432)</u>	 <u>(1,294,882)</u>	 <u>(392,104)</u>	 <u>902,778</u>
 Other Financing Sources and (Uses):				
Transfers In	1,140,000	1,140,000	1,176,462	36,462
Transfers Out	-	-	(4,807)	(4,807)
 Total Other Financing Sources and (Uses)	 <u>1,140,000</u>	 <u>1,140,000</u>	 <u>1,171,655</u>	 <u>31,655</u>
 Net Changes in Fund Balance	 <u>(426,432)</u>	 <u>(154,882)</u>	 <u>779,551</u>	 <u>934,433</u>
 Fund Balance - September 30, 2010	 11,591,551	 11,591,551	 11,591,551	 -
 Decrease in Inventory	 -	 -	 <u>(15,414)</u>	 <u>(15,414)</u>
 Fund Balance - September 30, 2011	 <u>\$ 11,165,119</u>	 <u>\$ 11,436,669</u>	 <u>\$ 12,355,688</u>	 <u>\$ 919,019</u>

City of Paris, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

Statement 7

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents - Pooled	\$ 7,549,516	\$ 4,382,910
Cash and Cash Equivalents - Non-Pooled	373,453	2,777,652
Restricted Cash and Cash Equivalents:		
Revenue Bond Construction Accounts - Pooled	-	1,636,722
Customer Deposits - Pooled	226,945	251,169
Total Cash and Cash Equivalents	8,149,914	9,048,453
Accounts Receivable - Net	1,868,719	2,088,930
Accrued Interest Receivable	1,744	2,781
Inventories	358,909	297,833
Total Current Assets	10,379,286	11,437,997
Non-Current Assets:		
Investments:		
Customer Deposits	525,567	478,987
Unrestricted	2,082,000	2,633,365
Total Investments	2,607,567	3,112,352
Water Rights, Net of Accumulated Amortization	3,563,235	778,803
Unamortized Bond Expense	527,392	691,891
Capital Assets:		
Land	339,620	339,620
Plant, Pumps and Motors	32,638,547	32,475,478
Distribution System	38,253,301	36,980,361
Collection System	22,318,244	22,293,694
Maintenance Equipment and Vehicles	2,574,510	2,612,009
Furniture and Equipment	244,222	244,222
Construction in Progress	532,553	1,053,876
Less Accumulated Depreciation	(57,354,122)	(54,377,894)
Total Capital Assets (Net of Accumulated Depreciation)	39,546,875	41,621,366
Total Non-Current Assets	46,245,069	46,204,412
Total Assets	56,624,355	57,642,409

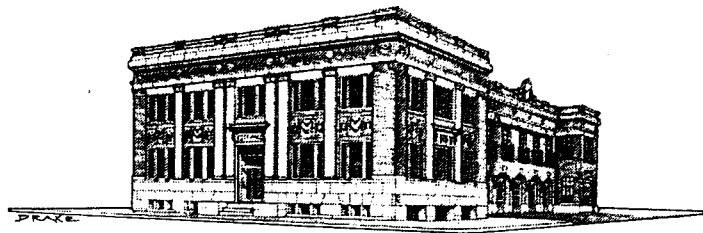
The accompanying notes to the financial statements are an integral part of this statement.

City of Paris, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

Statement 7
(Continued)

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
LIABILITIES		
Current Liabilities:		
Accounts Payable	167,206	99,919
Payable to U.S.A. for Water Rights - Current Portion	-	480,909
Interest Payable	47,076	128,643
Customers' Deposits	810,580	804,895
Accrued Compensated Absences - Current Portion	6,533	2,350
Due to Other Funds	620,765	640,368
General Obligation Bonds Payable - Current Portion	3,489,800	3,384,200
Total Current Liabilities	<u>5,141,960</u>	<u>5,541,284</u>
Non-Current Liabilities:		
General Obligation Bonds Payable - Long-Term Portion	7,764,400	11,254,200
Unamortized Bond Premium	310,387	402,793
Accrued Compensated Absences Long-Term Portion	135,564	107,856
Total Non-Current Liabilities	<u>8,210,351</u>	<u>11,764,849</u>
Total Liabilities	<u>13,352,311</u>	<u>17,306,133</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	31,855,910	28,883,901
Restricted for Construction	-	1,636,722
Unrestricted	11,416,134	9,815,653
Total Net Assets	<u>\$ 43,272,044</u>	<u>\$ 40,336,276</u>

The CITY OF PARIS



City of Paris, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2011

Statement 8

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
Operating Revenues:		
Charges for Sales and Services:		
Water Sales and Taps	\$ 8,336,146	\$ 8,072,440
Sewer Charges and Taps	4,951,015	4,968,912
Sanitation Billing Fees	77,296	69,729
Service Charges	164,094	162,454
Industrial Surcharges	94,369	210,511
Miscellaneous	175,217	166,440
Total Operating Revenues	<u>13,798,137</u>	<u>13,650,486</u>
 Operating Expenses:		
Personnel	3,030,918	3,040,784
Supplies	1,123,279	962,988
Contractual	2,024,526	1,808,652
Maintenance	550,199	529,452
Sundry Charges	430,558	345,671
Other	42,386	45,252
Depreciaton	3,045,371	3,002,136
Total Operating Expenses	<u>10,247,237</u>	<u>9,734,935</u>
 Operating Income	<u>3,550,900</u>	<u>3,915,551</u>
 Non-Operating Income (Expense):		
Investment Earnings	162,374	103,220
Interest Expense - Revenue and General Obligation Bonds	(340,226)	(629,957)
Amortization of Bond Issue Expense	(164,499)	(76,916)
Bank Charges	-	(1,000)
Amortization of Water Rights	(34,807)	(13,667)
Amortization of Bond Premium	92,406	32,532
Intergovernmental Revenue	395,144	728,317
Net Non-Operating Income (Expense)	<u>110,392</u>	<u>142,529</u>
 Income (Loss) Before Capital Contributions and Transfers	3,661,292	4,058,080
 Capital Contributions	39,356	-
 Transfers In	375,120	1,873,035
Transfers Out	<u>(1,140,000)</u>	<u>(2,935,174)</u>
 Changes in Net Assets	2,935,768	2,995,941
 Total Net Assets - Beginning	<u>40,336,276</u>	<u>37,340,335</u>
 Total Net Assets - Ending	<u>\$ 43,272,044</u>	<u>\$ 40,336,276</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
For the Year Ended September 30, 2011

Statement 9

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 14,024,033	\$ 13,329,478
Payments to Suppliers	(2,151,796)	(1,870,663)
Payments to Employees	(2,995,807)	(3,037,068)
Payments to Contractors	(1,931,106)	(1,776,908)
Increase (Decrease) in Interfund Payables	(19,603)	637,493
	<u>6,925,721</u>	<u>7,282,332</u>
Net Cash Provided by Operating Activities		
Cash Flows from Noncapital Financing Activities		
Transfers In	4,808	845,000
Transfers Out	(1,140,000)	(2,935,174)
	<u>(1,135,192)</u>	<u>(2,090,174)</u>
Net Cash Used by Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(646,164)	(1,322,736)
Refunded Bonds Issued	-	13,235,000
Principal Paid on Revenue Bonds	(3,384,200)	(3,186,200)
Bonds Redeemed	-	(13,325,000)
Principal Paid on Water Rights	(480,909)	(33,681)
Purchase of Water Rights	(2,819,239)	-
Interest Paid on Long-Term Debt	(421,793)	(719,347)
Bond Issue Cost	-	(335,828)
Premium on Bonds Issued	-	435,325
Agent Fees Paid on Revenue Bonds	-	(1,000)
Construction Grants	395,144	756,945
	<u>(7,357,161)</u>	<u>(4,496,522)</u>
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Interest on Investments	142,367	113,102
Purchase of Investment Securities	(515,465)	(1,821,231)
Maturities of Investments	1,041,191	1,880,003
	<u>668,093</u>	<u>171,874</u>
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(898,539)	867,510
Cash and Cash Equivalents - Beginning	9,048,453	8,180,943
	<u>9,048,453</u>	<u>8,180,943</u>
Cash and Cash Equivalents - Ending	<u>\$ 8,149,914</u>	<u>\$ 9,048,453</u>

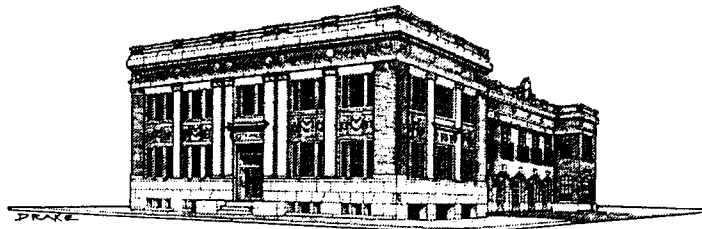
The accompanying notes to the financial statements are an integral part of this statement.

City of Paris, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2011

Statement 9
(Continued)

	<u>Water and Sewer Enterprise Fund Current Year</u>	<u>Water and Sewer Enterprise Fund Prior Year</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 3,550,900	\$ 3,915,551
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	3,045,371	3,002,136
Decrease (Increase) in Accounts Receivable	220,211	(319,762)
Decrease (Increase) in Inventory	(61,076)	(12,700)
Increase in Customers' Deposits	5,685	24,124
Increase (Decrease) in Due to Other Funds	(19,603)	637,493
Increase in Accrued Compensated Absences	31,891	3,716
Increase in Accounts Payable	152,342	31,774
Total Adjustments	<u>3,374,821</u>	<u>3,366,781</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,925,721</u>	<u>\$ 7,282,332</u>
Noncash Investing, Capital, and Financing Activities:		
Increase (Decrease) in Market Value of Investments	\$ 20,941	\$ (12,101)
Capital Contributions	\$ 39,356	\$ -

The CITY OF PARIS



City of Paris, Texas
Notes to Financial Statements
September 30, 2011

I. Summary of Significant Accounting Policies

A. 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 non-profit 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 administration office at 1125 Bonham Street, Paris, Texas 75460.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. 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*.

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. *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*.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 provided 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City has the following fund types:

Governmental Funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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 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.

The *Capital Projects Funds* account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

The *Debt Service Funds* account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

The City reports non-major governmental funds as Other Governmental Funds which include special revenue funds and a permanent fund. 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 report resources that are restricted to the extent that only earnings and not principal may be used.

The City reports its Water and Sewer Enterprise Fund, a proprietary fund as a major fund. Proprietary funds are accounted for on the flow of 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 City applies all applicable Financial Accounting Standards Board pronouncements issued after November 30, 1989, in accounting and reporting for its proprietary operations.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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.

Proprietary funds include the following:

The *Enterprise 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.

D. Assets, Liabilities and Equity

1. Deposits and Investments

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.

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.

Investments are reported in the accompanying balance sheet at fair value with changes in fair value being reported as part of investment income.

2. Receivables and Payables

Transactions between funds that would be treated as revenues, expenditures, or expenses if the involved organizations were external to the governmental unit (interfund services provided) are accounted for as revenues, expenditures, or expenses in the funds involved.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

2. Receivables and Payables (Continued)

Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which were properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

The City's ad valorem 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. 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.

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.

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

5. Capital Assets (Continued)

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 \$340,226. Of this amount, none was included as part of the cost of capital assets under construction in connection with water line and sewer line construction projects.

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
Public Domain Infrastructure	25-45 years
System Infrastructure	25-30 years

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Fund Equity

It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classifications could be used.

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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One 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 \$12,763,980 difference are as follows:

Bonds Payable	\$ 11,830,800
Less: Deferred Charge for Issuance Costs (to be Amortized Over the Life of the Debt)	(271,972)
Premiums on Bonds Payable (to be Amortized Over the Life of the Debt)	103,360
Accrued Interest Payable	130,482
Compensated Absences	782,085
OPEB Liability	122,352
Landfill Post Closure Care Costs	66,873
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities	\$ 12,763,980

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

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 assets 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

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

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 Activity (Continued)

allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$309,283) difference are as follows:

Capital Outlay	\$ 2,490,252
Depreciation Expense	<u>(2,799,535)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (309,283)</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 assets. Also, governmental funds report the effect of issuance costs, 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 \$973,962 difference are as follows:

Amortization of Issuance Costs	\$ (27,960)
Amortization of Premiums	21,906
Principal Repayments	<u>945,016</u>
Net Adjustment of Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 938,962</u>

III. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, proprietary funds, and library trust funds. The budget for the capital projects funds 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 funds include non-budgeted financial activities, which are not subject to an appropriated budget and the appropriation process or to any legally authorized non-appropriated budget review and approval process. The community development block grant fund is not annually appropriated. 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

III. Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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.

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, 2011, the City Council approved a transfer of \$216,350 from nine line items to several departmental line items.

IV. Detailed Notes on All Funds and Component Unit

A. Deposits and Investments

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 insurance (FDIC). 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 Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2011, the City and Component Unit had the following investments:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Primary Government			
Mortgage Backed Securities:			
Federal Home Loan Mortgage Corporation	\$ 1,297,361	AAA	6.77
Federal National Mortgage Association	3,395,251	AAA	3.05
Federal Home Loan Bank	2,008,451	AAA	0.25
Certificates of Deposit	<u>88,213</u>	Not Rated	<u>0.50</u>
Totals	<u>\$ 6,789,276</u>		<u>2.90</u>
Component Unit - PEDC			
Certificates of Deposit	<u>\$ 477,344</u>	Not Rated	<u>0.60</u>

Interest Rate Risk. It 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 six-month U.S. Treasury Bill and 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 of Credit Risk. The City's policy is 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 Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of September 30, 2011, the City’s bank balance was not exposed to custodial credit risk. As of the same date PEDC had exposure to custodial credit risk because \$275,904 of the PEDC bank balance of \$908,248 was uninsured.

Custodial Credit Risk – Investments. For an investment, this is the risk that in the event of the failure of the counter-party, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2011, the City did not have custodial credit risk exposure.

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, 2011, the City was not exposed to foreign currency risk.

B. Receivables

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>
Receivables:				
Interest	\$ 12,275	\$ -	\$ -	\$ 1,744
Property Taxes	738,995	-	126,417	-
Sales Tax	1,046,000	-	-	-
Accounts	230,308	-	-	1,918,719
Other Governments	188,992	326,841	-	-
Street Assessments	26,473	-	-	-
Fines	103,211	-	-	-
EMS	2,775,209	-	-	-
Notes Receivable	4,557	55,900	-	-
Gross Receivables	<u>5,126,020</u>	<u>382,741</u>	<u>126,417</u>	<u>1,920,463</u>
Less: Allowable for				
Uncollectibles	<u>(2,770,807)</u>	<u>-</u>	<u>(31,604)</u>	<u>50,000</u>
Net Total Receivables	<u>\$ 2,355,213</u>	<u>\$ 382,741</u>	<u>\$ 94,813</u>	<u>\$ 1,870,463</u>

Net receivable balances not expected to be collected within one year are Property Taxes - \$405,210, Fines - \$1,600, EMS - \$100,000, and Street Assessments - \$26,473.

