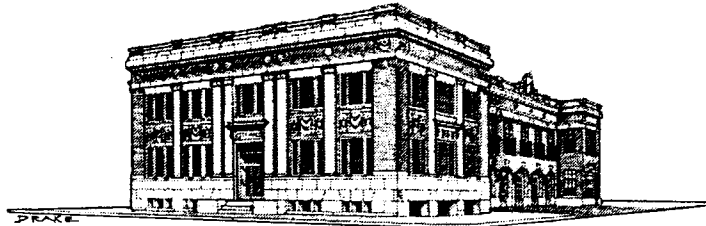


**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR**

CITY OF PARIS, TEXAS

For the Fiscal Year Ended September 30, 2012

The **CITY OF PARIS**



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

City of Paris, Texas
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2012

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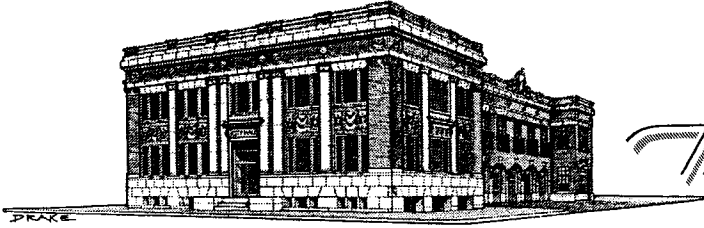
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INTRODUCTORY SECTION



The CITY OF PARIS

March 19, 2013

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, 2012.

The City of Paris is a financial reporting entity as defined by the Government Accounting Standards Board codification section 2100. As such, it has a separately elected governing body chosen by its citizens in a general, popular election, is a legally separate primary government, and is fiscally independent of other state and local governments. The financial reporting entity includes all the funds of the primary government and its component unit, the Paris Economic Development Corporation. More information about PEDC can be found in footnote I.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, 2012, 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 eleven 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. It complements 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 12,865.

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 2012-2013 reflect a 2.02% increase over the 2011-2012 values. Building permits for new residential and commercial construction totaled \$8,596,610 for fiscal year 2011-12. This activity should be reflected in next year's taxable values.

Sales taxes for 2011-12 decreased from the prior year by 0.65%. This decrease is consistent with the expected flat sales tax revenues due to the recovering local economy. Current rebates are 2.69% above the 2011-12 rebates through March 2013.

Hotel occupancy taxes were up 3.06% compared to 2010-11 taxes. Collection efforts on the delinquent taxes of two hotels have resulted in 2012-13 total collections being up 24.7% through January 2013.

Franchise fees increased 0.42% over the previous year. This area is a major source of revenue to the City and is aggressively guarded by City officials.

The City of Paris, Paris Economic Development Corporation, and Lamar County Chamber of Commerce have been actively recruiting new business to the area as well as supporting already existing businesses. 2012 saw the announcement that J. Skinner Baking Company was moving to Paris, bringing jobs and tax revenue to the City. Likewise, Kimberly-Clark Corporation and Campbell Soup Company announced major capital investments in their existing Paris facilities.

General Fund receipts equaled 98.95% of budget. This shortfall of revenues was caused by slightly lower than anticipated collections on franchise taxes, ad valorem taxes, and interest earnings. General Fund expenditures were only 96.05% of budget with the Parks and Street Departments being the biggest under spenders of their budgets. For the 2012-13 fiscal year, the City Council adopted a tax rate of .51107 cents per \$100 of value. This is a decrease of 1.72% in the rate from the previous year. This rate allows maintaining all services at their current levels or above and funds the interest and sinking funds for the certificates of obligation issued in 2002, 2003, and 2010. It should be noted that the City refunded the 2002 and 2003 debt issues for savings in November 2012.

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 and November 2012. The City gained \$1,993,902 in total debt service savings from the 2010 refunding and \$582,380 from the 2012 refunding. The City formalized a key financial policy in 2010 that had been informally followed previously: a utility rate maintenance policy. The utility rate maintenance policy will help assure the financial integrity of the enterprise fund along with its related interest and sinking funds. Another policy expected to be formalized in 2013 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 a new long range plan to maintain its infrastructure with an anticipated completion date of May 2013. In anticipation of the new long range plan, the City has called for a general obligation bond election in May 2013 in the amount of \$45,000,000. Proceeds from these bonds would be used for water and sewer infrastructure improvements and be paid for out of utility system revenues. With the payoff of earlier debt issues, it will not be necessary to raise utility rates to fund the new debt.

The City also continues to expand its effort in law enforcement related areas. Specifically, the City has targeted auto theft and the public schools. Programs in this effort include the Auto Theft Task Force and school resource officers at 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 business to Paris and to support existing businesses as well. Working with the Chamber of Commerce, the City is effectively using the civic center to attract people and business to Paris. City officials are also closely working with Keep Paris Beautiful, Inc. to promote and improve the City. The Historic Preservation Committee is working with local property owners to maintain the historical character of the City. In addition, the City has created a City Planner position to formulate long range plans for city development.

Other Financial Information

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

The City has a written investment policy that conforms to state statutes, which outlines permissible investments. The City pools its cash balances for investment purposes from the various funds maintained in its consolidated cash account. Interest earnings of the pool are allocated to the various funds of the City based upon a fund's equity position in the pool. The City of Paris' primary risk exposures are in the areas of workers' compensation and tort liability. Provision for these risks is made through participation in the Texas Municipal League's risk pool.

Between 30 days and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget for the next fiscal year are heard. The budget is legally enacted by the City Council through passage of an ordinance not later than the 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 9-30-12:

<u>Issue</u>	<u>Tax Supported</u>	<u>Revenue Supported</u>	<u>Final Maturity</u>	<u>Moody's Investors Rating Insured</u>
2002 Tax & Rev. C. O.	\$ 3,735,000	\$ -	12-15-21	Aa3
2003 G. O. Refunding Bonds	945,600	1,024,400	12-15-14	Aa3
2010 Tax & Rev. C. O.	2,900,000	-	12-15-29	Aa3
2010 G. O. Refunding Bonds	<u>3,170,000</u>	<u>6,740,000</u>	06-15-20	Aa3
Total	<u>\$10,750,600</u>	<u>\$ 7,764,400</u>		

The City had no lease/purchase agreements outstanding as of September 30, 2012, but did enter into a \$37,735 lease/purchase agreement in February 2013. The lease agreement had no bank qualified provision.

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, 2011. This was the sixteenth 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 written in a cursive style with a large, prominent initial "W".

W. E. Anderson
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, 2011

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.