At year end, PEDC had a receivable for sales tax of \$209,000.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

C. Capital Assets

Capital Assets activity for the year ended September 30, 2011, follows:

	Balance September 30, 2010	Increases	Decreases	Balance September 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,912,108	\$ -	\$ -	\$ 5,912,108
Construction in Progress	1,162,124	2,101,721	2,921,210	342,635
Total Capital Assets, Not Being Depreciated	<u>7,074,232</u>	<u>2,101,721</u>	<u>2,921,210</u>	<u>6,254,743</u>
Capital Assets, Being Depreciated:				
Buildings	15,430,302	-	-	15,430,302
Improvements Other Than Buildings	5,030,260	615,378	-	5,645,638
Machinery and Equipment	17,852,086	308,981	546,835	17,614,232
Infrastructure	36,391,488	2,690,382	-	39,081,870
Total Capital Assets, Being Depreciated	<u>74,704,136</u>	<u>3,614,741</u>	<u>546,835</u>	<u>77,772,042</u>
Less Accumulated Depreciation for:				
Buildings	4,318,129	392,772	-	4,710,901
Improvements Other Than Buildings	1,950,030	185,632	-	2,135,662
Machinery and Equipment	15,292,961	915,804	546,835	15,661,930
Infrastructure	23,067,186	1,305,327	-	24,372,513
Total Accumulated Depreciation	<u>44,628,306</u>	<u>2,799,535</u>	<u>546,835</u>	<u>46,881,006</u>
Total Capital Assets, Being Depreciated, Net	<u>30,075,830</u>	<u>815,206</u>	<u>-</u>	<u>30,891,036</u>
Governmental Activities, Capital Assets, Net	<u>\$ 37,150,062</u>	<u>\$ 2,916,927</u>	<u>\$ 2,921,210</u>	<u>\$ 37,145,779</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

C. Capital Assets (Continued)

	Balance September 30, 2010	Increases	Decreases	Balance September 30, 2011
Business-Type Activities				
Capital Assets, Not being Depreciated:				
Land	\$ 339,620	\$ -	\$ -	\$ 339,620
Construction in Process	1,053,876	755,178	1,276,501	532,553
Total Capital Assets, Not Being Depreciated	<u>1,393,496</u>	<u>755,178</u>	<u>1,276,501</u>	<u>872,173</u>
Capital Assets, Being Depreciated:				
Plant, Pumps, and Motors	32,475,478	163,069	-	32,638,547
Distribution System	36,980,361	1,272,940	-	38,253,301
Collection System	22,293,694	24,550	-	22,318,244
Maintenance, Equipment and Vehicles	2,612,009	31,644	69,143	2,574,510
Furniture and Equipment	244,222	-	-	244,222
Total Capital Assets, Being Depreciated	<u>94,605,764</u>	<u>1,492,203</u>	<u>69,143</u>	<u>96,028,824</u>
Less Accumulated Depreciation for:				
Plants, Pumps, and Motors	22,086,915	1,053,375	-	23,140,290
Distribution System	17,585,757	1,104,501	-	18,690,258
Collection System	12,432,005	704,888	-	13,136,893
Maintenance Equipment and Vehicles	2,028,995	182,607	69,143	2,142,459
Furniture and Equipment	244,222	-	-	244,222
Total Accumulated Depreciation	<u>54,377,894</u>	<u>3,045,371</u>	<u>69,143</u>	<u>57,354,122</u>
Total Capital Assets, Being Depreciated, Net	<u>40,227,870</u>	<u>(1,553,168)</u>	<u>-</u>	<u>38,674,702</u>
Business-Type Activities, Capital Assets, Net	<u>41,621,366</u>	<u>(797,990)</u>	<u>1,276,501</u>	<u>39,546,875</u>
Intangible Asset - Water Rights	1,293,880	2,819,239	-	4,113,119
Less Accumulated Amortization	515,077	34,807	-	549,884
Total Intangible Asset - Water Rights, Net	<u>778,803</u>	<u>2,784,432</u>	<u>-</u>	<u>3,563,235</u>
Total Capital and Intangible Assets	<u>\$ 42,400,169</u>	<u>\$ 1,986,442</u>	<u>\$ 1,276,501</u>	<u>\$ 43,110,110</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land Development Costs	<u>\$ 1,644,760</u>	<u>\$ 11,012</u>	<u>\$ -</u>	<u>\$ 1,655,772</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 104,068
Finance	11,865
Public Safety	518,757
Public Works, Including Depreciation of General Infrastructure Asset	1,815,829
Health	148,002
Library Service	88,263
Cox Field Airport	112,751
Total Depreciation Expense - Governmental Activities	<u>\$ 2,799,535</u>
Business-Type Activities:	
Water and Sewer - Total Depreciation Expense - Business-Type Activities	<u>\$ 3,045,371</u>

D. Construction Commitments

The City has active construction projects as of September 30, 2011. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Water and Wastewater Capital Improvements	\$ 21,978	\$ 85,213

E. Interfund Receivables, Payables, and Transfers

Interfund balances at year-end consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 56,204
Debt Service Fund	620,765	-
Special Revenue Fund - Health Department	56,204	-
Water and Sewer Enterprise Fund	-	620,765
Total	<u>\$ 676,969</u>	<u>\$ 676,969</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers:

	General Fund	Water and Sewer Fund	Transfer Out
General Fund	\$ -	\$ 4,807	\$ 4,807
Water and Sewer Fund	1,140,000	-	1,140,000
Capital Projects Fund	-	370,312	370,312
Other Governmental	36,462	-	36,462
Transfer In	\$ 1,176,462	\$ 375,119	\$ 1,551,581

During the year ended September 30, 2011, the City made budgeted transfers from Water and Sewer Fund to General Fund for \$1,140,000; from the General Fund to the Capital Projects Fund of \$4,807 to complete specific projects. As Water and Sewer projects were completed in the Capital Projects Fund, accumulated costs were transferred to the Water and Sewer Fund, \$370,12. During the year, a special revenue fund was closed out and the balance was transferred to the General Fund, \$36,462.

F. Long-Term Debt

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

\$6,060,000 Combination Tax and Revenue Certificates of Obligation, Series 2002, due in annual installments varying from \$280,000 to \$460,000 with final payment due December 15, 2021. Interest is payable semi-annually at rates ranging from 4.0% to 4.7%. On December 15, 2012, 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 \$2,500) of the surplus revenues of the waterworks and sewer systems.

\$7,130,000 General Obligation Refunding Bonds, Series 2003, due in annual installments varying from \$410,000 to \$800,000 with final payment due December 15, 2014. Interest is payable semi-annually at rates ranging from 3.6% to 3.9%. On December 15, 2009, or any date thereafter, unpaid principal installments may be prepaid or redeemed prior to their scheduled due dates at the City's option.

\$3,005,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments varying from \$105,000 to \$230,000 with final payment due December 15, 2029. Interest is payable semi-annually at 3.2% to 4.2%. 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

F. Long-Term Debt (Continued)

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

\$17,075,000 General Obligation Refunding Bonds, Series 2010, due in annual installments varying from \$1,050,000 to \$3,445,000, with final payment due June 15, 2020. Interest is payable semi-annually at rates ranging from 2.0% to 4.0%. 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.

The ordinances require that ad valorem 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, 2011, the fund balances in the Interest and Sinking Funds are \$2,076,272.

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 \$66,873. These costs are subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Water Rights Debt:

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
2012	\$ 1,080,200	\$ 422,842	\$ 3,489,800	\$ 327,220
2013	1,119,800	384,778	1,350,200	243,358
2014	1,164,000	343,164	1,411,000	209,284
2015	1,016,800	302,096	1,233,200	162,501
2016	860,000	268,655	1,040,000	134,206
2017-2021	4,390,000	845,430	2,730,000	240,113
2022-2026	1,340,000	265,873	-	-
2027-2030	860,000	72,285	-	-
	<u>\$ 11,830,800</u>	<u>\$ 2,905,123</u>	<u>\$ 11,254,200</u>	<u>\$ 1,316,682</u>

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City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

F. Long-Term Debt (Continued)

A summary of long-term liability transactions for the year ended September 30, 2011, follows:

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Due Within One year
Governmental Activities					
Certificates of Obligation	\$ 12,766,600	\$ -	\$ 935,800	\$ 11,830,800	\$ 1,080,200
Note	9,216	-	9,216	-	-
Compensated Absences	792,717	80,112	90,744	782,085	90,744
Landfill Post Closure Care Costs	68,693	-	1,820	66,873	23,030
OPEB Liability	19,519	250,718	147,885	122,352	-
Governmental Activities Long-Term Liabilities	\$ 13,656,745	\$ 330,830	\$ 1,185,465	\$ 12,802,110	\$ 1,193,974
Business-Type Activities					
Revenue Bonds	\$ 14,638,400	\$ -	\$ 3,384,200	\$ 11,254,200	\$ 3,489,800
Water Rights Debt	480,909	-	480,909	-	-
Compensated Absences	110,206	38,425	6,533	142,098	6,533
Business-Type Activities Long-Term Liabilities	\$ 15,229,515	\$ 38,425	\$ 3,871,642	\$ 11,396,298	\$ 3,496,333
Component Unit					
Bonds Payable	\$ 2,415,000	\$ -	\$ 275,000	\$ 2,140,000	\$ 280,000
Component Unit Long-Term Liabilities	\$ 2,415,000	\$ -	\$ 275,000	\$ 2,140,000	\$ 280,000

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

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City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

F. Long-Term Debt (Continued)

PEDC has outstanding Paris Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2010, originally issued at \$2,685,000, bearing interest at 1.76% to 4.39%. Principal payments are due serially in varying annual amounts to September 1, 2018, from \$280,000 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 the Component Unit. 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.

A Reserve Fund is required to be maintained with a balance of at least \$346,192, the average annual principal and interest requirements of the bonds. At September 30, 2011, the balances in the Debt Service Fund and Reserve Fund are \$108,709 and \$470,228, respectively.

Debt Service requirements related to these bonds and notes are as follows:

Years	Bond Debt Requirements		Total
	Principal	Interest	
2012	\$ 280,000	\$ 70,192	\$ 350,192
2013	290,000	65,264	355,264
2014	290,000	58,536	348,536
2015	300,000	50,271	350,271
2016	315,000	40,221	355,221
2017	325,000	28,251	353,251
2018	340,000	14,926	354,926
	\$ 2,140,000	\$ 327,661	\$ 2,467,661

G. Restricted Net Assets 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, 2011, these accounts, shown as cash and investments on the Statement of Net Assets – Proprietary Funds, are as follows:

Reserve Fund	\$ 2,235,966
Contingency Fund	776,568

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

IV. Detailed Notes on All Funds and Component Unit (Continued)

G. Restricted Net Assets and Restricted Asset Accounts (Continued)

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	Accrued Interest and Other Receivables
Customer Deposits	\$ 226,945	\$ 525,567	\$ -
Notes Receivable	-	-	55,900
Total Restricted Assets	\$ 226,945	\$ 525,567	\$ 55,900

V. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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, 2011. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

B. 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.

C. Water Storage Commitments

During the year, a supplemental agreement with the United States of America for water storage space in Pat Mayse Lake (the Project) was executed. As a result, the City has the right to utilize an undivided 100% of the usable conservation storage space in the project between elevations 451 feet and 415 feet above sea level which is estimated at 109,600 acre feet. For a payment of \$3,461,432, the City paid off the liability for existing space and acquired the rights to the final 60% storage space. 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

D. Water Sales

The City has contracts extending for several years to sell treated and untreated water to five entities. Total water sales under these contracts to these entities during the year ended September 30, 2011, were approximately \$3,703,000.

The City has an agreement with a commercial dairy to furnish a supply of potable water up to 1,500,000 gallons per day for a twenty year term. At September 30, 2011, the dairy was under construction.

E. Civic Center Contract

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, 2011, 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.

F. Contingent Liabilities, Commitments, and Subsequent Events

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.

Management has evaluated subsequent events through the date of the report, the date on which the financial statements were available to be issued.

PEDC has extended several incentive agreements to various companies:

- (1) Call center facility - The agreement expires December 31, 2012, and is payable periodically over the life of the contract. The amount of the incentive is based on the number of employees and a reimbursement for equipment purchased and tenant improvement. The contract also provides for refunds should a default by the company occur. Remaining commitment at September 30, 2011, is \$100,000.
- (2) Warehouse company - Company is to create 35 new jobs providing an incentive amount of \$105,000.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

F. Contingent Liabilities, Commitments, and Subsequent Events (Continued)

- (3) Commercial dairy - Facility is not yet operating but the incentive is to provide reimbursement (beginning in the sixth year of operation) for the difference in a flat water rate and the amount actually charged for five years. This amount is estimated to be \$664,300.
- (4) Soup manufacturer - The incentive is to participate in the cost of a solar storage structure to the extent of \$100,000.
- (5) Bumper manufacturer - Company is to create 20 new jobs providing an incentive amount of \$100,000.
- (6) Retail and office structure - Incentive is to participate in reimbursement of sewer line construction to the extent of \$250,000.

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.

In September 2011, the Board of Directors approved a \$2,000,000 revolving line of credit with a bank for future economic development projects. The note is dated September 14, 2011, and bears interest at 1.29% which is due monthly. The principal is due in one payment on September 12, 2012, and is secured by sales tax revenues and other income received by PEDC except that portion of income currently obligated or subsequent bond issued as contemplated by the Series 2010 bonds. The interest rate is subject to change based on changes in an independent index and the rate charged is to be 1.96% under the index which at September 12, 2011, was 3.25%. The note documents also provide for right of setoff by the lender in all accounts the lender holds and other restrictions pertaining to issuance of additional debt, maintenance of liquidity, and furnishing of financial information. At September 30, 2011, no funds have been advanced under this line of credit.

PEDC has an agreement for office space and other items with the Lamar County Chamber of Commerce which expires September 30, 2013, and which provides for payment of an annual service fee of \$60,000.

Subsequent to year end, the Board of Directors approved a commitment of \$1,500,000 supporting funding of the expansion to four-lane of State Highway 24 in Delta County, Texas, to be paid over an amortized twenty years.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (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 City's contributions are financed on a pay-as-you-go basis and for the year ended September 30, 2011, the contributions were approximately \$129,000 for 24 retired employees. An additional 22 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.

Actuarial information as of September 30, 2011:

Development of the Annual Required Contribution

	2009	2010	2011
Employer Normal Cost	\$ 16,423	\$ 20,637	\$ 73,791
Amortization of UAAL	121,843	121,843	143,761
Annual Required Contribution (ARC)	<u>\$ 138,266</u>	<u>\$ 142,480</u>	<u>\$ 217,552</u>
Percentage Contributed	86%	76%	68%
Amount of Contribution	\$ 118,747	\$ 108,331	\$ 147,885
Interest on Net Obligation	\$ -	\$ 878	\$ 2,415
ARC Adjustment	\$ -	\$ 814	\$ 3,397
Increase in Net Obligation	\$ 19,519	\$ 34,149	\$ 68,684
Net Obligation	\$ 19,519	\$ 53,668	\$ 122,352

The ARC for 2009 and 2010 has been calculated to remain at a level dollar amount and the unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 15 years. For 2011, a closed amortization period for the unfunded actuarial accrued liabilities is 27 years, which is appropriate because the plan has no benefits to employees hired after October 1, 2004. Inflation rate assumption is 3%, healthcare cost trend rate is 3%, and the rate of investment return is 4.5%. The actuarial calculation for the plan reflects a long-term perspective. The *Projected Unit Credit Cost Method* was used in the valuation. The actuarial present value of benefits allocated to the valuation year is the Normal Cost. The actuarial present value of benefits allocated to all prior periods is the Actuarial Accrued Liability. Actuarial gains (losses) as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability. The City's subsidy for a retiree covered by the plan is assumed to increase 3%. Rates of salary increase vary from 3.5% to 5.25% based on years of service.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

G. Postemployment Benefits Other Than Pensions (Continued)

Determination of Unfunded Actuarial Accrued Liability

	December 31,		
	2009	2010	2011
Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$ 1,028,420	\$ 1,028,420	\$ 765,003
ii) Vested Terminated Members	-	-	-
iii) Active Members	483,343	483,343	2,149,810
Total Present Value of Future Benefits	<u>1,511,763</u>	<u>1,511,763</u>	<u>2,914,813</u>
Present Value of Future Normal Costs	<u>173,995</u>	<u>173,995</u>	<u>643,893</u>
Actuarial Accrued Liabilities	<u>\$ 1,337,768</u>	<u>\$ 1,337,768</u>	<u>\$ 2,270,920</u>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Unfunded Actuarial Accrued Liability	\$ 1,337,768	\$ 1,337,768	\$ 2,270,920
Funded Ratio	0.00%	0.00%	0.00%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of New Assets. The discount rate used is 4.5%.