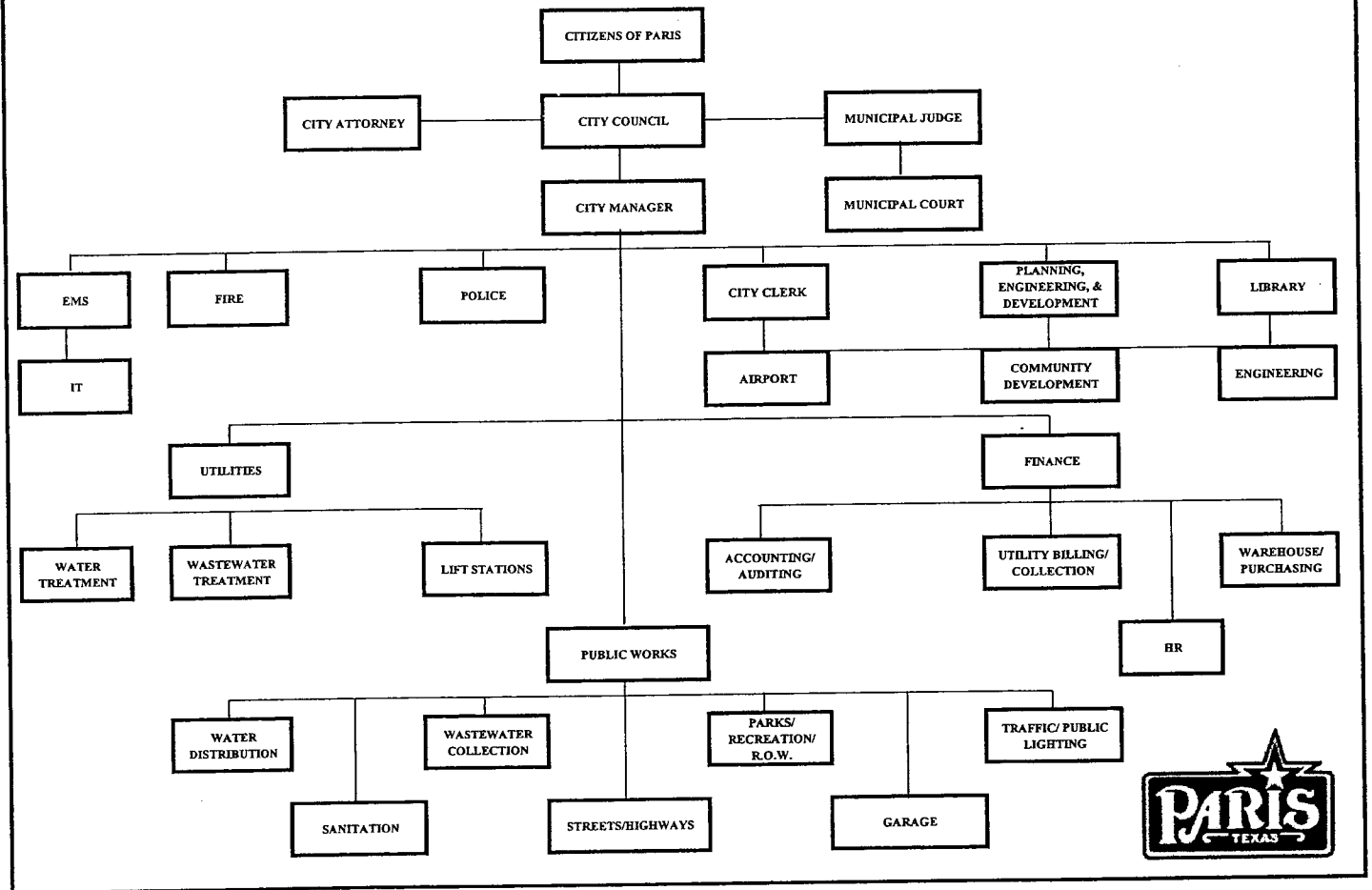
Christopher P. Moirill

President

Jeffrey R. Emer

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
Cleonne Drake
Matt Frierson
Aaron Jenkins
Billie Lancaster
John Wright

Appointed Officials

John Godwin – City Manager
W. E. Anderson – 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

FINANCIAL SECTION

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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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, 2012, 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 of the City of Paris, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, 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 19, 2013, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 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. The accompanying combining and individual fund statements and schedules, schedule of expenditures of federal awards (as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) and the supplemental schedules of federal revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 combining and individual fund statements and schedules, the schedule of expenditures of federal awards and the supplemental schedules of federal revenues and expenditures are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paris's financial statements. The introductory, statistical sections, and continuing disclosure information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Certified Public Accountants

Paris, Texas
March 19, 2013

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, 2012. 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 for fiscal year 2011-12. This is the fourth 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 2012-13 fiscal year, the City lowered its tax rate to .51107 per \$100 of valuation or a 1.71% decrease. The City has accomplished this 18.39 cent tax rate reduction by strict review of its operational needs and increases to the taxable value of property within the City. The City was able to maintain the \$0.52 tax rate despite a 9.28% decrease in local sales taxes in the 2009-10 fiscal year caused by the United States economic recession. The City has recovered 25.10% of that initial drop in sales taxes as of September 30, 2012.
- The number of budgeted positions dropped from a peak of 369 in fiscal year 2002-03 to 322 in fiscal year 2009-10. This reduction of 47 positions 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 and 1.5 positions were added in 2011-12, bringing the total City employees to 325.5.
- City-wide revenues this year exceeded City-wide expenses by \$3,308,597 compared to \$2,321,372 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 exceeded its liabilities at the close of the most recent fiscal year by \$ 88,651,725 (net assets) an increase of \$3,308,597 or 3.87% over the previous year amount of \$85,343,128. The most important factor in this change was the decrease of long-term debt. Of the amount known as net assets, \$21,197,755 (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 \$17,861,144 compared to \$16,759,950 the previous year. This amounts to an increase of \$1,101,194 or 6.57%. This increase was due primarily to an increase in the cash and investments in all of the governmental funds and decreased outstanding debt. Unassigned fund balance is available for spending at the government's discretion.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$11,764,593 or 52.35% of total general fund expenditures. The prior year unassigned fund balance was \$12,156,169 or 57.15% of general fund expenditures. General fund expenditures were up \$1,012,746 or 4.71% while the unassigned fund balance decreased due to the jump in general fund expenditures compared to the \$294,642 (1.39%) increase in general fund revenues.
- The City's non-current liabilities decreased by \$2,878,662 or 14.36% during the current fiscal year due to reduction in long-term debt.
- Total charges for services for the City were \$19,112,759 compared to \$18,808,783 the previous year. This represents a 1.61% increase in charges over the previous year with all charge centers contributing to the increase. Operating/capital grants and contributions were \$1,942,361 compared to \$2,159,259 the previous year. This decrease was due to decreased contributions from public works and general government. General revenues were \$18,908,728 compared to \$17,503,660 the previous year. This increase was due to significant contribution income. Property taxes, sales taxes, and franchise taxes were essentially flat compared to the previous year. The delinquent hotel taxes from the previous year were collected in 2011-12, resulting in a \$49,454 (11.00%) increase in collections.
- 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 \$3,486,508. This included administrative and franchise fees transferred from business-type activities to governmental activities.
- City-wide liabilities decreased \$4,763,269 from \$26,407,770 to \$21,644,501. This amounted to 18.03%. Long-term debt was the single factor most affecting this change.
- City-wide expenses increased \$504,921 (1.39%), going from \$36,150,330 to \$36,655,251 with slight increases in both governmental activities and business-type activities.

- The ratio of net assets to expenses was 241.85% for the year 2011-12 and 236.07% for the year 2010-11. The decrease in non-current debt was the major factor in this improvement. Unrestricted net assets changed to \$21,197,755 in 2011-12 from \$24,217,521 in 2010-11, a decrease of 12.46% reflecting the increase in restrictions for construction projects.
- The ratio of City-wide net assets restricted for debt service to total expenditures was 7.63% for the year 2011-12 and 9.47% for the year 2010-11. Debt restricted net assets were lower in 2011-12 and total expenses were up for the same period.
- Net long-term debt to assets, a measure of solvency, was 18.13% in 2011-12 and 22.02% in 2010-11. Decreasing debt was the primary cause of this change.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the City's 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 a legally separate Economic Development Corporation (known as the component unit) over which the City of Paris is able to exercise significant control. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental 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 9 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 6 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) 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's 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 Statement Section.

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 \$88,651,725 at the close of the most recent fiscal year. This compares to \$85,343,128 for the previous year. The regular pay down of long-term debt accounts for most of this increase.

By far the largest portion of the City's net assets (\$62,031,999 or 69.97%) 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's 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	2012	2011	2012	2011	2012
Assets						
Current & Other Assets	\$ 18,329,557	\$ 19,567,236	\$ 12,366,088	\$ 9,535,649	\$ 30,695,645	\$ 29,102,885
Capital Assets	37,417,751	38,529,519	43,637,502	42,663,822	81,055,253	81,193,341
Total Assets	<u>55,747,308</u>	<u>58,096,755</u>	<u>56,003,590</u>	<u>52,199,471</u>	<u>111,750,898</u>	<u>110,296,226</u>
Long-term Liabilities						
Outstanding	12,905,470	11,851,545	11,706,684	8,150,798	24,612,154	20,002,343
Other Liabilities	770,754	590,127	1,024,862	1,052,031	1,795,616	1,642,158
Total Liabilities	<u>13,676,224</u>	<u>12,441,672</u>	<u>12,731,546</u>	<u>9,202,829</u>	<u>26,407,770</u>	<u>21,644,501</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	25,311,134	27,532,353	31,855,910	34,499,646	57,167,044	62,031,999
Restricted	3,958,563	5,421,971	-	-	3,958,563	5,421,971
Unrestricted	12,801,387	12,700,759	11,416,134	8,496,996	24,217,521	21,197,755
Total Net Assets	<u>\$ 42,071,084</u>	<u>\$ 45,655,083</u>	<u>\$ 43,272,044</u>	<u>\$ 42,996,642</u>	<u>\$ 85,343,128</u>	<u>\$ 88,651,725</u>

An additional portion of the City's net assets (\$5,421,971 or 6.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$21,197,755 or 23.91%) may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in restricted net assets was primarily due to the addition 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) both 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 increased the City's net assets by \$3,583,999 (8.51%) during the current fiscal year. This increase resulted mainly from increases in non-building improvements, the net pension asset, and reduction of both accounts payable and long-term debt. Total governmental revenues were up only \$24,958 with general revenues essentially flat with a \$7,816 decrease and program revenues also flat with a \$32,774 increase.

	General Revenues		
	2011	2012	Increase (Decrease)
Property Taxes	\$ 7,620,281	\$ 7,619,472	\$ (809)
Sales Taxes	6,003,469	5,993,859	(39,610)
Franchise Taxes	2,719,496	2,731,097	11,601
Hotel Occupancy Taxes	258,561	498,667	240,106
Unrestricted Investment Earnings	84,327	55,875	(28,452)
	<u>\$ 16,716,134</u>	<u>\$ 16,898,970</u>	<u>\$ 182,836</u>

The following table provides a summary of the City's operations for the years ending 2011 and 2012 for both governmental and business-type activities.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 5,010,646	\$ 5,260,318	\$ 13,798,137	\$ 13,852,441	\$ 18,808,783	\$ 19,112,759
Operating Grants and Contributions	1,953,631	1,305,387	-	-	1,953,631	1,305,387
Capital Grants and Contributions	205,628	636,974	-	-	205,628	636,974
General Revenues:						
Property Taxes	7,620,281	7,619,472	-	-	7,620,281	7,619,472
Sales Taxes	6,033,469	5,993,859	-	-	6,033,469	5,993,859
Franchise Taxes	2,719,496	2,731,097	-	-	2,719,496	2,731,097
Hotel Occupancy Taxes	449,213	498,667	-	-	449,213	498,667
Unrestricted						
Investment Earnings	84,327	55,875	162,374	63,722	246,701	119,597
Other	-	1,642,126	434,500	303,910	434,500	1,946,036
Total Revenues	<u>24,076,691</u>	<u>25,743,775</u>	<u>14,395,011</u>	<u>14,220,073</u>	<u>38,471,702</u>	<u>39,963,848</u>
Expenses						
General Government	2,890,290	2,094,110	-	-	2,890,290	2,094,110
Finance	437,320	480,144	-	-	437,320	480,144
Public Safety	9,880,712	10,771,351	-	-	9,880,712	10,771,351
Public Works	7,667,367	7,568,269	-	-	7,667,367	7,568,269
Health	3,202,551	3,416,360	-	-	3,202,551	3,416,360
Library Service	719,240	712,033	-	-	719,240	712,033
Cox Field	220,027	261,463	-	-	220,027	261,463
Interest on						
Long-term debt	438,460	342,554	-	-	438,460	342,554
Water & Sewer	-	-	10,694,363	11,008,967	10,694,363	11,008,967
Total Expenses	<u>25,455,967</u>	<u>25,646,284</u>	<u>10,694,363</u>	<u>11,008,967</u>	<u>36,150,330</u>	<u>36,655,251</u>
Increase (Decrease) in Net Assets Before Transfers	(1,379,276)	97,491	3,700,648	3,211,106	2,321,372	3,308,597
Transfers/Special Item	764,880	3,486,508	(764,880)	(3,486,508)	-	-
Increase (Decrease) in Net Assets	(614,396)	3,583,999	2,935,768	(275,402)	2,321,372	3,308,597
Balance Beginning of Year	<u>42,685,480</u>	<u>42,071,084</u>	<u>40,336,276</u>	<u>43,272,044</u>	<u>83,021,756</u>	<u>85,343,128</u>
Balance End of Year	<u>\$ 42,071,084</u>	<u>\$ 45,655,083</u>	<u>\$ 43,272,044</u>	<u>\$ 42,996,642</u>	<u>\$ 85,343,128</u>	<u>\$ 88,651,725</u>

Business-type Activities

Business-type activities decreased the City's net assets by \$275,402. This decrease was caused primarily by transfers to governmental activities including administrative fees to the general fund, franchise payment to the general fund, and funding of the capital projects fund for utility related capital items. See footnote IV. E. for details of interfund transfers.

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's 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	
	2011	2012
Total Assets	\$ 18,253,551	\$ 19,322,332
Total Liabilities	\$ 1,493,601	\$ 1,461,188
Fund Balances:		
Nonspendable:		
Inventory	199,519	218,117
Perm. Fund Principal	88,520	89,632
Restricted for:		
Debt Service	3,426,387	2,797,611
Capital Projects	-	1,999,980
Notes	95,900	92,216
Law Enforcement	132,367	140,953
Health	215,389	301,579
Assigned:		
Library	123,249	126,182
Community Development	322,450	330,281
Unassigned:		
General Fund	12,156,169	11,764,593
Total Fund Balances	16,759,950	17,861,144
Total Liabilities and Fund Balances	\$ 18,253,551	\$ 19,322,332

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,861,144. Approximately 65.86% of this total amount (\$11,764,593) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is non-spendable, restricted, or assigned to 1) permanent fund principal (\$89,632), 2) pay debt service (\$2,797,611), 3) outstanding notes (\$92,216), 4) inventory (\$218,117), 5) law enforcement (\$140,953), 6) health (\$301,579), 7) library (\$126,182), 8) community development (\$330,281), and 9) capital projects (\$1,999,980).

	Governmental Funds	
	Revenues, Expenditures, and	
	Changes in Fund Balances	
	2011	2012
Revenues	\$ 23,848,441	\$ 24,146,255
Expenditures	25,838,176	26,550,168
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(1,989,735)	(2,403,913)
Total Other Financing Sources	764,881	3,486,508
Net Increase (Decrease) in Fund Balances	(1,224,854)	1,082,595
(Decrease) Increase in Inventory	(15,414)	18,599
Fund Balances - Beginning	18,000,218	16,759,950
Fund Balances - Ending	\$ 16,759,950	\$ 17,861,144

General Fund

The general fund is the chief operating fund of the City of Paris. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,764,593 (\$12,156,169 the previous year), while total fund balance reached \$11,982,710 (\$12,355,688 the previous year). The decrease in the fund balance of the general fund was due to increased payables and decreased cash and investments. 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 52.35% of total general fund expenditures, while total fund balance represents 53.32% of that same amount.

During the year, the City made budgeted transfers from the water and sewer fund to the general fund for administrative support and franchise fees and from the general fund to the capital projects fund to complete specific projects.

Other governmental funds include the permanent and expendable library funds, grant fund, health department, and the community development fund. Other than the general fund, no governmental fund had unassigned fund balance at the end of the year.

The final appropriation of the general fund was under spent by \$921,577 (\$2,098,585 under spent the previous year). This 3.93% variance was spread out among all departments and is mainly due to forecasting errors. General fund revenues were under budget by \$226,770 (1.05%). Shortfalls in property taxes, franchise taxes, and interest earned were the primary reasons for this difference.

Capital Projects Fund

The capital projects fund is funded by the general fund and/or the proprietary fund on an as needed basis. As proprietary fund projects are completed in the capital projects fund, they are transferred back to the proprietary fund. The fund balance in the capital projects fund was \$1,999,980 (\$720,115 last year). Variances from year to year are common in this fund as projects are approved on a year to year basis by the City Council.

Debt Service Fund

The debt service fund has a total fund balance of \$2,797,611 (\$2,706,272 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 \$91,339 (\$77,688 increase the previous year). The increase was 3.37% 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 \$1,583,842 in the current fiscal year (\$1,483,577 the previous year).

Proprietary Fund

The City's 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 \$8,496,996 (\$11,416,134 the previous year). This change was primarily due to transfers out to governmental funds (see footnote IV. E.) Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$81,193,341 (\$81,055,253 the previous year). Both of these amounts are net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Net Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 5,912,108	\$ 5,912,108	\$ 339,620	\$ 339,620	\$ 6,251,728	\$ 6,251,728
Buildings & System Improvements Other than Buildings	10,719,401	9,716,088	38,242,651	37,043,130	48,962,052	46,759,218
Machinery, Furniture, and Equipment	3,509,976	5,537,738	-	-	3,509,976	5,537,738
Infrastructure	1,952,302	3,250,429	432,051	969,301	2,384,353	4,219,730
Construction in Progress	14,709,357	13,259,061	-	-	14,709,357	13,259,061
Water Rights-Net	342,635	607,529	532,553	384,384	875,188	991,913
Unamortized Bond Expense	-	-	3,563,235	3,527,611	3,563,235	3,527,611
	271,972	246,566	527,392	399,776	799,364	646,342
Total	\$ 37,417,751	\$ 38,529,519	\$ 43,637,502	\$ 42,663,822	\$ 81,055,253	\$ 81,193,341

Additional information on the City's 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 \$18,515,000. Of this amount, \$10,750,600 comprises debt being paid for by property tax revenues and \$7,764,400 represents bonds being paid for by water and sewer revenues.