The City intends to obtain an actuarial evaluation of the plan every two years. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

H. Deferred Compensation Plan

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

V. Other Information (Continued)

I. Employee Retirement Systems and Plans

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

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees (except firefighters) through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), 1 of 837 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

Benefits

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. 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Benefits (Continued)

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:

Deposit Rate:	6%
Matching Ratio (City to Employees):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City.

The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 years/age 60
20 years/any age

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit and Annuity Increases. The employer contribution rate cannot exceed a statutory maximum rate, which is a function of the employee contribution rate and the City matching percentage. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year closed amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. For actuarial valuation, the market related method is used for assets. Other assumptions include no cost-of-living adjustments, projected salary increases vary by age and service, inflation at 3%, and the investment rate of return is 7.0%. The level percent of payroll is the amortization method used.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Contributions (Continued)

During the past three fiscal years, the City has contributed 100% of its annual pension cost as follows: 2010 - \$1,195,726, 2009 - \$1,204,639, and 2008 - \$1,278,809. At September 30, 2009, 2010, and 2011, the net pension obligation is zero.

Schedule of Funding Progress

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Liability as a Percentage of Covered Payroll
2008	\$ 24,480,444	\$ 30,338,881	\$ 5,858,437	80.7%	\$ 10,784,615	54.3%
2009	25,841,641	31,658,754	5,817,113	81.6	10,635,564	54.7
2010	42,636,949	43,396,366	759,417	98.3	11,352,419	6.7

During the year 2011, state law changed the fund structure of TMRS and a reserve fund previously not included in the calculation of the funded ratio or calculated contributions was combined with other funds to form one Benefit Accumulation Fund. As allowed by the new law, the Actuarial Valuation as of December 31, 2010 reflects the combination of funds and any other effects of the law.

Restructuring TMRS accounts produces a more efficient funding structure that:

- Reduces year-to-date volatility in city contribution rates.
- Eliminates the leverage that existed in the former three-fund structure.
- Reduces the downside risk of adverse investment returns on city accounts.
- Removes the need to maintain a substantial percentage of assets as a reserve.
- Results in lower contribution rates for most cities.
- Improves actuarial funding ratios for most cities.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

V. Other Information (Continued)

I. 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 under 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." 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 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 .08% (2009) and .08% (2010) and .08% (2011).

2. Firefighters' Relief and Retirement Fund

Plan Description

The Paris Firefighter's 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.

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 12% of pay.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Eligibility (Continued)

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.

The fund was amended effective January 1, 2009.

The City's annual required contribution to the plan for fiscal year 2011 was based on a payroll of \$2,323,265 and amounted to \$278,792. Covered employees made contributions of \$278,792. The plan covers 38 retirees and beneficiaries, 25 fully vested active employees, and 29 nonvested active employees.

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.

Annual Pension Cost

The actuarial valuation date used to determine the Annual Required Contribution for the year ended September 30, 2011, and the most current available information required for disclosure under Paragraph 22 of GASB Statement No. 27 is January 1, 2011. The actuarial cost method used in the January 1, 2011, 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. The valuation measures the actuarial balance between the present value of future benefits and the sum of (i) the present value of future contributions and (ii) the actuarial value of assets. The plan is not subject to the minimum funding requirements of Internal Revenue Code Section 430. There has been no change in the actuarial cost method since the last actuarial valuation.

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Annual Pension Cost (Continued)

The actuarial assumptions used in the actuarial valuation performed as of January 1, 2011, include a rate of return on the actuarial value of assets of 8% per year compounded annually; UP 1994 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. The amortization of the unfunded actuarial accrued liability was determined as a level percentage of payroll. The amortization period is an open amortization period over 27.9 years.

The actuarial value of assets is smoothed market value which smoothes interest and dividends as well as investment gains and losses. Calculation of the actuarial value of assets begins with an "initial asset value."

The initial asset value is the market value of assets five years prior to the valuation date. All receipts from contributions, interest, dividends, and miscellaneous income over the last five years are added to the initial asset value. Likewise, all benefit payments, contribution refunds, and expenses are subtracted from the initial asset value. In this manner, all such receipts and disbursements are recognized immediately.

	January 1,		
	2007	2009	2011
Actuarial Value of Assets	\$ 6,901,424	\$ 6,144,348	\$ 6,736,683
Actuarial Accrued Liability (AAL)	11,368,809	12,179,917	12,964,325
Unfunded AAL (UAAL)	<u>\$ 4,467,385</u>	<u>\$ 6,035,569</u>	<u>\$ 6,227,642</u>
Funded Ratio	60.7%	50.4 %	52.0%
Covered Payroll	\$ 1,781,420	\$ 2,035,271	\$ 2,196,182
UAAL as a Percentage of Covered Payroll	250.8%	296.5%	283.6%

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Annual Pension Cost (Continued)

Development of the Actuarial Value of Assets

	December 31,		
	2008	2009	2010
Market Value as of January 1	\$ 7,158,898	\$ 5,120,290	\$ 6,036,399
Contributions, Interest and Dividends			
Contributions by the City	306,216	289,868	277,875
Contributions by Members	262,283	289,868	277,875
Dividends and Interest	272,515	178,460	176,181
Other	21,835	1,763	1,869
	<u>862,849</u>	<u>759,959</u>	<u>733,800</u>
Disbursements			
Benefits Paid Monthly	809,723	717,912	882,185
Administrative Expenses	68,702	92,250	100,952
Contributions Refunded	34,129	48,460	35,511
	<u>912,554</u>	<u>858,622</u>	<u>1,018,648</u>
Net Realized and Unrealized Gains and Losses			
Realized Gains (Losses)	(431,974)	(362,736)	76,309
Unrealized Gains (Losses)	(1,556,929)	1,377,508	443,842
	<u>(1,988,903)</u>	<u>1,014,772</u>	<u>520,151</u>
Market Value as of December 31	5,120,290	<u>\$ 6,036,399</u>	6,271,702
Adjustments to Develop Actuarial Value, Net	<u>1,024,058</u>		<u>464,981</u>
Actuarial Value of Assets	<u>\$ 6,144,348</u>		<u>\$ 6,736,683</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2011

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Other Information – Most Current Available

	December 31,		
	2009	2010	2011
Annual Pension Cost	\$ 275,556	\$ 279,411	\$ 246,388
Actual Employer Contributions	290,747	278,862	278,792
Change in Net Pension Balance	(15,191)	549	(32,404)
Net Pension Balance Prior Year	317,809	333,000	332,451
Net Pension Balance Current Year	<u>\$ 333,000</u>	<u>\$ 332,451</u>	<u>\$ 364,855</u>
Annual Required Contribution	\$ 283,263	\$ 287,486	\$ 254,450
Interest on Net Pension Balance	\$ 25,425	\$ 26,640	\$ 26,596
Adjustment to the ARC	\$ 17,718	\$ 18,565	\$ 18,534

Nonmajor Governmental Funds

Special Revenue

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

Criminal Justice Division Grant - This fund accounted for funds received and expended in connection with the City's multi-agency narcotics task force and was not active during the year and has been closed.

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.

Health Department - This fund accounts for funds received primarily from federal, state, another local entity, and local fees. Employees of the fund are responsible for protecting the public health through immunization programs, operation of a health clinic, health inspections, restaurant inspections, food handlers training, mosquito control, well baby clinics, and family planning programs.

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, 2011

	Special Revenue				
	Criminal Justice Division Grant	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds
<u>ASSETS</u>					
Cash	\$ -	\$ 274,952	\$ 133,752	\$ 47,374	\$ 123,249
Investments	-	-	-	-	-
Notes Receivable	-	55,900	-	-	-
Due from Other Funds	-	-	-	56,204	-
Due from Other Governments	-	161,690	-	165,151	-
Total Assets	\$ -	\$ 492,542	\$ 133,752	\$ 268,729	\$ 123,249
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts Payable	\$ -	\$ 74,192	\$ 1,385	\$ -	\$ -
Deferred Revenue	-	-	-	53,340	-
Total Liabilities	-	74,192	1,385	53,340	-
Fund Balances					
Non-Spendable					
Permanent Fund Principal	-	-	-	-	-
Restricted for:					
Notes	-	95,900	-	-	-
Law Enforcement	-	-	132,367	-	-
Health	-	-	-	215,389	-
Assigned:					
Library	-	-	-	-	123,249
Community Development	-	322,450	-	-	-
Total Fund Balances	-	418,350	132,367	215,389	123,249
Total Liabilities and Fund Balances	\$ -	\$ 492,542	\$ 133,752	\$ 268,729	\$ 123,249

Total	Permanent Library Trust Funds	Total Nonmajor Governmental Funds
\$ 579,327	\$ 307	\$ 579,634
-	88,213	88,213
55,900	-	55,900
56,204	-	56,204
326,841	-	326,841
\$ 1,018,272	\$ 88,520	\$ 1,106,792
\$ 75,577	\$ -	\$ 75,577
53,340	-	53,340
128,917	-	128,917
-	88,520	88,520
95,900	-	95,900
132,367	-	132,367
215,389	-	215,389
123,249	-	123,249
322,450	-	322,450
889,355	88,520	977,875
\$ 1,018,272	\$ 88,520	\$ 1,106,792

City of Paris, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue					Total
	Criminal Justice Division Grant	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds	
Revenues:						
Memorial Donations	\$ -	\$ -	\$ -	\$ -	\$ 2,873	\$ 2,873
Interest Earned	49	5,883	1,061	-	2,193	9,186
Grant Revenue	-	309,220	-	671,018	-	980,238
Local Revenue	12,354	-	27,943	235,730	-	276,027
Total Revenues	<u>12,403</u>	<u>315,103</u>	<u>29,004</u>	<u>906,748</u>	<u>5,066</u>	<u>1,268,324</u>
Expenditures:						
Municipal Court	-	-	18,277	-	-	18,277
Community Development	-	310,221	-	-	-	310,221
Police	-	-	12,115	-	-	12,115
Health	-	-	-	908,339	-	908,339
Library	-	-	-	-	3,070	3,070
Total Expenditures	<u>-</u>	<u>310,221</u>	<u>30,392</u>	<u>908,339</u>	<u>3,070</u>	<u>1,252,022</u>
Excess of Revenues Over (Under) Expenditures	12,403	4,882	(1,388)	(1,591)	1,996	16,302
Other Financing Uses - Transfers Out	<u>(36,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,462)</u>
Net Changes in Fund Balances	(24,059)	4,882	(1,388)	(1,591)	1,996	(20,160)
Fund Balances - Septembers 30, 2010	<u>24,059</u>	<u>413,468</u>	<u>133,755</u>	<u>216,980</u>	<u>121,253</u>	<u>909,515</u>
Fund Balance - Septembers 30, 2011	<u>\$ -</u>	<u>\$ 418,350</u>	<u>\$ 132,367</u>	<u>\$ 215,389</u>	<u>\$ 123,249</u>	<u>\$ 889,355</u>

<u>Permanent</u>	<u>Total</u>
Library Trust Funds	Nonmajor Governmental Funds
\$ -	\$ 2,873
1,956	11,142
-	980,238
-	276,027
<u>1,956</u>	<u>1,270,280</u>
-	18,277
-	310,221
-	12,115
-	908,339
-	3,070
<u>-</u>	<u>1,252,022</u>
1,956	18,258
<u>-</u>	<u>(36,462)</u>
1,956	(18,204)
<u>86,564</u>	<u>996,079</u>
<u>\$ 88,520</u>	<u>\$ 977,875</u>

City of Paris, Texas
 Criminal Justice Division Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended September 30, 2011

Schedule 3

Revenues:		
Local Revenue	\$	12,354
Interest Earned		49
Total Revenues		<u>12,403</u>
 Excess Revenues Over Expenditures		 12,403
 Other Financing Uses -		
Transfers Out		<u>36,462</u>
 Net Changes in Fund Balance		 (24,059)
 Fund Balance - September 30, 2010		 <u>24,059</u>
 Fund Balance - September 30, 2011	\$	 <u><u>-</u></u>

City of Paris, Texas
 Community Development Block Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended September 30, 2011

Schedule 4

Revenues:	
Interest Earned	\$ 5,883
Grant Revenue	309,220
Total Revenues	<u>315,103</u>
Expenditures:	
Community Development	<u>310,221</u>
Total Expenditures	<u>310,221</u>
Excess Revenues Over Expenditures	4,882
Fund Balance - September 30, 2010	<u>413,468</u>
Fund Balance - September 30, 2011	<u><u>\$ 418,350</u></u>

City of Paris, Texas
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2011

Schedule 5

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest Earned	\$ -	\$ -	\$ 1,061	\$ 1,061
Local Revenue	65,850	65,850	27,943	(37,907)
Total Revenues	<u>65,850</u>	<u>65,850</u>	<u>29,004</u>	<u>(36,846)</u>
Expenditures:				
Municipal Court	144,000	144,000	18,277	125,723
Police Department	70,000	70,000	12,115	57,885
Total Expenditures	<u>214,000</u>	<u>214,000</u>	<u>30,392</u>	<u>183,608</u>
Excess Revenues Over (Under) Expenditures	(148,150)	(148,150)	(1,388)	146,762
Fund Balance - September 30, 2010	<u>133,755</u>	<u>133,755</u>	<u>133,755</u>	<u>-</u>
Fund Balance - September 30, 2011	<u>\$ (14,395)</u>	<u>\$ (14,395)</u>	<u>\$ 132,367</u>	<u>\$ 146,762</u>

City of Paris, Texas
 Health Department Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2011

Schedule 6

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Grant Revenue	\$ 698,129	\$ 698,129	\$ 671,018	\$ (27,111)
Local Revenue	272,444	272,444	235,730	(36,714)
Total Revenues	<u>970,573</u>	<u>970,573</u>	<u>906,748</u>	<u>(63,825)</u>
Expenditures:				
Health	<u>970,573</u>	<u>970,573</u>	<u>908,339</u>	<u>62,234</u>
Total Expenditures	<u>970,573</u>	<u>970,573</u>	<u>908,339</u>	<u>62,234</u>
Excess Revenues Over (Under) Expenditures	-	-	(1,591)	(1,591)
Fund Balance - September 30, 2010	<u>216,980</u>	<u>216,980</u>	<u>216,980</u>	<u>-</u>
Fund Balance - September 30, 2011	<u>\$ 216,980</u>	<u>\$ 216,980</u>	<u>\$ 215,389</u>	<u>\$ (1,591)</u>