	Outstanding Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
General Obligation Bonds	\$ 11,830,800	\$ 10,750,600	\$ -	\$ -	\$ 11,830,800	\$ 10,750,600
Revenue Bonds	-	-	11,254,200	7,764,400	11,254,200	7,764,400
Total	\$ 11,830,800	\$ 10,750,600	\$ 11,254,200	\$ 7,764,400	\$ 23,085,000	\$ 18,515,000

The City's bond debt decreased by \$4,570,000 (19.79%) during the fiscal year. The City recently received an underlying bond rating from Moody's of Aa3.

The maximum tax rate permitted by Article XI, Section 5 of the State of Texas constitution is \$2.50 per \$100 of assessed valuation. Consequently, no legal debt margin can be calculated. The state attorney general has traditionally allowed up to \$1.50 per \$100 valuation to be applied to debt service. The City levied a tax rate of \$0.52 per \$100 valuation for the 2011-12 fiscal year. This rate was broken down into \$0.41 per \$100 valuation for operations and \$0.11 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 7.33% of its debt capacity.

Additional information on the City's 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 remain flat in the coming year.
- New construction amounted to 10 residential units and 13 commercial units.
- Local population growth is expected to be minimal.
- The tax rate is expected to remain at or below \$.52 per \$100 of value.
- Electrical utility franchise fees are expected to hold steady.

All of these factors were considered in preparing the City's budget for 2012-13.

Requests for Information

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

City of Paris, Texas
Statement of Net Assets
September 30, 2012

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development
ASSETS				
Cash and Cash Equivalents	\$ 12,702,291	\$ 5,437,639	\$ 18,139,930	\$ 2,413,639
Investments	2,885,687	1,652,043	4,537,730	572,344
Receivables (Net of Allowance for Uncollectibles)	2,172,823	1,785,678	3,958,501	205,000
Internal Balances	405,788	(405,788)	-	-
Inventories	218,117	283,815	501,932	-
Due from Other Governments	770,777	-	770,777	-
Restricted Assets:				
Cash and Cash Equivalents	-	300,389	300,389	544,941
Investments	-	481,873	481,873	-
Net Pension Asset	411,753	-	411,753	-
Water Rights (Net of Accumulated Amortization)	-	3,527,611	3,527,611	-
Unamortized Bond Expense	246,566	399,776	646,342	59,231
Capital Assets Not Being Depreciated:				
Land	5,912,108	339,620	6,251,728	1,655,772
Construction in Progress	607,529	384,384	991,913	-
Capital Assets (Net of Accumulated Depreciation):				
Buildings and System Improvements Other Than Buildings	9,716,088	37,043,130	46,759,218	-
Machinery and Equipment Infrastructure	5,537,738	-	5,537,738	-
	3,250,429	969,301	4,219,730	-
	13,259,061	-	13,259,061	-
Total Assets	<u>58,096,755</u>	<u>52,199,471</u>	<u>110,296,226</u>	<u>5,450,927</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, 2012

Statement 1
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development
LIABILITIES				
Accounts Payable and Other Current Liabilities	541,821	150,615	692,436	111,126
Accrued Interest	48,306	71,453	119,759	5,439
Customers' Deposits	-	829,963	829,963	-
Noncurrent Liabilities:				
Due Within One Year	1,437,189	1,408,195	2,845,384	290,000
Due in More Than One Year	10,414,356	6,742,603	17,156,959	1,570,000
Total Liabilities	<u>12,441,672</u>	<u>9,202,829</u>	<u>21,644,501</u>	<u>1,976,565</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	27,532,353	34,499,646	62,031,999	1,655,772
Restricted for:				
Construction	1,999,980	-	1,999,980	
Debt Service	2,797,611	-	2,797,611	249,402
Notes Receivables	92,216	-	92,216	-
Law Enforcement	140,953	-	140,953	-
Health	301,579	-	301,579	-
Industrial Incentives	-	-	-	1,565,177
Permanent Library Funds, Nonexpendable	89,632	-	89,632	-
Unrestricted	12,700,759	8,496,996	21,197,755	4,011
Total Net Assets	<u>\$ 45,655,083</u>	<u>\$ 42,996,642</u>	<u>\$ 88,651,725</u>	<u>\$ 3,474,362</u>

City of Paris, Texas
Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,094,110	\$ -	\$ 126,608	\$ 36,311
Finance	480,144	-	-	-
Public Safety	10,771,351	729,267	355,186	-
Public Works	7,568,269	1,788,753	114,499	600,663
Health	3,416,360	2,721,421	600,138	-
Library Service	712,033	20,877	-	-
Cox Field Airport	261,463	-	96,529	-
Interest on Long-term Debt	342,554	-	12,427	-
Total Governmental Activities	<u>25,646,284</u>	<u>5,260,318</u>	<u>1,305,387</u>	<u>636,974</u>
Business-type Activities:				
Water and Sewer	<u>11,008,967</u>	<u>13,852,441</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>11,008,967</u>	<u>13,852,441</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>\$ 36,655,251</u></u>	<u><u>\$ 19,112,759</u></u>	<u><u>\$ 1,305,387</u></u>	<u><u>\$ 636,974</u></u>
Component Unit:				
Economic Development	<u><u>\$ 2,574,142</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Hotel Occupancy Taxes
Unrestricted Investment Earnings
Contribution Income
Transfers
Total General Revenues, Contribution Income, and Transfers
Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

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
\$ (1,931,191)	\$ -	\$ (1,931,191)	\$ -
(480,144)	-	(480,144)	-
(9,686,898)	-	(9,686,898)	-
(5,064,354)	-	(5,064,354)	-
(94,801)	-	(94,801)	-
(691,156)	-	(691,156)	-
(164,934)	-	(164,934)	-
(330,127)	-	(330,127)	-
<u>(18,443,605)</u>	<u>-</u>	<u>(18,443,605)</u>	<u>-</u>
-	2,843,474	2,843,474	-
-	2,843,474	2,843,474	-
<u>(18,443,605)</u>	<u>2,843,474</u>	<u>(15,600,131)</u>	<u>-</u>
			<u>(2,574,142)</u>
7,619,472	-	7,619,472	-
5,993,859	-	5,993,859	1,198,772
2,731,097	-	2,731,097	-
498,667	-	498,667	-
55,875	63,722	119,597	11,832
1,642,126	303,910	1,946,036	7,500
3,486,508	(3,486,508)	-	-
<u>22,027,604</u>	<u>(3,118,876)</u>	<u>18,908,728</u>	<u>1,218,104</u>
3,583,999	(275,402)	3,308,597	(1,356,038)
<u>42,071,084</u>	<u>43,272,044</u>	<u>85,343,128</u>	<u>4,830,400</u>
<u>\$ 45,655,083</u>	<u>\$ 42,996,642</u>	<u>\$ 88,651,725</u>	<u>\$ 3,474,362</u>

City of Paris
Balance Sheet - Governmental Funds
September 30, 2012

Statement 3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,963,921	\$ 2,385,823	\$ 2,040,274	\$ 312,273	\$ 12,702,291
Investments	2,464,605	-	-	421,082	2,885,687
Receivables (Net of Allowance for Uncollectibles)	2,027,008	93,599	-	52,216	2,172,823
Due from Other Funds	-	499,046	-	73,591	572,637
Inventories	218,117	-	-	-	218,117
Due from Other Governments	547,712	-	-	223,065	770,777
	<u>\$ 13,221,363</u>	<u>\$ 2,978,468</u>	<u>\$ 2,040,274</u>	<u>\$ 1,082,227</u>	<u>\$ 19,322,332</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 500,143	\$ -	\$ 40,294	\$ 1,384	\$ 541,821
Due to Other Funds	73,591	93,258	-	-	166,849
Deferred Revenue	664,919	87,599	-	-	752,518
Total Liabilities	<u>1,238,653</u>	<u>180,857</u>	<u>40,294</u>	<u>1,384</u>	<u>1,461,188</u>
Fund Balances:					
Nonspendable:					
Inventory	218,117	-	-	-	218,117
Permanent Library Funds	-	-	-	89,632	89,632
Restricted for:					
Debt Service	-	2,797,611	-	-	2,797,611
Capital Projects	-	-	1,999,980	-	1,999,980
Notes	-	-	-	92,216	92,216
Law Enforcement	-	-	-	140,953	140,953
Health	-	-	-	301,579	301,579
Assigned:					
Library	-	-	-	126,182	126,182
Community Development	-	-	-	330,281	330,281
Unassigned: General Fund	11,764,593	-	-	-	11,764,593
Total Fund Balances	<u>11,982,710</u>	<u>2,797,611</u>	<u>1,999,980</u>	<u>1,080,843</u>	<u>17,861,144</u>
	<u>\$ 13,221,363</u>	<u>\$ 2,885,210</u>	<u>\$ 2,040,274</u>	<u>\$ 1,082,227</u>	

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)	38,282,953
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred or not reflected in the funds.	1,164,271
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,653,285)</u>
Net assets of governmental activities	<u>\$ 45,655,083</u>

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

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2012

Statement 4

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad Valorem	\$ 6,050,788	\$ 1,583,842	\$ -	\$ -	\$ 7,634,630
Sales	5,993,859	-	-	-	5,993,859
Hotel Occupancy	462,991	-	-	-	462,991
Franchise and Gross Receipts	2,731,097	-	-	-	2,731,097
Licenses and Permits	145,792	-	-	-	145,792
Fines and Fees	550,496	-	-	-	550,496
Use of Money and Property	166,125	12,427	19,535	12,389	210,476
Sanitation	1,468,917	-	-	-	1,468,917
Health	2,337,732	-	-	480,464	2,818,196
Intergovernmental Revenues	1,187,258	-	-	670,834	1,858,092
Other	267,470	-	-	4,239	271,709
Total Revenues	21,362,525	1,596,269	19,535	1,167,926	24,146,255
Expenditures:					
Current:					
General Government	1,009,366	-	-	20,336	1,029,702
Finance	473,719	-	-	-	473,719
Public Safety	9,648,763	-	-	10,368	9,659,131
Public Works	5,681,260	-	-	76,196	5,757,456
Health	2,302,247	-	-	955,930	3,258,177
Library Service	630,387	-	-	2,128	632,515
Cox Field Airport	150,848	-	-	-	150,848
Other	1,434,177	-	-	-	1,434,177
Debt Service:					
Principal	-	1,080,200	-	-	1,080,200
Interest	-	424,730	-	-	424,730
Capital Outlay:					
Other	101,808	-	48,959	-	150,767
Public Safety	26,247	-	1,068,013	-	1,094,260
Public Works	885,033	-	390,575	-	1,275,608
Health	128,878	-	-	-	128,878
Total Expenditures	22,472,733	1,504,930	1,507,547	1,064,958	26,550,168
Excess (Deficiency) of Revenues Over Expenditures	(1,110,208)	91,339	(1,488,012)	102,968	(2,403,913)

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, 2012

Statement 4
(Continued)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Transfers In	1,544,400	-	3,556,535	-	5,100,935
Transfers Out	(825,769)	-	(788,658)	-	(1,614,427)
 Total Other Financing Sources (Uses)	 718,631	 -	 2,767,877	 -	 3,486,508
 Net Changes in Fund Balances	 (391,577)	 91,339	 1,279,865	 102,968	 1,082,595
 Fund Balances - Beginning	 12,355,688	 2,706,272	 720,115	 977,875	 16,759,950
 Increase in Inventory	 18,599	 -	 -	 -	 18,599
 Fund Balances - Ending	 <u>\$ 11,982,710</u>	 <u>\$ 2,797,611</u>	 <u>\$ 1,999,980</u>	 <u>\$ 1,080,843</u>	 <u>\$ 17,861,144</u>

City of Paris, Texas
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2012

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).	\$ 1,082,595
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.	389,489
The net effect of various miscellaneous transactions involving capital assets (e.g., donations and impairment) is to increase net assets.	747,685
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(44,607)
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.	82,176
The net change in inventory is a direct adjustment to fund balance in the funds.	18,599
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.	232,832
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>1,075,230</u>
Change in net assets of governmental activities (Statement 2).	<u><u>\$ 3,583,999</u></u>

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

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Ad Valorem Taxes	\$ 6,146,880	\$ 6,146,880	\$ 6,050,788	\$ (96,092)
Municipal Sales Tax	6,006,250	6,006,250	5,993,859	(12,391)
Hotel Occupancy Tax	425,000	425,000	462,991	37,991
Franchise and Gross Receipts Tax	2,873,200	2,873,200	2,731,097	(142,103)
Licenses and Permits	108,550	108,550	145,792	37,242
Fines and Fees	518,000	518,000	550,496	32,496
Use of Money and Property	266,026	266,026	166,125	(99,901)
Sanitation	1,496,445	1,496,445	1,468,917	(27,528)
Emergency Medical Services	2,341,685	2,341,685	2,337,732	(3,953)
Intergovernmental Revenues	1,213,759	1,213,759	1,187,258	(26,501)
Other	193,500	193,500	267,470	73,970
Total Revenues	21,589,295	21,589,295	21,362,525	(226,770)
Expenditures:				
General Government:				
Council	120,530	120,530	124,856	(4,326)
Manager	228,264	228,264	136,734	91,530
Attorney	421,652	421,652	373,230	48,422
Municipal Court	233,795	233,795	222,160	11,635
Clerk	164,174	164,174	152,386	11,788
Total General Government	1,168,415	1,168,415	1,009,366	159,049
Finance:				
Accounting and Auditing	533,718	533,718	473,719	59,999
Public Safety:				
Police	6,061,741	6,160,241	5,953,333	206,908
Fire	3,802,770	3,761,770	3,721,677	40,093
Total Public Safety	9,864,511	9,922,011	9,675,010	247,001
Public Works:				
Community Development	1,200,033	1,160,033	1,405,894	(245,861)
Engineering	468,468	438,468	436,774	1,694
Public Works	239,769	239,769	224,857	14,912
Parks and Recreation	1,370,842	1,380,842	1,182,749	198,093
Sanitation	997,616	927,616	889,844	37,772
Streets and Highways	1,858,261	1,898,261	1,685,793	212,468
Traffic and Public Lighting	527,979	487,979	455,134	32,845
Garage	295,005	295,005	285,248	9,757
Total Public Works	6,957,973	6,827,973	6,566,293	261,680

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

City of Paris, Texas
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the Year Ended September 30, 2012

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	2,371,354	2,481,354	2,431,125	50,229
Cox Field Airport	171,350	176,350	150,848	25,502
Paris Band	20,850	21,850	21,418	432
Library Services	638,404	643,404	630,387	13,017
Other	1,619,235	1,619,235	1,514,567	104,668
Contingency	50,000	-	-	-
 Total Expenditures	 23,395,810	 23,394,310	 22,472,733	 921,577
 Excess (Deficiency) of Revenues Over Expenditures	 (1,806,515)	 (1,805,015)	 (1,110,208)	 694,807
 Other Financing Sources and (Uses):				
Transfers In	1,140,000	1,140,000	1,544,400	404,400
Transfers Out	-	-	(825,769)	(825,769)
 Total Other Financing Sources and (Uses)	 1,140,000	 1,140,000	 718,631	 (421,369)
 Net Changes in Fund Balance	 (666,515)	 (665,015)	 (391,577)	 273,438
 Fund Balance - Beginning	 12,355,688	 12,355,688	 12,355,688	 -
 Increase in Inventory	 -	 -	 18,599	 18,599
 Fund Balance - Ending	 <u>\$ 11,689,173</u>	 <u>\$ 11,690,673</u>	 <u>\$ 11,982,710</u>	 <u>\$ 292,037</u>