City of Paris, Texas
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2011

Schedule 7

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Ad Valorem Taxes	\$ 1,417,164	\$ 1,417,164	\$ 1,483,577	\$ 66,413
Interest Earned	-	-	10,289	10,289
Total Revenues	<u>1,417,164</u>	<u>1,417,164</u>	<u>1,493,866</u>	<u>76,702</u>
Expenditures:				
Bond Principal Retirement	935,800	935,800	935,800	-
Interest and Fiscal Charges	480,448	480,448	480,448	-
Total Expenditures	<u>1,416,248</u>	<u>1,416,248</u>	<u>1,416,248</u>	<u>-</u>
Excess Revenues Over Expenditures and Net Changes in Fund Balances	916	916	77,618	76,702
Fund Balance - September 30, 2010	<u>2,628,654</u>	<u>2,628,654</u>	<u>2,628,654</u>	<u>-</u>
Fund Balance - September 30, 2011	<u>\$ 2,629,570</u>	<u>\$ 2,629,570</u>	<u>\$ 2,706,272</u>	<u>\$ 76,702</u>

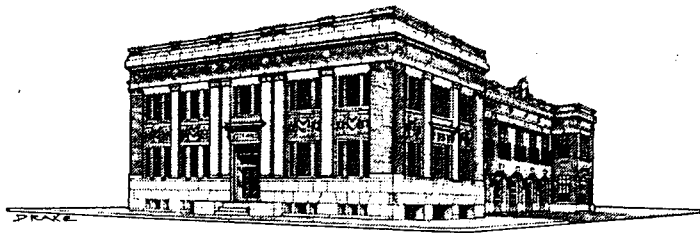
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

From Inception and For the Year Ended September 30, 2011

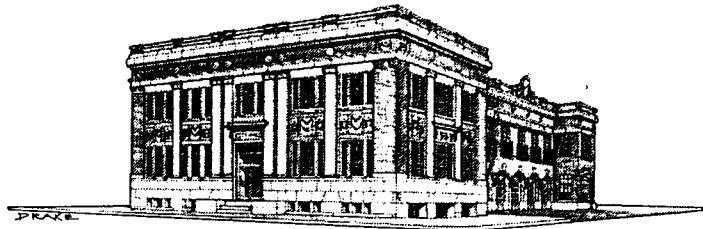
	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Investment Income	\$ 14,911	\$ 16,412	\$ 31,323	\$ -
Total Revenues	<u>14,911</u>	<u>16,412</u>	<u>31,323</u>	<u>-</u>
Expenditures:				
City Council	2,415	25,556	27,971	2,420
City Attorney	9,948	5,000	14,948	15,000
Fire	131,970	-	131,970	132,000
Community Development	79,684	-	79,684	72,800
Engineering	17,867	-	17,867	17,870
Public Works	5,160	-	5,160	5,165
Parks and Recreation	221,436	2,516	223,952	229,005
Solid Waste	254,322	-	254,322	254,350
Streets and Highways	910,878	1,676,847	2,587,725	3,314,380
Traffic and Public Lighting	81,833	-	81,833	90,100
Garage	20,227	-	20,227	20,500
Emergency Medical Service	75,581	-	75,581	75,585
Library	2,415	-	2,415	2,420
Bond Issue Costs	41,157	-	41,157	-
Total Expenditures	<u>1,854,893</u>	<u>1,709,919</u>	<u>3,564,812</u>	<u>4,231,595</u>
Excess of Revenues Over (Under) Expenditures	(1,839,982)	(1,693,507)	(3,533,489)	(4,231,595)
Other Financing Sources (Uses):				
Transfers In	2,403,705	-	2,403,705	2,403,705
Transfers Out	(955,094)	(370,312)	(1,325,406)	(1,325,406)
Certificates of Obligation Issued	<u>3,005,000</u>	<u>-</u>	<u>3,005,000</u>	<u>3,005,000</u>
Net Changes in Fund Balance	<u>\$ 2,613,629</u>	<u>(2,063,819)</u>	<u>\$ 549,810</u>	<u>\$ (148,296)</u>
Fund Balance, September 30, 2010		<u>2,783,934</u>		
Fund Balance, September 30, 2011		<u>\$ 720,115</u>		

The CITY OF PARIS



CAPITAL ASSETS USED IN
THE OPERATION OF GOVERNMENTAL FUNDS

The CITY OF PARIS



City of Paris, Texas
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 September 30, 2011 and 2010

Schedule 9

	2011	2010
Governmental Funds Capital Assets:		
Land	\$ 5,912,108	\$ 5,912,108
Buildings	15,430,302	15,430,302
Improvements Other Than Buildings	5,645,638	5,030,260
Machinery and Equipment	17,614,232	17,852,086
Infrastructure	39,081,870	36,391,488
Construction in Progress	342,635	1,162,124
Total Governmental Funds Capital Assets	\$ 84,026,785	\$ 81,778,368
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 57,990,426	\$ 57,723,855
Capital Projects Funds	20,722,078	19,045,232
Donations	5,314,281	5,009,281
Total Investments in Governmental Funds Capital Assets by Source	\$ 84,026,785	\$ 81,778,368

City of Paris, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2011

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
General Government:				
Council	\$ 339,906	\$ 2,457,709	\$ 93,522	\$ 571,904
Manager	-	-	-	10,187
Attorney	-	-	9,948	113,768
Clerk	-	14,737	-	71,230
Finance	-	-	-	395,261
Total General Government	<u>339,906</u>	<u>2,472,446</u>	<u>103,470</u>	<u>1,162,350</u>
Public Safety:				
Police	619,585	5,911,262	781,775	3,377,609
Fire	159,268	2,189,378	131,969	2,626,695
Total Public Safety	<u>778,853</u>	<u>8,100,640</u>	<u>913,744</u>	<u>6,004,304</u>
Public Works:				
Community Development	3,299,676	-	377,509	161,691
Engineering	-	10,747	-	193,062
Public Works	125,543	-	-	842,073
Parks and Recreation	112,230	92,268	3,250,024	880,400
Solid Waste	626,395	-	42,079	1,382,553
Streets and Highways	138,590	88,220	80,192	2,050,297
Traffic and Public Lighting	-	-	-	189,023
Garage	-	95,121	-	84,966
Other Unclassified	-	-	52,361	65,884
Total Public Works	<u>4,302,434</u>	<u>286,356</u>	<u>3,802,165</u>	<u>5,849,949</u>
Emergency Medical Service	-	94,177	6,200	2,284,706
Cox Field	429,120	3,428,970	741,517	221,929
Library	61,795	1,047,713	78,542	2,090,994
Total Governmental Funds Capital Assets	<u>\$ 5,912,108</u>	<u>\$ 15,430,302</u>	<u>\$ 5,645,638</u>	<u>\$ 17,614,232</u>

<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 3,463,041
-	10,187
-	123,716
-	85,967
-	395,261
-	4,078,172
-	10,690,231
-	5,107,310
-	15,797,541
-	3,838,876
-	203,809
-	967,616
-	4,334,922
-	2,051,027
39,081,870	41,439,169
-	189,023
-	180,087
-	118,245
39,081,870	53,322,774
-	2,385,083
-	4,821,536
-	3,279,044
<u>\$ 39,081,870</u>	<u>\$ 83,684,150</u>

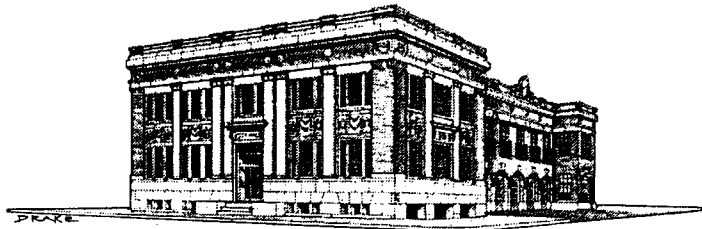
City of Paris, Texas
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended September 30, 2011

Schedule 11

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets September 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets September 30, 2011</u>
General Government:				
Council	\$ 3,383,490	\$ 79,551	\$ -	\$ 3,463,041
Manager	10,187	-	-	10,187
Attorney	123,716	-	-	123,716
Clerk	85,967	-	-	85,967
Finance	395,261	-	-	395,261
Total General Government	<u>3,998,621</u>	<u>79,551</u>	<u>-</u>	<u>4,078,172</u>
Public Safety:				
Police	10,754,513	81,259	145,541	10,690,231
Fire	5,013,910	93,400	-	5,107,310
Total Public Safety	<u>15,768,423</u>	<u>174,659</u>	<u>145,541</u>	<u>15,797,541</u>
Public Works:				
Community Development	3,473,726	365,150	-	3,838,876
Engineering	211,209	-	7,400	203,809
Public Works	967,616	-	-	967,616
Parks and Recreation	4,192,333	178,149	35,560	4,334,922
Solid Waste	2,051,027	-	-	2,051,027
Streets and Highways	39,004,231	2,690,382	255,444	41,439,169
Traffic and Public Lighting	189,023	-	-	189,023
Garage	186,387	-	6,300	180,087
Other Unclassified	118,245	-	-	118,245
Total Public Works	<u>50,393,797</u>	<u>3,233,681</u>	<u>304,704</u>	<u>53,322,774</u>
Emergency Medical Service	<u>2,354,823</u>	<u>126,850</u>	<u>96,590</u>	<u>2,385,083</u>
Cox Field	<u>4,821,536</u>	<u>-</u>	<u>-</u>	<u>4,821,536</u>
Library	<u>3,279,044</u>	<u>-</u>	<u>-</u>	<u>3,279,044</u>
Total Governmental Funds Capital Assets	<u>\$ 80,616,244</u>	<u>\$ 3,614,741</u>	<u>\$ 546,835</u>	<u>\$ 83,684,150</u>

STATISTICAL SECTION

The CITY OF PARIS



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 property 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 by Component
Last Nine Fiscal Years
(Accrual Basis of Accounting)
Unaudited

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 19,842,402	\$ 19,947,827	\$ 25,293,563	\$ 28,935,168
Restricted	11,014,363	7,549,815	5,089,243	1,249,886
Unrestricted	<u>4,715,567</u>	<u>5,790,128</u>	<u>7,192,467</u>	<u>9,619,009</u>
Total Governmental Activities, Net Assets	<u><u>\$ 35,572,332</u></u>	<u><u>\$ 33,287,770</u></u>	<u><u>\$ 37,575,273</u></u>	<u><u>\$ 39,804,063</u></u>
Business-Type Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 24,433,769	\$ 25,324,447	\$ 24,119,931	\$ 23,590,438
Restricted	5,668,693	3,935,871	3,936,107	2,864,698
Unrestricted	<u>3,675,892</u>	<u>4,592,176</u>	<u>3,487,041</u>	<u>6,282,200</u>
Total Business-Type Activities, Net Assets	<u><u>\$ 33,778,354</u></u>	<u><u>\$ 33,852,494</u></u>	<u><u>\$ 31,543,079</u></u>	<u><u>\$ 32,737,336</u></u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$ 44,276,171	\$ 45,272,274	\$ 49,413,494	\$ 52,525,606
Restricted	16,683,056	11,485,686	9,025,350	4,114,584
Unrestricted	<u>8,391,459</u>	<u>10,382,304</u>	<u>10,679,508</u>	<u>15,901,209</u>
Total Primary Government, Net Assets	<u><u>\$ 69,350,686</u></u>	<u><u>\$ 67,140,264</u></u>	<u><u>\$ 69,118,352</u></u>	<u><u>\$ 72,541,399</u></u>

Table 1

Fiscal Year				
2007	2008	2009	2010	2011
\$ 28,296,810	\$ 27,214,018	\$ 26,663,557	\$ 26,871,917	\$ 25,311,134
1,356,091	2,634,911	952,225	5,454,967	3,958,563
12,344,117	12,724,897	15,119,471	10,358,596	12,801,387
<u>\$ 41,997,018</u>	<u>\$ 42,573,826</u>	<u>\$ 42,735,253</u>	<u>\$ 42,685,480</u>	<u>\$ 42,071,084</u>
\$ 23,735,238	\$ 24,810,704	\$ 26,288,945	\$ 28,883,901	\$ 31,855,910
3,258,469	2,810,233	3,813,439	1,636,722	-
6,530,918	7,362,285	7,237,951	9,815,653	11,416,134
<u>\$ 33,524,625</u>	<u>\$ 34,983,222</u>	<u>\$ 37,340,335</u>	<u>\$ 40,336,276</u>	<u>\$ 43,272,044</u>
\$ 52,032,048	\$ 52,024,722	\$ 52,952,502	\$ 55,755,818	\$ 57,167,044
4,944,480	5,445,144	4,765,664	7,091,689	3,958,563
18,545,115	20,087,182	22,357,422	20,174,249	24,217,521
<u>\$ 75,521,643</u>	<u>\$ 77,557,048</u>	<u>\$ 80,075,588</u>	<u>\$ 83,021,756</u>	<u>\$ 85,343,128</u>

City of Paris, Texas
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
Unaudited

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Government	\$ 2,209,909	\$ 2,275,969	\$ 2,188,590	\$ 1,391,781
Finance	487,253	540,815	515,965	556,076
Public Safety	9,228,741	9,554,945	9,825,404	9,138,101
Public Works	7,500,073	8,102,061	6,957,522	6,826,116
Health	2,881,164	3,724,003	2,904,920	2,889,602
Library Service	1,165,646	917,450	718,779	745,653
Cox Field Airport	253,822	256,149	258,496	264,181
Interest on Long-Term Debt	932,025	1,022,551	627,691	614,799
Total Governmental Activities Expenses	24,658,633	26,393,943	23,997,367	22,426,309
Business-Type Activities:				
Water and Sewer Services	9,647,360	9,997,416	10,554,510	10,912,834
Total Primary Government Expenses	<u>\$ 34,305,993</u>	<u>\$ 36,391,359</u>	<u>\$ 34,551,877</u>	<u>\$ 33,339,143</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 133,746	\$ 125,001	\$ 184,469	\$ 167,032
Public Safety	573,497	485,266	379,992	698,497
Public Works	1,550,057	1,602,974	1,718,241	1,609,895
Health	2,056,370	3,000,742	1,648,008	2,389,663
Library Services	55,910	-	38,960	31,532
Operating Grants and Contributions	2,892,360	3,442,169	2,823,843	1,660,785
Capital Grants and Contributions	-	-	194,227	230,177
Total Governmental Activities Program Revenues	7,261,940	8,656,152	6,987,740	6,787,581
Business-Type Activities:				
Charges for Services:				
Water and Sewer Service	10,412,475	10,929,862	12,160,851	12,879,592
Total Primary Government Program Revenues	<u>\$ 17,674,415</u>	<u>\$ 19,586,014</u>	<u>\$ 19,148,591</u>	<u>\$ 19,667,173</u>