City of Paris, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

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	\$ 4,873,913	\$ 7,549,516
Cash and Cash Equivalents - Non-Pooled	563,726	373,453
Restricted Cash and Cash Equivalents:		
Customers' Deposits - Pooled	<u>300,389</u>	<u>226,945</u>
Total Cash and Cash Equivalents	5,738,028	8,149,914
Accounts Receivable, Net	1,784,810	1,868,719
Accrued Interest Receivable	868	1,744
Inventories	<u>283,815</u>	<u>358,909</u>
Total Current Assets	<u>7,807,521</u>	<u>10,379,286</u>
Noncurrent Assets:		
Investments:		
Customers' Deposits	481,873	525,567
Unrestricted	<u>1,652,043</u>	<u>2,082,000</u>
Total Investments	<u>2,133,916</u>	<u>2,607,567</u>
Water Rights (Net of Accumulated Amortization)	<u>3,527,611</u>	<u>3,563,235</u>
Unamortized Bond Expense	<u>399,776</u>	<u>527,392</u>
Capital Assets:		
Land	339,620	339,620
Construction in Progress	384,384	532,553
Plant, Pumps and Motors	33,350,742	32,638,547
Distribution System	38,736,495	38,253,301
Collection System	22,863,042	22,318,244
Maintenance Equipment and Vehicles	3,292,731	2,574,510
Furniture and Equipment	244,222	244,222
Less Accumulated Depreciation	<u>(60,474,801)</u>	<u>(57,354,122)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>38,736,435</u>	<u>39,546,875</u>
Total Noncurrent Assets	<u>44,797,738</u>	<u>46,245,069</u>
Total Assets	<u>52,605,259</u>	<u>56,624,355</u>

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, 2012

Statement 7
(Continued)

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
LIABILITIES		
Current Liabilities:		
Accounts Payable	150,615	167,206
Accrued Interest	71,453	47,076
Customers' Deposits	829,963	810,580
Due to Other Funds	405,788	620,765
General Obligation Bonds Payable - Current Portion	1,350,200	3,489,800
Unamortized Bond Premium - Current Portion	53,992	-
Accrued Compensated Absences - Current Portion	4,003	6,533
Total Current Liabilities	<u>2,866,014</u>	<u>5,141,960</u>
Noncurrent Liabilities:		
General Obligation Bonds Payable - Noncurrent Portion	6,414,200	7,764,400
Unamortized Bond Premium - Noncurrent Portion	184,665	310,387
Accrued Compensated Absences - Noncurrent Portion	143,738	135,564
Total Noncurrent Liabilities	<u>6,742,603</u>	<u>8,210,351</u>
Total Liabilities	<u>9,608,617</u>	<u>13,352,311</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	34,499,646	31,855,910
Unrestricted	8,496,996	11,416,134
Total Net Assets	<u>\$ 42,996,642</u>	<u>\$ 43,272,044</u>

City of Paris, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

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	\$ 8,013,691	\$ 8,336,146
Sewer Charges and Taps	5,256,682	4,951,015
Sanitation Billing Fees	76,253	77,296
Service Charges	163,469	164,094
Industrial Surcharges	65,152	94,369
Miscellaneous	277,194	175,217
Total Operating Revenues	<u>13,852,441</u>	<u>13,798,137</u>
Operating Expenses:		
Personnel	3,053,954	3,030,918
Supplies	1,218,819	1,123,279
Contractual	1,862,789	2,024,526
Maintenance	853,142	550,199
Sundry Charges	420,803	430,558
Other	35,671	42,386
Depreciaton	3,120,679	3,045,371
Total Operating Expenses	<u>10,565,857</u>	<u>10,247,237</u>
Operating Income	<u>3,286,584</u>	<u>3,550,900</u>
Nonoperating Revenues (Expenses):		
Investment Earnings	63,722	162,374
Interest Expense - Revenue and General Obligation Bonds	(351,599)	(340,226)
Amortization of Bond Issue Expense	(127,617)	(164,499)
Amortization of Water Rights	(35,624)	(34,807)
Amortization of Bond Premium	71,730	92,406
Intergovernmental Revenue	167,910	395,144
Net Nonoperating Revenues (Expenses)	<u>(211,478)</u>	<u>110,392</u>
Income (Loss) Before Capital Contributions and Transfers	3,075,106	3,661,292
Capital Contributions	136,000	39,356
Transfers In	1,167,892	375,120
Transfers Out	<u>(4,654,400)</u>	<u>(1,140,000)</u>
Changes in Net Assets	(275,402)	2,935,768
Total Net Assets - Beginning	<u>43,272,044</u>	<u>40,336,276</u>
Total Net Assets - Ending	<u>\$ 42,996,642</u>	<u>\$ 43,272,044</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, 2012

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	\$ 13,956,609	\$ 14,024,033
Payments to Suppliers	(2,434,261)	(2,151,796)
Payments to Employees	(3,048,311)	(2,995,807)
Payments to Contractors	(1,898,460)	(1,931,106)
Decrease in Interfund Payables	(214,977)	(19,603)
	<u>6,360,600</u>	<u>6,925,721</u>
Net Cash Provided by Operating Activities		
Cash Flows from Noncapital Financing Activities		
Transfers In	1,167,892	4,808
Transfers Out	(4,654,400)	(1,140,000)
	<u>(3,486,508)</u>	<u>(1,135,192)</u>
Net Cash Used by Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(2,174,239)	(646,164)
Principal Paid on Bonds	(3,489,800)	(3,384,200)
Principal Paid on Water Rights	-	(480,909)
Purchase of Water Rights	-	(2,819,239)
Interest Paid on Long-term Debt	(327,233)	(421,793)
Construction Grants	167,910	395,144
	<u>(5,823,362)</u>	<u>(7,357,161)</u>
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Interest on Investments	50,335	142,367
Purchase of Investment Securities	(666,310)	(515,465)
Maturities of Investments	1,153,359	1,041,191
	<u>537,384</u>	<u>668,093</u>
Net Cash Provided by Investing Activities		
Net Decrease in Cash and Cash Equivalents	(2,411,886)	(898,539)
Cash and Cash Equivalents - Beginning	<u>8,149,914</u>	<u>9,048,453</u>
Cash and Cash Equivalents - Ending	<u>\$ 5,738,028</u>	<u>\$ 8,149,914</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, 2012

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	\$ 3,286,584	\$ 3,550,900
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	3,120,679	3,045,371
Decrease in Accounts Receivable	84,785	220,211
Decrease (Increase) in Inventory	75,094	(61,076)
Increase in Customers' Deposits	19,383	5,685
Decrease in Due to Other Funds	(214,977)	(19,603)
Increase in Accrued Compensated Absences	5,643	31,891
Increase (Decrease) in Accounts Payable	(16,591)	152,342
Total Adjustments	<u>3,074,016</u>	<u>3,374,821</u>
Net Cash Provided by Operating Activities	<u>\$ 6,360,600</u>	<u>\$ 6,925,721</u>
Noncash Investing, Capital and Financing Activities:		
Increase (Decrease) in Market Value of Investments	\$ (5,766)	\$ 20,941
Capital Contributions	\$ 136,000	\$ 39,356

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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 activities) 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, 2012

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 *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 using the *economic resources measurement focus* and use the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The 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, 2012

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 (generally based on funded market prices) 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, 2012

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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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 \$351,599. 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, 2012

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Fund Equity

It is the City's practice 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 practice 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.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment or an assignment. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council allows the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily.

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 position – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$38,282,953 are as follows:

Land	\$ 5,912,108
Construction in Progress	607,529
Buildings	14,601,581
Less: Accumulated Depreciation - Buildings	(4,885,493)
Improvements Other Than Buildings	7,860,657
Less: Accumulated Depreciation - Improvements Other Than Buildings	(2,322,919)
Machinery and Equipment	19,654,343
Less: Accumulated Depreciation - Machinery and Equipment	(16,403,914)
Infrastructure	39,025,955
Less: Accumulated Depreciation - Infrastructure	<u>(25,766,894)</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 38,282,953</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

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

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$11,653,285 difference are as follows:

Bonds Payable	\$ 10,750,600
Less: Deferred Charge for Issuance Costs (to be Amortized Over the Life of the Debt)	(246,566)
Plus: Premiums on Bonds Payable (to be Amortized Over the Life of the Debt)	82,924
Accrued Interest	48,306
Compensated Absences	776,512
OPEB Liability	174,636
Landfill Post Closure Care Costs	66,873
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities	\$ 11,653,285

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net 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 allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$389,489 difference are as follows:

Capital Outlay	\$ 3,166,229
Depreciation Expense	(2,776,740)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ 389,489

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

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

Another element of that reconciliation states that the “net effect of various miscellaneous transactions involving capital assets (e.g., donations and impairment) is to increase net assets.” Donations of capital assets increase funds because they are not financial resources. An impairment of the former police station building decreases net assets but does not appear in the governmental funds because the impairment does not consume financial resources. The impairment loss is reported as a program expense in the public safety function/program in the statement of activities. The details of this \$747,685 difference are as follows:

Donated/Contributed Assets	\$ 1,642,126
Impairment	<u>(894,441)</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 747,685</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 \$1,075,230 difference are as follows:

Amortization of Issuance Costs	\$ (25,406)
Amortization of Premiums	20,436
Principal Repayments	<u>1,080,200</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 1,075,230</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

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

III. Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

annually appropriated. The City has no special revenue funds which are reported as major funds. At the close of each fiscal year, any unencumbered appropriation balance (appropriations including prior year encumbrances less current year expenditures and encumbrances) lapse or revert to the undesignated fund balance.