Table 2

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,722,181	\$ 2,076,554	\$ 3,590,461	\$ 2,632,370	\$ 2,890,290
426,485	467,865	449,227	481,106	437,320
9,045,085	9,737,225	9,498,749	10,021,261	9,880,712
7,217,841	7,705,564	6,905,252	7,279,655	7,667,367
2,897,836	3,174,713	3,133,324	3,184,085	3,202,551
690,413	790,216	730,925	751,523	719,240
236,414	262,533	294,089	225,565	220,027
584,861	557,588	507,788	460,678	438,460
22,821,116	24,772,258	25,109,815	25,036,243	25,455,967
10,839,828	10,959,294	11,197,470	10,423,943	10,694,363
<u>\$ 33,660,944</u>	<u>\$ 35,731,552</u>	<u>\$ 36,307,285</u>	<u>\$ 35,460,186</u>	<u>\$ 36,150,330</u>
\$ -	\$ -	\$ -	\$ -	\$ -
806,321	1,029,991	676,229	757,291	606,792
1,626,253	1,690,210	1,693,133	1,709,552	1,775,841
2,406,995	2,710,279	2,638,943	2,595,679	2,608,306
19,601	22,464	21,335	21,123	19,707
1,244,186	1,407,529	1,317,832	1,431,301	1,953,631
25,599	55,152	224,458	355,429	205,628
6,128,955	6,915,625	6,571,930	6,870,375	7,169,905
12,359,516	13,012,253	13,616,713	13,650,486	13,798,137
<u>\$ 18,488,471</u>	<u>\$ 19,927,878</u>	<u>\$ 20,188,643</u>	<u>\$ 20,520,861</u>	<u>\$ 20,968,042</u>

City of Paris, Texas
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
Unaudited

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental Activities	\$(17,396,693)	\$(17,737,791)	\$(17,009,627)	\$(15,638,728)
Business-Type Activities	765,115	932,446	1,606,341	1,966,758
 Total Primary Government, Net Expense	<u>\$(16,631,578)</u>	<u>\$(16,805,345)</u>	<u>\$(15,403,286)</u>	<u>\$(13,671,970)</u>
 General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property	\$ 7,260,943	\$ 7,456,850	\$ 7,733,700	\$ 7,583,269
Sales	4,726,406	4,794,743	5,066,926	5,401,371
Franchise	3,034,049	2,465,130	3,062,589	3,053,671
Hotel Occupancy	310,920	302,334	314,404	396,333
Investment Earnings	155,320	127,251	112,310	342,306
Grants, Donations, and Miscellaneous	-	-	418,603	568
Transfers	(2,603,160)	1,235,454	4,588,598	1,090,000
Special Item	-	(928,533)	-	-
Total Governmental Activities	<u>12,884,478</u>	<u>15,453,229</u>	<u>21,297,130</u>	<u>17,867,518</u>
 Business-Type Activities:				
Investment Earnings	243,952	191,576	70,731	284,899
Contribution	-	593,660	602,111	32,600
Transfers	2,603,160	(1,235,454)	(4,588,598)	(1,090,000)
Special Item	-	(408,088)	-	-
Total Business-Type Activities	<u>2,847,112</u>	<u>(858,306)</u>	<u>(3,915,756)</u>	<u>(772,501)</u>
 Total Primary Government	<u>\$ 15,731,590</u>	<u>\$ 14,594,923</u>	<u>\$ 17,381,374</u>	<u>\$ 17,095,017</u>
 Changes in Net Assets				
Governmental Activities	\$ (4,512,215)	\$ (2,284,562)	\$ 4,287,503	\$ 2,228,790
Business-Type Activities	3,612,227	74,140	(2,309,415)	1,194,257
 Total Primary Government	<u>\$ (899,988)</u>	<u>\$ (2,210,422)</u>	<u>\$ 1,978,088</u>	<u>\$ 3,423,047</u>

Table 2
Continued

Fiscal Year				
2007	2008	2009	2010	2011
\$(16,692,161)	\$(17,856,633)	\$(18,537,885)	\$(18,165,868)	\$(18,095,410)
<u>1,519,688</u>	<u>2,052,959</u>	<u>2,419,243</u>	<u>3,226,543</u>	<u>3,103,774</u>
<u>\$(15,172,473)</u>	<u>\$(15,803,674)</u>	<u>\$(16,118,642)</u>	<u>\$(14,939,325)</u>	<u>\$(14,991,636)</u>
\$ 7,924,453	\$ 7,904,936	\$ 7,794,381	\$ 7,853,487	\$ 7,620,281
5,673,616	5,696,174	6,441,260	5,843,494	6,033,469
3,082,183	2,898,214	2,859,338	2,743,214	2,719,496
430,991	434,441	526,998	500,755	449,213
571,678	399,676	174,636	113,006	84,327
102,195	-	-	-	-
1,100,000	1,100,000	902,699	1,062,139	764,880
-	-	-	-	-
<u>18,885,116</u>	<u>18,433,441</u>	<u>18,699,312</u>	<u>18,116,095</u>	<u>17,671,666</u>
367,601	309,586	212,479	103,220	162,374
-	196,052	628,090	728,317	434,500
(1,100,000)	(1,100,000)	(902,699)	(1,062,139)	(764,880)
-	-	-	-	-
<u>(732,399)</u>	<u>(594,362)</u>	<u>(62,130)</u>	<u>(230,602)</u>	<u>(168,006)</u>
<u>\$ 18,152,717</u>	<u>\$ 17,839,079</u>	<u>\$ 18,637,182</u>	<u>\$ 17,885,493</u>	<u>\$ 17,503,660</u>
\$ 2,192,955	\$ 576,808	\$ 161,427	\$ (49,773)	\$ (636,302)
<u>787,289</u>	<u>1,458,597</u>	<u>2,357,113</u>	<u>2,995,941</u>	<u>2,935,768</u>
<u>\$ 2,980,244</u>	<u>\$ 2,035,405</u>	<u>\$ 2,518,540</u>	<u>\$ 2,946,168</u>	<u>\$ 2,299,466</u>

City of Paris, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 171,248	\$ 217,610	\$ 155,608	\$ 153,043
Unreserved	6,085,946	5,502,760	3,735,128	5,375,749
Total General Fund	<u>\$ 6,257,194</u>	<u>\$ 5,720,370</u>	<u>\$ 3,890,736</u>	<u>\$ 5,528,792</u>
All Other Governmental Funds				
Debt Service and Capital Projects	\$ 10,663,363	\$ 8,071,051	\$ 7,776,342	\$ 4,831,754
Special Revenue Funds	774,466	800,930	909,520	1,006,385
Permanent Funds	76,261	77,454	(196,478)	73,373
Total All Other Governmental Funds	<u>\$ 11,514,090</u>	<u>\$ 8,949,435</u>	<u>\$ 8,489,384</u>	<u>\$ 5,911,512</u>

Table 3

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 118,925	\$ 202,440	\$ 251,411	\$ 215,128	\$ 214,932	\$ 199,519
8,874,883	11,581,136	11,478,815	13,751,446	11,376,619	12,156,169
<u>\$ 8,993,808</u>	<u>\$ 11,783,576</u>	<u>\$ 11,730,226</u>	<u>\$ 13,966,574</u>	<u>\$ 11,591,551</u>	<u>\$ 12,355,688</u>
\$ 997,192	\$ 1,440,583	\$ 2,704,009	\$ 1,008,826	\$ 5,540,873	\$ 3,426,387
908,559	924,573	811,645	792,271	781,230	889,355
76,552	80,468	82,762	84,365	86,564	88,520
<u>\$ 1,982,303</u>	<u>\$ 2,445,624</u>	<u>\$ 3,598,416</u>	<u>\$ 1,885,462</u>	<u>\$ 6,408,667</u>	<u>\$ 4,404,262</u>

City of Paris, Texas
Changes in Fund Balances of Governmental Funds (1)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year		
	2002	2003(2)	2004
Revenues			
Taxes	\$13,748,657	\$15,323,499	\$14,959,510
Licenses and Permits	114,720	80,666	73,163
Fines and Fees	545,236	472,857	501,124
Use of Money and Property	204,846	265,980	247,260
Public Safety	1,800	172,955	208,878
Sanitation Fees	1,382,796	1,349,711	1,346,443
Health	2,844,927	2,043,589	2,246,352
Intergovernmental Revenues	2,197,149	2,715,441	2,493,221
Other	664,848	302,489	852,469
Total Revenues	<u>21,704,979</u>	<u>22,727,187</u>	<u>22,928,420</u>
Expenditures			
General Government	2,340,802	1,577,462	1,612,645
Finance	439,535	476,883	533,799
Public Safety	8,222,361	8,675,218	9,070,046
Public Works	6,004,759	5,957,419	6,473,823
Health Department	747,528	800,717	797,474
Emergency Medical Service	1,824,006	1,790,799	1,844,574
Insurance Trust Fund	-	-	879,643
Library	720,407	1,034,918	795,347
Cox Field Airport	130,929	132,347	133,295
Other	18,460	505,553	484,044
Debt Service			
Interest	531,561	744,280	796,024
Principal	390,000	862,838	1,225,517
Capital Outlay	-	3,664,855	1,833,954
Total Expenditures	<u>21,370,348</u>	<u>26,223,289</u>	<u>26,480,185</u>
Excess of Revenues Over (Under) Expenditures	<u>334,631</u>	<u>(3,496,102)</u>	<u>(3,551,765)</u>
Other Financing Sources (Uses)			
Proceeds of Capital Leases	-	59,980	87,114
Transfers In	1,100,000	1,352,661	1,929,831
Transfers Out	-	(1,062,866)	(694,377)
Certificates of Obligation Issued	-	-	-
Total Other Financing Sources (Uses)	<u>1,100,000</u>	<u>349,775</u>	<u>1,322,568</u>
Increase (Decrease) in Reserve for Inventory	<u>(19,026)</u>	<u>44,848</u>	<u>(60,488)</u>
Net Changes in Fund Balances	<u>\$ 1,415,605</u>	<u>\$ (3,101,479)</u>	<u>\$ (2,289,685)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.67%	7.12%	8.20%

Source: City of Paris

Notes: (1) Includes General and Debt Service Fund for years through 2002

(2) GASB 34 adopted

Table 4

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$16,109,433	\$16,435,160	\$17,116,584	\$16,909,018	\$17,606,479	\$16,941,815	\$16,824,545
98,611	87,137	106,997	101,776	171,906	88,935	112,142
556,895	543,606	571,165	652,804	554,424	526,668	501,601
357,262	493,234	721,799	532,435	317,028	274,986	313,948
230,029	212,729	34,151	67,335	65,283	57,369	40,297
1,361,406	1,287,138	1,488,874	1,319,923	1,306,867	1,347,707	1,461,736
2,083,448	2,489,961	2,935,839	2,646,417	2,583,958	2,621,420	2,578,496
2,272,486	1,867,098	613,665	1,504,435	1,575,080	1,736,611	1,768,322
470,791	247,234	374,545	302,120	221,114	301,069	247,354
<u>23,540,361</u>	<u>23,663,297</u>	<u>23,963,619</u>	<u>24,036,263</u>	<u>24,402,139</u>	<u>23,896,580</u>	<u>23,848,441</u>
1,545,542	1,210,298	966,627	962,561	1,075,990	1,109,767	1,219,607
508,968	549,079	414,080	448,951	430,364	462,282	425,455
9,136,810	8,653,589	8,564,024	9,283,682	9,303,726	9,489,393	9,154,646
5,324,999	5,193,512	5,518,798	5,562,625	5,591,689	5,509,576	7,459,432
844,625	822,734	816,419	925,195	900,945	942,596	908,339
1,862,313	1,890,825	1,979,104	2,128,274	2,111,069	2,095,897	2,146,210
-	-	-	-	-	-	-
601,885	621,327	570,394	675,209	616,148	642,830	630,977
134,542	143,620	117,574	145,052	180,364	112,800	107,276
535,395	60,011	752,256	1,057,566	2,360,244	1,468,366	1,545,147
670,102	622,773	596,043	563,669	518,682	443,618	945,016
1,065,372	864,958	968,598	1,304,230	847,851	871,978	480,448
3,163,974	4,550,646	1,269,778	1,028,778	808,089	2,666,238	815,623
<u>25,394,527</u>	<u>25,183,372</u>	<u>22,533,695</u>	<u>24,085,792</u>	<u>24,745,161</u>	<u>25,815,341</u>	<u>25,838,176</u>
<u>(1,854,166)</u>	<u>(1,520,075)</u>	<u>1,429,924</u>	<u>(49,529)</u>	<u>(343,022)</u>	<u>(1,918,761)</u>	<u>(1,989,735)</u>
-	-	639,650	-	-	-	-
1,799,397	1,152,590	1,984,963	2,764,641	3,359,644	5,338,879	1,176,462
(881,956)	(62,590)	(884,963)	(1,664,641)	(2,456,945)	(4,276,740)	(411,581)
-	-	-	-	-	3,005,000	-
<u>917,441</u>	<u>1,090,000</u>	<u>1,739,650</u>	<u>1,100,000</u>	<u>902,699</u>	<u>4,067,139</u>	<u>764,881</u>
<u>(3,091)</u>	<u>(34,118)</u>	<u>83,515</u>	<u>48,971</u>	<u>(36,283)</u>	<u>(196)</u>	<u>(15,414)</u>
<u>\$ (939,816)</u>	<u>\$ (464,193)</u>	<u>\$ 3,253,089</u>	<u>\$ 1,099,442</u>	<u>\$ 523,394</u>	<u>\$ 2,148,182</u>	<u>\$ (1,240,268)</u>
7.81%	7.74%	7.60%	8.17%	5.46%	5.04%	6.16%

City of Paris, Texas
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
Unaudited

<u>Roll</u>	<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Collection of Current Year's Taxes During Fiscal Year</u>	<u>Percent of Current Levy Collected During Fiscal Year</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>
2001	2001-02	\$6,216,227	\$ 6,099,899	98.13%	\$ 116,629	\$ 6,216,528
2002	2002-03	7,303,340	7,003,492	95.89	107,156	7,110,648
2003	2003-04	7,470,691	7,180,706	96.12	103,943	7,284,649
2004	2004-05	7,762,498	7,422,657	95.62	120,120	7,542,777
2005	2005-06	7,670,001	7,312,326	95.34	98,222	7,410,548
2006	2006-07	7,935,867	7,683,568	96.82	88,710	7,772,278
2007	2007-08	7,952,325	7,696,134	96.78	20,869	7,717,003
2008	2008-09	7,837,300	7,579,213	96.71	57,760	7,636,973
2009	2009-10	7,797,457	7,624,228	97.78	50,588	7,674,816
2010	2010-11	7,651,941	7,418,544	96.95	-	7,418,544

Source:

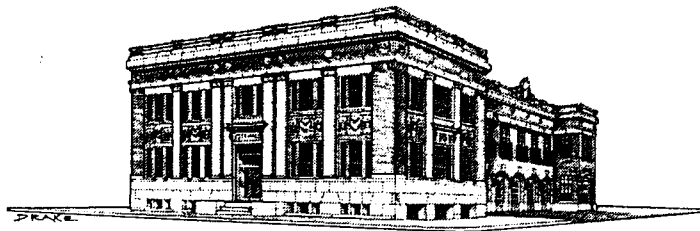
City of Paris
Lamar County Appraisal District

Note:

(1) Taxes stated are for General Fund and Debt Service Funds.

<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>
100.00%	\$ 24,982	.40%
97.36	35,528	.49
97.51	51,167	.69
97.17	62,624	.81
96.62	61,927	.81
97.94	58,942	.74
97.04	62,881	.79
97.44	79,542	1.02
98.43	103,934	1.33
96.95	171,693	2.24

The CITY OF PARIS



City of Paris, Texas
Property Tax Rates-All Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years
Unaudited

Table 6

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
City of Paris										
O&M	\$ 0.51962	\$ 0.56104	\$ 0.57289	\$ 0.57977	\$ 0.56650	\$ 0.49294	\$ 0.46526	\$ 0.43113	\$ 0.42439	\$ 0.41713
I & S	0.09038	0.13396	0.12211	0.11248	0.12575	0.09931	0.09474	0.08887	0.09561	0.10287
Total	<u>\$ 0.61000</u>	<u>\$ 0.69500</u>	<u>\$ 0.69500</u>	<u>\$ 0.69225</u>	<u>\$ 0.69225</u>	<u>\$ 0.59225</u>	<u>\$ 0.56000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>
Lamar County										
O&M	\$ 0.34780	\$ 0.36210	\$ 0.35730	\$ 0.38060	\$ 0.41320	\$ 0.42140	\$ 0.42340	\$ 0.41430	\$ 0.40360	\$ 0.39420
I & S	0.02280	0.01960	0.03170	0.03070	0.02220	0.02150	0.01950	0.01860	0.01900	0.01890
Total	<u>\$ 0.37060</u>	<u>\$ 0.38170</u>	<u>\$ 0.38900</u>	<u>\$ 0.41130</u>	<u>\$ 0.43540</u>	<u>\$ 0.44290</u>	<u>\$ 0.44290</u>	<u>\$ 0.43290</u>	<u>\$ 0.42260</u>	<u>\$ 0.41310</u>
Paris ISD										
O&M	\$ 1.50000	\$ 1.50000	\$ 1.38500	\$ 1.50000	\$ 1.50000	\$ 1.37000	\$ 1.04000	\$ 1.04000	\$ 1.17000	\$ 1.17000
I & S	0.08000	0.09000	0.21800	0.09200	0.08200	0.08200	0.40500	0.40500	0.15500	0.25500
Total	<u>\$ 1.58000</u>	<u>\$ 1.59000</u>	<u>\$ 1.60300</u>	<u>\$ 1.59200</u>	<u>\$ 1.58200</u>	<u>\$ 1.45200</u>	<u>\$ 1.44500</u>	<u>\$ 1.44500</u>	<u>\$ 1.32500</u>	<u>\$ 1.42500</u>
Chisum ISD										
O&M	\$ 1.12000	\$ 1.50000	\$ 1.48000	\$ 1.48000	\$ 1.50000	\$ 1.37000	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.15500	0.15500	0.17500	0.16800	0.16800	0.16400	0.15570	0.20000	0.18000	0.16000
Total	<u>\$ 1.27500</u>	<u>\$ 1.65500</u>	<u>\$ 1.65500</u>	<u>\$ 1.64800</u>	<u>\$ 1.66800</u>	<u>\$ 1.53400</u>	<u>\$ 1.19575</u>	<u>\$ 1.24000</u>	<u>\$ 1.22000</u>	<u>\$ 1.20000</u>
North Lamar ISD										
O&M	\$ 1.31168	\$ 1.41740	\$ 1.46810	\$ 1.45840	\$ 1.45910	\$ 1.33370	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.23870	0.22810	0.17740	0.13060	0.08620	0.08630	0.12811	0.11811	0.10811	0.09650
Total	<u>\$ 1.55038</u>	<u>\$ 1.64550</u>	<u>\$ 1.64550</u>	<u>\$ 1.58900</u>	<u>\$ 1.54530</u>	<u>\$ 1.42000</u>	<u>\$ 1.16816</u>	<u>\$ 1.15811</u>	<u>\$ 1.14811</u>	<u>\$ 1.13650</u>
Paris Junior College										
O&M	\$ 0.16780	\$ 0.17830	\$ 0.19070	\$ 0.19220	\$ 0.19220	\$ 0.19220	\$ 0.19800	\$ 0.18740	\$ 0.18500	\$ 0.18974
I & S	0.00800	0.00210	0.00250	-	-	-	-	-	-	-
Total	<u>\$ 0.17580</u>	<u>\$ 0.18040</u>	<u>\$ 0.19320</u>	<u>\$ 0.19220</u>	<u>\$ 0.19220</u>	<u>\$ 0.19220</u>	<u>\$ 0.19800</u>	<u>\$ 0.18740</u>	<u>\$ 0.18500</u>	<u>\$ 0.18974</u>

City of Paris, Texas
 Assessed and Estimated Actual Value of Property
 Last Ten Fiscal Years
 Unaudited

Roll	Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2001	2001-02	\$ 583,199,505	\$1,287,925,857	\$ 435,837,160	\$ 502,434,580
2002	2002-03	608,127,686	1,242,258,670	442,746,610	512,931,510
2003	2003-04	621,789,647	1,231,490,850	452,957,240	525,642,730
2004	2004-05	660,183,973	1,209,772,832	461,154,820	528,460,080
2005	2005-06	675,842,648	1,236,845,116	432,136,840	501,641,670
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

Sources:
 City of Paris
 Lamar County Appraisal District

Table 7

Exemptions	Total		Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value		
\$ 771,323,772	\$1,019,036,665	\$1,790,360,437	56.92%	0.61000%
704,315,884	1,050,874,296	1,755,190,180	59.87	0.69500
682,386,693	1,074,746,887	1,757,133,580	61.16	0.69500
616,894,119	1,121,338,793	1,738,232,912	64.51	0.69225
630,507,298	1,107,979,488	1,738,486,786	63.73	0.69225
431,693,714	1,339,952,274	1,771,645,988	75.63	0.59225
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

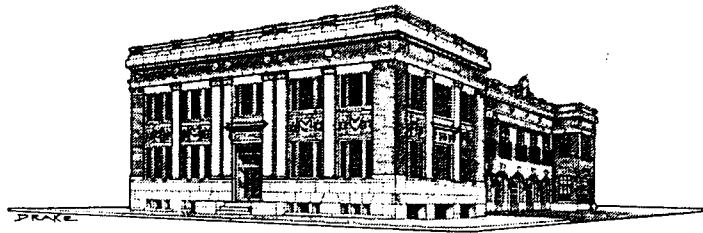
City of Paris, Texas
Principal Property Taxpayers
September 30, 2011 and 2002
Unaudited

Taxpayer	Type of Business	2011		
		Taxable Assessed Value	Rank	Percentage of Total Freeze Adjusted Taxable Assessed Value
Lamar Power Partners	Electric Utility	\$ 199,223,960	1	14.66%
Kimberly-Clark Corp.-A	Disposable Diapers	104,568,245	2	7.70
Campbell Soup-A	Food Manufacturer	37,797,291	3	2.78
Campbell Soup-B	Warehouse	35,315,400	4	2.60
Essent-PRMC-A	Hospital	30,955,371	5	2.28
Paris Generation, LP	Electric Utility	23,702,000	6	1.74
Oncor Electric	Electric Utility	19,316,640	7	1.42
Silgan Can Co.	Can Manufacturer	15,213,190	8	1.12
Essent-PRMC-B	Hospital	13,245,390	9	0.97
Kimberly-Clark Corp.-B	Warehouse	12,100,240	10	0.89
Walmart Stores, Inc.	Retailer	-	-	-
Earthgrains Baking	Food Manufacturer	-	-	-
S.W. Bell Telephone	Telephone Utility	-	-	-
Paris Packaging	Paper Carton Manufacturer	-	-	-
Turner Industries	Pipe Manufacturer	-	-	-
Totals		<u>\$ 491,437,727</u>		<u>36.16%</u>

Table 8

2002		
Taxable		Percentage of Total
Assessed Value	Rank	Taxable Assessed Value
\$ -	-	- %
123,621,910	1	12.13
64,596,460	2	6.34
-	-	-
-	-	-
46,613,400	3	4.57
18,190,550	5	1.78
28,438,740	4	2.79
-	-	-
-	-	-
15,072,490	6	1.48
13,166,680	7	1.29
10,708,500	8	1.05
9,237,000	9	.91
5,186,530	10	.51
<u>\$ 334,832,260</u>		<u>32.85%</u>

The CITY OF PARIS



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

Fiscal Year	Estimated Population	Taxable Assessed Value	Gross General Bonded Debt	Less Debt Service Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt To Assessed Value	Net General Bonded Debt Per Capita
2001-02	26,136	\$1,019,036,665	\$15,485,000	\$ 624,713	\$14,860,287	1.46%	\$ 568.58
2002-03	26,255	1,050,874,296	19,240,000	911,685	18,328,315	1.74	698.09
2003-04	26,374	1,074,746,887	18,235,000	1,087,396	17,147,604	1.60	650.17
2004-05	26,493	1,121,338,793	13,776,800	725,394	13,051,406	1.16	492.64
2005-06	26,612	1,107,979,488	13,054,000	751,574	12,302,426	1.11	462.29
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

Source:
City of Paris

City of Paris, Texas
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Capital Leases	Other	Water and Sewer Bonds	Capital Leases	Other
2002	\$ 15,485,000	\$762,691	\$ 68,784	\$35,605,000	\$ 35,349	\$ 723,370
2003	19,240,000	609,833	62,546	29,565,000	21,329	696,236
2004	18,235,000	476,429	55,996	27,620,000	6,459	668,251
2005	13,776,800	238,734	49,119	29,053,200	-	639,388
2006	13,054,000	103,798	41,897	26,451,000	-	609,619
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	-	-

Source:

City of Paris

(1) Information not available

(2) See Table 14 for personal income and population data

Table 10

<u>Total Primary Government</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita</u>
\$ 52,680,194	4.86%	\$ 2,016
50,194,944	4.44	1,912
47,062,135	4.03	1,784
43,757,241	3.65	1,652
40,260,314	3.15	1,513
37,284,729	2.76	1,395
33,040,689	2.28	1,231
29,127,584	(1)	1,080
27,895,125	(1)	1,030
23,085,000	(1)	911

City of Paris, Texas
 Direct and Overlapping
 Governmental Activities Debt
 September 30, 2011
 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>
City of Paris	\$ 11,918,120	100.00%	\$ 11,918,120
Lamar County	2,816,979	62.75	1,767,654
Paris Independent School District	54,781,863	49.30	27,007,459
Chisum Independent School District	10,420,000	47.75	4,975,550
North Lamar Independent School District	4,000,000	32.67	1,306,800
Paris Junior College	-	-	-
Total Direct and Overlapping Funded Debt	<u>\$ 83,936,962</u>		<u>\$ 46,975,583</u>
Per Capita Direct and Overlapping Funded Debt	<u>\$ 3,312.82</u>		<u>\$ -</u>
Per Capita Direct Debt - See note	<u>\$ -</u>		<u>\$ 1,854.03</u>

Sources:

- Lamar County Appraisal District
- Lamar County
- Paris Independent School District
- Chisum Independent School District
- North Lamar Independent School District
- Paris Junior College

Note: \$11,254,200 debt included in Refunding Bonds will be retired by the Water and Sewer Fund and is not included in the above calculation of Per Capita Direct Debt. The percentage overlap is based on overlapping geographic areas.

City of Paris, Texas
Legal Debt Margin Information
September 30, 2011
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 \$.52 per \$100 valuation for the fiscal year ended September 30, 2011.

Source:
City of Paris

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***	
2001-02	\$ 10,853,869	\$ 6,175,627	\$ 4,678,242	\$ 1,978,056	\$ 767,877	\$ 2,745,933	1.70%
2002-03	10,656,427	5,924,832	4,731,595	1,478,250	529,768	2,008,018	2.36
2003-04	11,715,098	5,791,260	5,923,838	1,726,250	572,654	2,298,904	2.58
2004-05	12,833,693	5,923,360	6,910,333	1,936,880	561,473	2,498,353	2.77
2005-06	13,197,091	6,665,832	6,531,259	1,889,357	504,932	2,394,289	2.73
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	1,250,466	146,298	1,396,764	4.84

Notes:

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

(2)** Operating Expenses Excluding Depreciation

(3)*** Agent Fees Not Included

Sources:

Southwest Securities Official Statement
Rauscher Pierce Refsnes Official Statement
City of Paris CAFR

City of Paris
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 (2)	Percent Unemployment Rate
2001	48,075	\$ 1,072,093,000	\$ 22,300	37.9	12,794	6.7%
2002	49,096	1,083,295,000	22,065	36.9	12,078	8.1
2003	49,480	1,129,645,000	22,830	36.9	12,203	6.5
2004	49,598	1,168,310,000	23,556	37.5	12,272	7.0
2005	49,644	1,197,342,000	24,119	37.5	12,201	6.1
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)	(1)	39.7	13,428	9.7

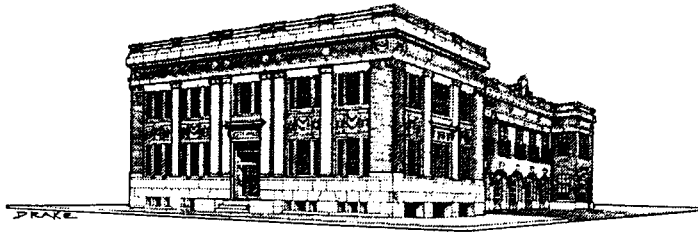
(1) Information not available

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

Sources:

- City of Paris
- Paris Independent School District - 3,679
- North Lamar Independent School District - 2,950
- Chisum Independent School District - 841
- Paris Junior College - 5,958
- Chamber of Commerce
- Bureau of Economic Analysis

The CITY OF PARIS



City of Paris, Texas
Principal Employers (Major Employers)
Fiscal Year End 2011 and 2002
Unaudited

Table 15

Taxpayer	2011			2002 **		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Essent-PRMC	1,000	1	9.28%	1,046	2	9.14%
Campbell Soup	900	2	8.36	1,200	1	10.49
Kimberly-Clark Corp.	800	3	7.43	915	3	8.00
Turner Industries	700	4	6.50	550	6	4.81
TCIM	480	5	4.46	756	5	6.61
We-Pack Logistics	300	6	2.79	133	10	1.16
R K Hall Construction, LTD	250	7	2.32	202	7	1.77
Paris Packaging, Inc.	176	8	1.63	186	8	1.63
Silgan Can Co.	90	9	0.84	-	-	-
T & K Machinery	79	10	0.73	-	-	-
Sara Lee Bakery	-	-	-	757	4	6.62
Rogers-Wade Manufacturing Co.	-	-	-	140	9	1.22
Totals	4,775		44.34%	5,885		51.45%
Public Employers:						
Paris ISD	640					
North Lamar ISD	500					
City of Paris	320					
Paris Junior College	245					
Lamar County	190					
Totals	1,895					

* Essent-PRMC is the hospital resulting from the merging of St. Joseph Hospital and McCuistion Hospital. The employment number for Essent is the combined employment of these two employers. Sara Lee was formerly Earth Grains and Turner Industries was formerly Babcock and Wilcox. Silgan Can was part of Campbell Soup.