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

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

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, 2012, the City Council approved a transfer of \$352,730 from fourteen 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, 2012

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

A. Deposits and Investments (Continued)

As of September 30, 2012, 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	\$ 715,669	Not Rated	6.72
Federal National Mortgage Association	1,173,433	Not Rated	7.12
Federal Home Loan Bank	1,999,920	Aaa	6.35
Freddie Mac	96,400	Not Rated	0.35
Government National Mortgage Association	944,699	Not Rated	0.17
Certificates of Deposit	<u>89,482</u>	Not Rated	0.54
Totals	<u>\$ 5,019,603</u>		4.04
Component Unit - PEDC			
Certificates of Deposit	<u>\$ 572,344</u>	Not Rated	0.51

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, 2012

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, 2012, 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 \$95,000 of the PEDC bank balance of \$792,137 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, 2012, 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, 2012, 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>Debt Service</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Receivables:				
Interest	\$ 918	\$ -	\$ -	\$ 868
Property Taxes	749,088	124,798	-	-
Sales Taxes	1,026,000	-	-	-
Accounts	119,470	-	-	1,834,810
Notes	-	-	52,216	-
Street Assessments	26,473	-	-	-
Fines	104,694	-	-	-
EMS	2,322,411	-	-	-
Gross Receivables	<u>4,349,054</u>	<u>124,798</u>	<u>52,216</u>	<u>1,835,678</u>
Less: Allowance for Uncollectibles	<u>(2,322,046)</u>	<u>(31,199)</u>	<u>-</u>	<u>(50,000)</u>
Net Total Receivables	<u>\$ 2,027,008</u>	<u>\$ 93,599</u>	<u>\$ 52,216</u>	<u>\$ 1,785,678</u>

Net receivable balances not expected to be collected within one year are Property Taxes - \$410,875, Fines - \$2,347, EMS - \$91,811, and Street Assessments - \$26,473.

At year end, PEDC had a receivable for sales tax of \$205,000.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

C. Capital Assets

Capital assets activity for the year ended September 30, 2012, follows:

	Balance September 30, 2011	Increases	Decreases	Balance September 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,912,108	\$ -	\$ -	\$ 5,912,108
Construction in Progress	342,635	546,715	281,821	607,529
Total Capital Assets, Not Being Depreciated	<u>6,254,743</u>	<u>546,715</u>	<u>281,821</u>	<u>6,519,637</u>
Capital Assets, Being Depreciated:				
Buildings	15,430,302	196,642	1,025,363	14,601,581
Improvements Other Than Buildings	5,645,638	2,215,019	-	7,860,657
Machinery and Equipment	17,614,232	2,096,146	56,035	19,654,343
Infrastructure	39,081,870	100,225	156,140	39,025,955
Total Capital Assets, Being Depreciated	<u>77,772,042</u>	<u>4,608,032</u>	<u>1,237,538</u>	<u>81,142,536</u>
Less Accumulated Depreciation for:				
Buildings	4,710,901	397,083	222,491	4,885,493
Improvements Other Than Buildings	2,135,662	187,257	-	2,322,919
Machinery and Equipment	15,661,930	798,019	56,035	16,403,914
Infrastructure	24,372,513	1,394,381	-	25,766,894
Total Accumulated Depreciation	<u>46,881,006</u>	<u>2,776,740</u>	<u>278,526</u>	<u>49,379,220</u>
Total Capital Assets, Being Depreciated, Net	<u>30,891,036</u>	<u>1,831,292</u>	<u>959,012</u>	<u>31,763,316</u>
Governmental Activities, Capital Assets, Net	<u>\$ 37,145,779</u>	<u>\$ 2,378,007</u>	<u>\$ 1,240,833</u>	<u>\$ 38,282,953</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

C. Capital Assets (Continued)

	Balance September 30, 2011	Increases	Decreases	Balance September 30, 2012
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 339,620	\$ -	\$ -	\$ 339,620
Construction in Progress	532,553	641,354	789,523	384,384
Total Capital Assets, Not Being Depreciated	<u>872,173</u>	<u>641,354</u>	<u>789,523</u>	<u>724,004</u>
Capital Assets, Being Depreciated:				
Plant, Pumps, and Motors	32,638,547	712,195	-	33,350,742
Distribution System	38,253,301	483,194	-	38,736,495
Collection System	22,318,244	544,798	-	22,863,042
Maintenance Equipment and Vehicles	2,574,510	718,221	-	3,292,731
Furniture and Equipment	244,222	-	-	244,222
Total Capital Assets, Being Depreciated	<u>96,028,824</u>	<u>2,458,408</u>	<u>-</u>	<u>98,487,232</u>
Less Accumulated Depreciation for:				
Plants, Pumps, and Motors	23,140,290	1,062,385	-	24,202,675
Distribution System	18,690,258	1,170,415	-	19,860,673
Collection System	13,136,893	706,908	-	13,843,801
Maintenance Equipment and Vehicles	2,142,459	180,971	-	2,323,430
Furniture and Equipment	244,222	-	-	244,222
Total Accumulated Depreciation	<u>57,354,122</u>	<u>3,120,679</u>	<u>-</u>	<u>60,474,801</u>
Total Capital Assets, Being Depreciated, Net	<u>38,674,702</u>	<u>(662,271)</u>	<u>-</u>	<u>38,012,431</u>
Business-type Activities, Capital Assets, Net	<u>39,546,875</u>	<u>(20,917)</u>	<u>789,523</u>	<u>38,736,435</u>
Intangible Asset - Water Rights	4,113,119	-	-	4,113,119
Less Accumulated Amortization	549,884	35,624	-	585,508
Total Intangible Asset - Water Rights, Net	<u>3,563,235</u>	<u>(35,624)</u>	<u>-</u>	<u>3,527,611</u>
Business-type Activities Capital and Intangible Assets, Net	<u>\$ 43,110,110</u>	<u>\$ (56,541)</u>	<u>\$ 789,523</u>	<u>\$ 42,264,046</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land Development Costs	<u>\$ 1,655,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,655,772</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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	\$	108,292
Finance		6,425
Public Safety		502,894
Public Works, Including Depreciation of General Infrastructure Asset		1,810,813
Health		158,183
Library Service		79,518
Cox Field Airport		110,615
Total Depreciation Expense - Governmental Activities		<u>\$ 2,776,740</u>
Business-type Activities:		
Water and Sewer - Total Depreciation Expense - Business-type Activities		<u>\$ 3,120,679</u>

D. Construction Commitments

The City has active construction projects as of September 30, 2012. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Rehabilitation of East Elevated Storage Tanks	<u>\$ -</u>	<u>\$ 837,000</u>

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	\$ -	\$ 73,591
Debt Service Fund	499,046	93,258
Special Revenue Fund	73,591	-
Water and Sewer Enterprise Fund	93,258	499,046
Total	<u>\$ 665,895</u>	<u>\$ 665,895</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These are expected to be collected in the subsequent year. The amounts receivable and payable between the General Fund and the Special Revenue Fund are eliminated in the process of preparing the consolidated government-wide statement of net assets since they are both governmental activities.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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	Capital Projects Fund	Transfers Out
General Fund	\$ -	\$ 379,234	\$ 446,535	\$ 825,769
Water and Sewer Fund	1,544,400	-	3,110,000	4,654,400
Capital Projects Fund	-	788,658	-	788,658
Transfer In	<u>\$ 1,544,400</u>	<u>\$ 1,167,892</u>	<u>\$ 3,556,535</u>	<u>\$ 6,268,827</u>

During the year ended September 30, 2012, the City made budgeted transfers from Water and Sewer Fund to General Fund of \$1,544,400, and from the General Fund to the Capital Projects Fund of \$446,535, and from the General Fund to the Water and Sewer Fund of \$379,234 to complete specific projects. As Water and Sewer projects were completed in the Capital Projects Fund, accumulated costs transferred to the Water and Sewer Fund were \$788,658.