** Estimate

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

City of Paris, Texas
 Operating Indicators by Function
 Last Ten Fiscal Years
 Unaudited

GOVERNMENT:
 Date of Incorporation - 1836
 Current Charter - Adopted November 2, 1948

	Fiscal Year			
	2002	2003	2004	2005
FACILITIES:				
Airports:				
Number of Airports	1	1	1	1
Fire Protection:				
Number of Stations	4	4	4	4
Number of Fire Hydrants	1,039	1,042	1,045	1,082
Number of Employees (certified)	56	56	54	48
Employees Per 1,000 Population	2.14	2.13	2.05	1.81
Libraries:				
Number of Libraries	1	1	1	1
Number of Volumes	121,732	123,626	106,687	102,801
Circularization of Materials	347,290	337,947	308,527	210,956
Circulation Per Capita	13.29	12.87	11.70	7.96
Library Cards in Force	26,644	29,247	26,406	15,551
Police Protection:				
Number of Stations	1	1	1	1
Number of Employees (certified)	62	65	62	62
Employees Per 1,000 Population	2.37	2.47	2.35	2.34
Parks and Recreation:				
Parks' Acres Developed	87	87	87	87
Parks' Acres Undeveloped	221	221	221	221
City Parks	24	24	24	24
Streets:				
Paved Lanes - Miles	199	199	199	199
Unpaved Streets - Miles	10	10	10	10
WATER AND SEWER UTILITY:				
Average Daily Water Consumption - Gallons	11,405,367	10,905,049	10,838,754	10,619,268
Maximum Day's Water Consumption - Gallons	20,271,851	17,075,000	16,257,000	18,603,000
Annual Water Consumption - Gallons	4,162,959,000	3,980,343,000	2,966,984,000	3,876,033,000
Water Mains - Miles	190	208	208	208
Water Connections - Metered	10,183	10,294	9,941	9,865
Sewer Mains - Miles	205	195	195	195
Area Miles	42.89	42.89	42.89	42.89
Number of Full-Time Employees	362	369	367	352

Source: City of Paris

Table 16

Fiscal Year						
2006	2007	2008	2009	2010	2011	
1	1	1	1	1	1	1
4	4	3	3	3	3	3
1,078	1,093	1,112	1,173	1,189	1,222	1,222
48	48	48	48	51	51	51
1.80	1.80	1.79	1.77	1.88	2.01	2.01
1	1	1	1	1	1	1
106,955	109,789	106,607	97,243	98,895	90,524	90,524
195,944	187,547	162,278	162,957	159,966	144,830	144,830
7.36	7.02	6.07	6.04	5.90	5.71	5.71
21,164	23,285	12,011	12,011	15,941	13,461	13,461
1	1	1	1	1	1	1
62	63	62	61	62	62	62
2.33	2.35	2.31	2.26	2.28	2.44	2.44
87	87	87	87	87	87	87
221	221	221	221	221	221	221
24	24	24	24	25	24	24
199	171	172	160	171	160	160
10	3	3	3	3	3	3
12,435,000	10,335,000	10,678,976	10,185,500	10,069,000	11,687,000	11,687,000
19,557,000	16,842,000	18,360,000	20,394,000	21,311,000	21,900,000	21,900,000
4,538,690,000	3,774,782,000	3,912,548,000	3,624,429,000	3,675,218,000	4,611,321,000	4,611,321,000
208	183	184	184	183	183	183
9,803	9,979	9,888	9,905	10,076	9,834	9,834
195	189	190	190	197	188	188
42.89	39.18	39.18	39.18	39.18	39.18	39.18
316	319	321	322	322	324	324

City of Paris, Texas
 Capital Asset Statistics by Function
 Last Ten Fiscal Years
 Unaudited

Function:	Fiscal Year			
	2002	2003	2004	2005
Public Safety				
Police				
Stations	1	1	1	1
Patrol Units	11	11	11	11
Fire Stations	4	4	4	4
Sanitation				
Collection Trucks	-	-	-	-
Highways and Streets				
Streets (miles)	209	209	209	209
Streetlights	N/A	N/A	N/A	2,160
Traffic Signals*	-	-	-	-
Culture and Recreation				
Parks' Acreage	308	308	308	308
Swimming Pools - Municipal	1	1	1	1
Tennis Courts	-	-	-	-
Community Centers	1	1	1	1
Water				
Water Mains (miles)	190	208	208	208
Fire Hydrants	1,039	1,042	1,045	1,082
Maximum Daily Capacity (thousands of gallons)	36,000	36,000	36,000	36,000
Sewer				
Sanitary Sewers (miles)	205	195	195	195
Maximum Daily Treatment Capacity (thousands of gallons)	7,250	7,250	7,250	7,250

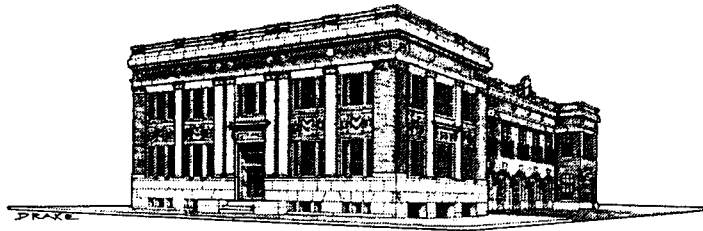
Source: Various City Departments

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

Table 17

Fiscal Year						
2006	2007	2008	2009	2010	2011	
1	1	1	1	1	1	1
11	11	10	10	10	10	10
4	4	4	3	3	3	3
13	8	8	8	8	8	8
209	174	174	160	174	174	174
2,198	2,212	2,224	2,217	2,216	2,220	2,220
-	-	-	-	-	-	-
308	308	308	308	308	308	286
1	1	1	1	1	1	1
14	14	14	14	14	14	14
1	1	1	1	1	1	1
208	183	184	184	184	184	183
1,082	1,093	1,112	1,173	1,189	1,222	1,222
36,000	36,000	36,000	36,000	36,000	36,000	36,000
195	189	190	190	190	189	189
7,250	7,250	7,250	7,250	7,250	7,250	7,250

The CITY OF PARIS



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>
2002	37	\$ 13,476,520	90	\$ 8,862,903	\$ 22,339,423
2003	38	5,092,241	65	7,476,004	12,568,245
2004	26	6,571,777	67	4,420,392	10,992,169
2005	42	15,372,158	47	4,870,500	20,242,658
2006	23	6,682,498	46	3,643,500	10,325,998
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

Source:
 City of Paris

City of Paris, Texas
 Full-Time Equivalent City Government Employees by Function
 Last Ten Fiscal Years
 Unaudited

Function:	Fiscal Year			
	2002	2003	2004	2005
Manager	3.0	3.0	3.0	2.0
Attorney	5.0	5.0	5.0	5.0
Court Clerk	4.0	4.0	4.0	4.0
City Clerk	2.0	2.0	2.0	2.0
Finance	5.0	5.0	5.5	5.5
Police*	80.0	88.0	88.0	86.0
Fire	58.0	57.0	58.0	58.0
Community Development	6.5	6.5	6.5	8.5
Engineering	7.5	6.5	7.5	7.5
Public Works	3.0	4.0	4.0	3.0
Parks & ROW	16.5	15.5	16.5	12.0
Sanitation	17.5	19.5	17.5	17.5
Streets	22.0	22.0	22.0	21.0
Traffic & Lighting	2.5	2.5	2.5	2.5
Garage	6.0	6.0	6.0	4.0
EMS	26.0	26.0	26.0	26.0
Airport	2.0	2.0	2.0	1.0
Library	14.0	15.0	14.0	10.5
Warehouse	2.5	2.5	2.5	2.0
Water Billing	11.0	10.0	10.0	9.0
Water Treatment Plant	17.5	17.5	17.5	16.5
Water Distribution	12.5	12.5	12.5	12.5
Waste Water Collection	7.5	7.5	7.5	7.5
Waste Water Treatment Plant	26.5	25.5	24.5	25.5
Lift Stations	4.0	4.0	3.0	3.0
Information Technology	-	-	-	-
Totals	362.0	369.0	367.5	352.0

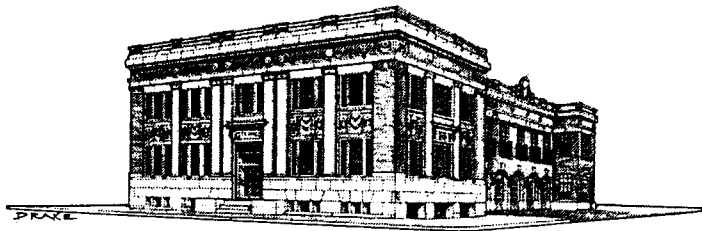
* Includes related grant employees.
 Seasonal employees not included.

Source: City of Paris

Table 19

Fiscal Year					
2006	2007	2008	2009	2010	2011
1.0	1.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	4.0	4.0	4.0
3.0	3.0	3.0	3.0	4.0	4.0
2.0	2.0	3.0	3.0	3.0	3.0
5.5	5.5	5.5	5.5	5.5	6.0
82.0	87.0	85.0	84.0	84.0	84.5
49.0	52.0	52.0	52.0	52.0	52.0
7.5	6.5	6.5	5.5	5.5	7.0
6.5	6.5	6.5	6.5	6.5	6.5
2.5	2.5	2.5	3.0	3.0	3.0
9.0	9.0	9.5	9.5	9.5	9.0
16.5	12.5	12.5	12.0	12.0	12.0
15.0	15.0	15.0	15.0	15.0	15.0
2.0	2.0	2.0	2.0	2.0	2.0
4.0	6.0	6.0	6.0	6.0	5.5
26.0	26.0	26.0	26.0	26.0	26.0
1.0	2.0	1.0	0.0	0.0	0.0
10.5	10.5	11.5	11.5	10.5	10.5
2.0	1.0	2.0	2.0	2.0	2.0
7.0	7.0	7.5	8.0	8.0	8.0
15.5	15.5	15.5	15.5	15.5	15.5
11.5	11.5	11.0	11.5	11.5	11.5
7.5	7.5	7.5	7.5	7.5	7.5
23.5	21.5	22.5	22.5	22.5	22.5
3.0	3.0	3.0	3.0	3.0	3.0
-	1.0	1.0	2.0	2.0	2.0
<u>316.0</u>	<u>320.0</u>	<u>322.5</u>	<u>322.5</u>	<u>322.5</u>	<u>324.0</u>

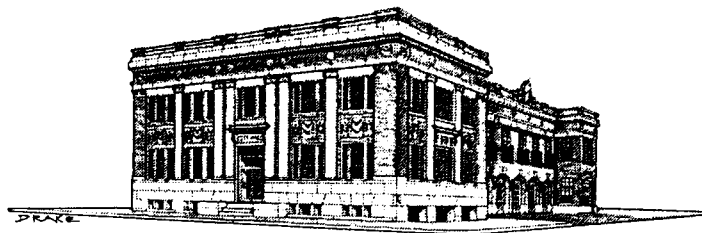
The CITY OF PARIS



CONTINUING DISCLOSURE INFORMATION

(Unaudited)

The CITY OF PARIS



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

ASSESSED VALUATION

TABLE 1

2011-2012 Actual Market Value of Taxable Property (100% of Actual) ^(a)		\$ 2,053,139,804
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$39,531,707	
Disabled and Deceased Veterans' Exemptions	11,277,769	
Productivity Loss	24,375,305	
Partially Exempt Property	109,081	
Freeport	106,826,843	
Pollution Control / Solar	45,725,145	
Abatement Loss	85,671,620	
Cap Loss (10%)	2,633,517	
Historical / Other	589,460	
Totally Exempt Property	<u>274,571,620</u>	<u>591,312,067</u>
2011-2012 Net Taxable Assessed Valuation		1,461,827,737
Less Frozen Taxable Value Loss		<u>102,841,264</u> ^(b)
Freeze Adjusted Net Taxable Assessed Valuation		<u>\$ 1,358,986,473</u>

^(a) See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

^(b) The City adopted the tax freeze for persons 65 years of age or old on November 4, 2008. The 2008 Tax Year values will be used as the "Base Values" and the first freeze loss occurred in the 2009 Tax Year.

Source: Lamar County Appraisal District

GENERAL OBLIGATION BONDED DEBT PRINCIPAL

TABLE 2

General Obligation Debt Principal Outstanding: (As of September 30, 2011)		
Combination Tax and Revenue Certificates of Obligation, Series 2002		\$ 4,015,000
General Obligation Refunding Bonds, Series 2003		2,710,000
General Obligation Refunding Bonds, Series 2010		13,355,000 ^(a)
Combination Tax and Revenue Certificates of Obligation, Series 2010		<u>3,005,000</u>
Total Gross General Obligation Debt Principal Outstanding		<u>23,085,000</u> ^(a)
Less: Self-Supporting General Obligation Debt Principal		
General Obligation Refunding Bonds, Series 2003 (52.00%)		1,409,200
General Obligation Refunding Bonds, Series 2010		
(Excludes that portion of the 2010 Refunded Obligations (Series 2000 COs) used 100% for Gen Fund purposes)		<u>9,845,000</u>
Total Self-Supporting General Obligation Debt Outstanding Following the Issuance of the Bonds		<u>11,254,200</u>
Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Bonds		<u>\$ 11,830,800</u>
General Obligation Interest and Sinking Fund Balance as of September 30, 2011		\$ 2,082,005
Ratio of Gross General Obligation Debt Principal to 2011-2012 Freeze Adjusted Net Taxable Assessed Valuation		1.70%
Ratio of Net General Obligation Debt Principal to 2011-2012 Freeze Adjusted Net Taxable Assessed Valuation		0.87%
2011-2012 Freeze Adjusted Net Taxable Assessed Valuation		\$ 1,358,986,473
Population: 1980 - 25,498; 1990 - 24,699; 2000 - 25,898	Current (Estimate)	25,337
Per Capita 2011-2012 Freeze Adjusted Net Taxable Assessed Valuation		\$ 53,636
Per Capita Gross General Obligation Debt Principal		\$ 911
Per Capita Net General Obligation Debt Principal		\$ 467

^(a) Includes principal amount of \$10,750,000 that was originally issued as water and sewer system revenue bonds and were refunded as general obligation bonds from proceeds of the Series 2010 GO Refunding Bonds.

PRINCIPAL TAXPAYERS 2011

TABLE 3

Name	Type of Property	2011 Net Taxable		% of Total 2011
		Assessed	Valuation	Assessed Valuation
Lamar Power Partners LP	Electric Utility	\$	199,223,960	14.66%
Kimberly Clark Corporation	Disposable Diaper Manufacturing		104,568,245	7.70
Campbell Soup	Food Manufacturing		37,797,291	2.78
Campbell Soup	Warehouse		35,315,400	2.60
Essent PRMC LP	Health Care Services / Hospital		30,955,371	2.28
Paris Generation LP	Utility		23,702,000	1.74
ONCOR Electric Delivery Company	Electric Utility		19,316,640	1.42
Silgan Can Company	Can Manufacturing		15,213,190	1.12
Essent PRMC LP	Health Care Services / Clinic		13,245,390	0.97
Kimberly Clark Corporation	Warehouse		12,100,240	0.89
Total		\$	491,437,727	36.16%

Based on a 2011 Freeze Adjusted Net Taxable Assessed Valuation of \$ 1,358,986,473

Source: Lamar County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS ^(a)

TABLE 4

Tax Year	Net Taxable Assessed Valuation ^(b)	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2002	1,050,874,296	0.69500	7,303,340	95.89%	97.31%	9-30-03
2003	1,074,746,887	0.69500	7,470,691	96.12%	97.40%	9-30-04
2004	1,121,338,793	0.69225	7,762,498	95.62%	97.00%	9-30-05
2005	1,107,979,488	0.69225	7,670,001	95.34%	96.36%	9-30-06
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%	97.25%	9-30-09
2009	1,405,294,035	0.52000	7,797,457	97.78%	97.78%	9-30-10
2010	1,380,460,473	0.52000	7,590,855	97.65% ^(c)	97.65%	9-30-11
2011	1,358,986,473	0.52000	7,551,650	71.69% ^(d)	71.69%	9-30-12

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.

^(a) See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

^(b) 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. Net Taxable Assessed Valuations for tax years 1999 through 2007 are as shown in the City's 2008 Comprehensive Annual Financial Report.

^(c) 2010 Tax Year figures are as of September 30, 2011 (Audited).

^(d) Current 2011 Tax Year figures are as of February 1, 2012.

Source: The Lamar County Appraisal District and the City's 2010 Comprehensive Annual Financial Report.

TAX RATE DISTRIBUTION

TABLE 5

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Fund	\$ 0.41000	\$ 0.41713	\$0.42439	\$0.43113	\$0.46526	\$0.49294	\$0.56650	\$0.57977	\$0.57289
I & S Fund	0.11000	0.10287	0.09561	0.08887	0.09474	0.09931	0.12575	0.11248	0.12211
Total	\$ 0.52000	\$0.52000	\$0.52000	\$0.52000	\$0.56000	\$0.59225	\$0.69225	\$0.69225	\$0.69500

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 fiscal year basis are as follows:

Fiscal Year	Total Collected	1.00% City	0.25% Prop Tax Red	City Collections as	(%) Equivalent of	0.25% EDC
				% of Ad Valorem Tax Levy	Ad Valorem Tax Rate	
2002-03	\$ 5,619,187	\$ 3,746,125	\$ 936,531	64.12%	\$ 0.45	\$ 936,531
2003-04	5,782,790	3,855,193	963,798	64.51%	0.45	963,798
2004-05	6,005,911	4,003,941	1,000,985	64.48%	0.45	1,000,985
2005-06	6,440,845	4,293,897	1,073,474	69.98%	0.48	1,073,474
2006-07	6,727,939	4,485,293	1,121,323	70.65%	0.42	1,121,323
2007-08	6,900,209	4,600,139	1,150,035	72.31%	0.40	1,150,035
2008-09	7,645,512	5,097,008	1,274,252	81.29%	0.42	1,274,252
2009-10	7,012,193	4,674,795	1,168,699	74.94%	0.39	1,168,699
2010-11	7,214,963	4,809,975	1,202,494	78.55%	0.41	1,202,494
2011-12(a)	3,075,024	2,050,016	512,504	33.93%	0.18	512,504

^(a) Collections for Fiscal Year 2011-2012 are through February 29, 2012 (five months only).

Source: State Comptroller of the State of Texas Website.

Note: Fiscal Year sales tax revenue totals represent monthly revenues received from the State by the City from October through September of each fiscal year.

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WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 7

	Fiscal Year Ended September 30						
	2011	2010	2009	2008	2007	2006	2005
Operating Revenues ^(a)							
Water Sales and Taps	\$ 8,336,146	\$ 8,072,440	\$ 7,745,873	\$ 7,641,122	\$ 7,256,997	\$ 7,539,449	\$ 7,069,193
Sewer Charges and Taps	4,951,015	4,968,912	5,172,748	4,714,273	4,711,135	4,886,837	4,670,660
Service Charges	164,094	162,454	163,181	180,081	67,910	60,830	55,759
Industrial Surcharges	94,369	210,511	198,029	169,018	122,719	133,474	161,330
Miscellaneous	175,217	166,440	268,935	239,455	132,144	189,996	134,209
Investment Earnings	162,374	103,220	212,479	309,586	367,601	284,899	70,730
Total Revenues	13,883,215	13,683,977	13,761,245	13,253,535	12,658,506	13,095,485	12,161,881
Expenses ^(b)	7,201,866	6,732,799	7,244,274	6,873,535	6,613,931	6,665,832	5,923,360
Net Revenue Available for Debt Service	\$ 6,681,349	\$ 6,951,178	\$ 6,516,971	\$ 6,380,000	\$ 6,044,575	\$ 6,429,653	\$ 6,238,521
Annual Revenue Bond Requirements	\$ -	\$ 1,088,669	\$ 2,174,545	\$ 2,177,164	\$ 2,182,054	\$ 2,182,496	\$ 2,029,243
Coverage of Annual Revenue Bond Requirements	-	6.39 x	3.00 x	2.93 x	2.77 x	2.95 x	3.07 x
All Obligations Paid from System Revenues	\$ 3,805,992	\$ 1,624,011	\$ 3,948,712	\$ 3,949,633	\$ 3,951,188	\$ 3,955,095	\$ 3,828,166
Coverage of Annual Requirements on all Bonds Paid from System Revenues	1.76 x	4.28 x	1.65 x	1.62 x	1.53 x	1.63 x	1.63 x
Customer Count:							
Water	9,834	9,942	9,901	9,982	9,979	9,803	9,865
Sewer	9,455	9,450	9,441	9,533	9,547	9,363	9,444
^(a) Does not include Sanitation Billing Fees of:	\$ 77,296	\$ 69,729	\$ 67,947	\$ 68,304	\$ 68,611	\$ 69,006	\$ 69,700
^(b) Excludes depreciation							

WATER RATES

TABLE 8

(Rates Effective August 1, 2011)

Residential Class		
Meter Size (Inches)	Base Cost and Additional Cubic Foot Charge (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$9.05 for first 200 Cubic Feet	\$3.06 / 100 Cubic Feet
1" and Larger	\$44.12 for first 1,000 Cubic Feet	\$3.06 / 100 Cubic Feet
Commercial / Industrial Class		
Meter Size (Inches)	Base Cost and Additional Cubic Foot Charge (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$11.32 for first 200 Cubic Feet	\$3.14 / 100 Cubic Feet
1" - 2"	\$45.28 for first 1,000 Cubic Feet	\$2.57 / 100 Cubic Feet
Larger than 2"	\$162.55 for first 3,000 Cubic Feet	\$2.57 / 100 Cubic Feet
Commercial / Industrial Class (Meters Greater Than Three Inches)		
Meter Size (Inches)	Base Cost and Additional Cubic Foot Charge (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
4"	\$2,761.00 for first 100,000 Cubic Feet	\$2.57 / 100 Cubic Feet
6"	\$4,005.00 for first 150,000 Cubic Feet	\$2.57 / 100 Cubic Feet
8" and Larger	\$5,341.00 for first 200,000 Cubic Feet	\$2.57 / 100 Cubic Feet

Source: *The issuer's current Water and Sewer Rates Ordinance*

PRINCIPAL WATER CUSTOMERS 2010-11

TABLE 9

(October 1, 2010 through September 30, 2011) (Unaudited)

Name of Customer	Product	2010-2011 Average Monthly Consumption (Cu Ft.)	2010-2011 Average Monthly Bill
Campbell Soup Company	Soups/Juices/Sauces	13,754,422	\$ 134,346
Lamar County Water Supply	Water District	13,264,013	101,283
Lamar Power Partners ^(a)	Electric Utility	11,637,883	21,543
Paris Generation	Electric Utility	1,287,551	19,815
Kimberly Clark	Disposable Diapers	1,129,817	28,076
Paris Regional Medical Center	Medical Care	410,263	11,399
Paris Housing Authority	Multifamily Housing	190,568	4,821
Sara Lee Bakery	Food	188,275	7,327
MJC Water District	Water District	186,837	4,724
Paris Independent School District	Public School Education	173,106	6,713
Paris Junior College	Higher Education	164,600	4,334
	Totals	42,387,335	\$ 344,381

^(a) *Includes raw water consumption*
 Source: *Information from the issuer*

SEWER RATES

TABLE 10

(Rates August 1, 2011)

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>
5/8" - 3/4"	\$11.11 for first 200 Cubic Feet	\$4.50 / 100 Cubic Feet
1" and Larger	\$51.82 for first 1,000 Cubic Feet	\$4.50 / 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>
5/8" - 3/4"	\$14.80 for first 200 Cubic Feet	\$4.68 / 100 Cubic Feet
1" - 2"	\$51.82 for first 1,000 Cubic Feet	\$4.68 / 100 Cubic Feet
Larger than 2"	\$104.83 for first 2,000 Cubic Feet	\$4.68 / 100 Cubic Feet

Source: The issuer's current Water and Sewer Rates Ordinance

PRINCIPAL SEWER CUSTOMERS 2010-2011

TABLE 11

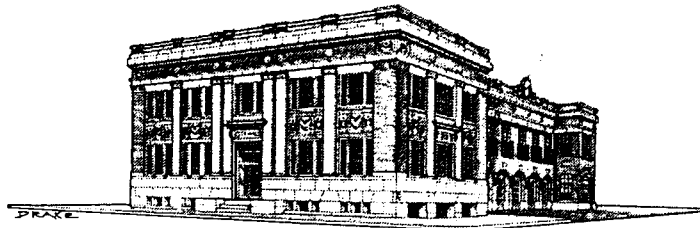
(October 1, 2010 through September 30, 2011) (Unaudited)

<u>Name of Customer</u>	<u>Product</u>	<u>2010-2011 Average Monthly Consumption (Cu Ft.)</u>	<u>2010-2011 Average Monthly Bill</u>
Kimberly-Clark	Disposable Diapers	585,231	\$ 24,721
Paris Regional Medical Center	Medical Care	312,800	13,609
Sara Lee Bakery	Food	188,275	8,188
Paris Housing Authority	Multifamily Housing	190,568	8,105
Texas Highway Department	Public Transportation	141,833	6,035
Paris Junior College	Higher Education	135,150	5,874
Paris Independent School District	Public School Education	91,290	4,098
Bettes Enterprises	Car Wash	89,810	3,807
Lamar County	County Government	85,572	3,654
Lamar County Human Resources	Non-Profit Corp.	85,077	3,626
	Totals	<u>1,905,606</u>	<u>\$ 81,717</u>

Source: Information from the issuer

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

The CITY OF PARIS



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 U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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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 the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paris, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Paris, Texas', basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Paris, Texas', internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paris, Texas', internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Texas', internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Paris, Texas', ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Paris, Texas', financial statements that is more than inconsequential will not be prevented or detected by the City of Paris, Texas', internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Paris, Texas', internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Paris, Texas', financial statements are free of 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

Honorable Mayor and City Council
City of Paris, Texas
Page 2

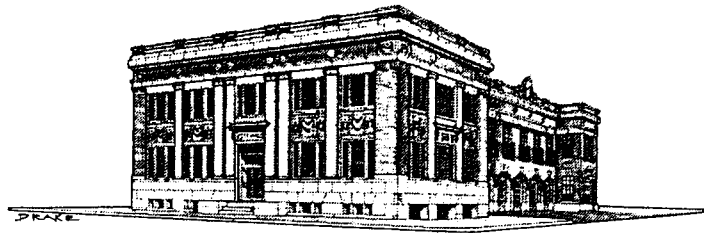
financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

McClanahan and Holmes, LLP
Certified Public Accountants

Paris, Texas
March 29, 2012

The CITY OF PARIS



City of Paris, Texas
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2011

Finding/Recommendation

Current Status

None

City of Paris, Texas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material Weakness(es) identified? _____ yes X no

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable conditions(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Food Program for Women, Infants, and Children
16.579	Edward Byrne Memorial Formula Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

City of Paris, Texas
Corrective Action Plan
For the Fiscal Year Ended September 30, 2011

Not Applicable

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Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Paris, Texas

Compliance

We have audited the compliance of the City of Paris, Texas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Paris, Texas, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the City of Paris, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Texas', internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McClanahan and Holmes, LLP
Certified Public Accountants

Paris, Texas
March 29, 2012

City of Paris, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Department of State Health Services:			
Special Supplemental Food Program for Women, Infants, and Children	10.557	2009-030034	\$ 275,995
Immunization Grants	93.268	2009-028474	106,310
Preventative Health and Health Services Block Grant	93.991	2009-028229	109,843
Maternal and Child Health Services Block Grant to the States	93.994	2009-029467	<u>2,861</u>
Total U.S. Department of Health and Human Services			<u>495,009</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Texas Department of Rural Affairs:			
Community Development Block Grants/ Entitlement Grants	14.218	728056	97,459
HOME Invested Partnerships Program	14.239	1001053 1000930	350 <u>30,000</u>
Total U.S. Department of Housing and Urban Development			<u>127,809</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1323 2008-DJ-BX-0347 2009-DJ-BX-0323	895 9,971 <u>12,070</u>
Total Direct Program			<u>22,936</u>
Passed Through Texas Criminal Justice Division:			
Edward Byrne Memorial Formula Grant Program	16.579	PI-04-A10-18226-02	<u>146,847</u>
Total Passed Through Texas Criminal Justice Division			<u>146,847</u>
Total U.S. Department of Justice			<u>169,783</u>
Total Expenditures of Federal Awards			<u>\$ 792,601</u>

City of Paris, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2011

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Paris, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

During the year, Federal awards did not include non-cash assistance or insurance. At year end, there were no loans or loan guarantees.

City of Paris, Texas
Special Supplemental Food Program
for Women, Infants, and Children
Schedule of Revenues and Expenditures
For the Year Ended September 30, 2011

Federal Financial Assistance

Federal Grantor: United States Department of Health and Human Services

Pass Through Grantor: Texas Department of State Health Services

CFDA Number 10.557

Project Number 2009-030034

Contract Period 10/01/08 - 09/30/09

	<u>Award Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Federal	\$ 288,228	\$ -	\$ 275,995	\$ 275,995	\$ (12,233)
Total Revenues	<u>288,228</u>	<u>-</u>	<u>275,995</u>	<u>275,995</u>	<u>(12,233)</u>
Expenditures:					
Personnel	205,754	-	222,152	222,152	(16,398)
Travel	5,000	-	2,382	2,382	2,618
Supplies	10,000	-	1,742	1,742	8,258
Other	49,474	-	48,665	48,665	809
Indirect Charges	<u>18,000</u>	<u>-</u>	<u>1,054</u>	<u>1,054</u>	<u>16,946</u>
Total Expenditures	<u>288,228</u>	<u>-</u>	<u>275,995</u>	<u>275,995</u>	<u>12,233</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Paris, Texas
Edward Byrne Memorial Formula Grant Program
For the Schedule of Revenues and Expenditures
Year Ended September 30, 2011

Federal Financial Assistance
Federal Grantor: United States Department of Justice
Pass Through Grantor: Texas Criminal Justice Division
CFDA Number
Project Number
Contract Period 10/01/08 - 09/30/09

	Award Budget	Prior Year	Current Year	Total	Variance
Revenues:					
Federal	\$ 167,686	\$ -	\$ 146,847	\$ 146,847	\$ (20,839)
Total Revenues	167,686	-	146,847	146,847	(20,839)
Expenditures:					
Certified Peace Officers Salaries	120,224	-	99,294	99,294	20,930
Contractual and Professional Services	47,462	-	47,553	47,553	(91)
Total Expenditures	167,686	-	146,847	146,847	20,839
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The CITY OF PARIS