F. Long-term Liabilities

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 \$295,000 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. These bonds were issued to provide funds for the purchase and renovation of a law enforcement center for police, courts and jail.

\$7,130,000 General Obligation Refunding Bonds, Series 2003, due in annual installments varying from \$196,800 to \$384,000 with final payment due December 15, 2014. Interest is payable semi-annually at rates ranging from 3.65% 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. These bonds were issued to provide funds for improvements and expansion to South Collegiate Drive.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

F. Long-term Liabilities (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 \$355,000 to \$440,000, with final payment due June 15, 2020. Interest is payable semi-annually at rates ranging from 2.375% 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, 2012, the fund balances in the Interest and Sinking Funds are \$2,677,910.

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.

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
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	890,000	238,434	650,000	92,400
2018-2022	4,120,000	680,670	2,080,000	147,713
2023-2027	920,000	232,934	-	-
2028-2032	660,000	41,550	-	-
	<u>\$ 10,750,600</u>	<u>\$ 2,492,281</u>	<u>\$ 7,764,400</u>	<u>\$ 989,462</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

F. Long-term Liabilities (Continued)

A summary of long-term liability transactions for the year ended September 30, 2012, follows:

	Balance September 30, 2011	Additions	Reductions	Balance September 30, 2012	Due Within One year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 11,830,800	\$ -	\$ 1,080,200	\$ 10,750,600	\$ 1,119,800
Premium	103,360	-	20,436	82,924	18,572
Total Bonds Payable	<u>11,934,160</u>	<u>-</u>	<u>1,100,636</u>	<u>10,833,524</u>	<u>1,138,372</u>
Compensated Absences	782,085	181,218	186,791	776,512	186,791
Landfill Post Closure					
Care Costs	66,873	-	-	66,873	-
OPEB Liability	<u>122,352</u>	<u>164,310</u>	<u>112,026</u>	<u>174,636</u>	<u>112,026</u>
Governmental Activities Long-term Liabilities	<u>\$ 12,905,470</u>	<u>\$ 345,528</u>	<u>\$ 1,399,453</u>	<u>\$ 11,851,545</u>	<u>\$ 1,437,189</u>
Business-type Activities					
Bonds Payable					
Revenue Bonds	\$ 11,254,200	\$ -	\$ 3,489,800	\$ 7,764,400	\$ 1,350,200
Premium	310,387	-	71,730	238,657	53,992
Total Bonds Payable	<u>11,564,587</u>	<u>-</u>	<u>3,561,530</u>	<u>8,003,057</u>	<u>1,404,192</u>
Compensated Absences	142,098	9,646	4,003	147,741	4,003
Business-type Activities Long-term Liabilities	<u>\$ 11,706,685</u>	<u>\$ 9,646</u>	<u>\$ 3,565,533</u>	<u>\$ 8,150,798</u>	<u>\$ 1,408,195</u>
Component Unit					
Bonds Payable	<u>\$ 2,140,000</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 1,860,000</u>	<u>\$ 290,000</u>
Component Unit Long-term Liabilities	<u>\$ 2,140,000</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 1,860,000</u>	<u>\$ 290,000</u>

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

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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

F. Long-term Liabilities (Continued)

PEDC has outstanding Paris Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2010, originally issued at \$2,685,000, bearing interest at 2.32% to 4.39%. Principal payments are due serially in varying annual amounts to September 1, 2018, from \$290,000 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, 2012, the balances in the Debt Service Fund and Reserve Fund are \$73,964 and \$470,977, respectively.

Debt service requirements related to these bonds are as follows:

Years	Bond Debt Requirements		Total
	Principal	Interest	
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
	\$ 1,860,000	\$ 257,469	\$ 2,117,469

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, 2012, these accounts, shown as cash and investments on the Statement of Net Assets – Proprietary Funds, are as follows:

Reserve Fund	\$ 2,266,519
Contingency Fund	779,300

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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	Other Receivables
Customers' Deposits	\$ 300,389	\$ 481,873	\$ -
Notes Receivable	-	-	52,216
Total Restricted Assets	<u>\$ 300,389</u>	<u>\$ 481,873</u>	<u>\$ 52,216</u>

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, 2012. 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

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

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

D. Water Sales

The City has contracts extending for several years to sell treated and untreated water to six entities. Total water sales under these contracts to these entities during the year ended September 30, 2012, were approximately \$3,449,000.

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, 2012, 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.

Subsequent to September 30, 2012, the City Council approved an ordinance which establishes payment obligations to the Sulphur River Regional Mobility Authority. The City's payments are to assist in funding completion of approximately 10.4 miles of four-lane divided highway in Delta County, Texas. Annual payments of \$100,827 include principal and interest at 3.68% beginning March 29, 2013, through March 29, 2032. The City is required to establish a sinking fund and to levy and collect ad valorem tax. In addition, the City Council approved two ordinances authorizing the issuance of General Obligation Refunding Bonds, Series 2012 not exceed \$4,750,000, to defease Combination Tax and Revenue Certificates of Obligation, Series 2002 and General Obligation Refunding Bonds, Series 2003 and Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, not to exceed \$2,900,000 for water line replacements and related costs. The ordinances also require the levy of ad valorem tax sufficient to pay the interest and principal as they become due and contain a pledge of the surplus net revenues of the water and sewer systems.

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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

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

PEDC has extended several incentive agreements to various companies:

- (1) Warehouse company - Company is to create 35 new jobs providing an incentive amount of \$105,000.
- (2) Commercial dairy - The incentive is to provide cash payments for creating 150 new jobs in Paris and Lamar County for five years. This amount is estimated to be \$664,300 and expected to begin in 2017.
- (3) Soup manufacturer - The incentive is to participate in the cost of a solar storage structure to the extent of \$100,000.
- (4) Truck accessories - Company is to open a manufacturing facility in Paris, Texas, and create 15 new jobs. The incentive is for \$324,250 for new jobs, training, and infrastructure. At September 30, 2012, \$226,118 of the incentive remains to be satisfied. PEDC has also executed a guaranty in connection with a \$100,000 note to a bank.
- (5) Retail and office structure – The incentive is to participate in reimbursement of sewer line construction to the extent of \$250,000.
- (6) Therapeutic proteins manufacturer and distributor – Facilities to be located at Paris Industrial Park to create new jobs. PEDC has committed \$219,760 to complete a market analysis, a site and facilities plan, and a bridge loan. Additional incentives may be extended in the future.

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 August 2012, the Board of Directors approved the renewal of a \$2,000,000 revolving line of credit with a bank for future economic development projects. The note is dated September 18, 2012, and bears interest at the initial rate of 1.29% which is due monthly. The principal is due in one payment on September 18, 2014, 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, 2012, 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

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

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

liquidity, and furnishing of financial information. At September 30, 2012, no funds have been advanced under this line of credit. Subsequent to September 30, 2012, PEDC drew \$2,000,000 under this line and loaned it to a manufacturing company locating in Paris. The lien note bears interest at the initial rate of 3.35%, is due September 18, 2014, and is secured by equipment. Additionally, an incentive agreement relating to payment for jobs and training is also being considered.

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, 2012, the contributions were approximately \$112,000 for 28 retired employees. An additional 31 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, 2012:

Development of the Annual Required Contribution

	2010	2011	2012
Employer Normal Cost	\$ 20,637	\$ 73,791	\$ 80,318
Amortization of UAAL	121,843	143,761	143,761
Annual Required Contribution (ARC)	<u>\$ 142,480</u>	<u>\$ 217,552</u>	<u>\$ 224,079</u>
Percentage Contributed	76%	68%	76%
Amount of Contribution	\$ 108,331	\$ 147,885	\$ 169,555
Interest on Net Obligation	\$ 878	\$ 2,415	\$ 5,506
ARC Adjustment	\$ 814	\$ 3,397	\$ 7,746
Increase in Net Obligation	\$ 34,149	\$ 68,684	\$ 52,284
Net Obligation	\$ 53,668	\$ 122,352	\$ 174,636

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

G. Postemployment Benefits Other Than Pensions (Continued)

The ARC for 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 and 2012, 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. In prior years, the General Fund has been used to liquidate post-employment obligations.

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 Liability	<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.

V. Other Information (Continued)

H. Deferred Compensation Plan

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

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 847 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 times the percentage adopted. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest, were used to purchase an annuity.

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

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 projected unit credit 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, 2012

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: 2011 - \$923,731, 2010 - \$1,195,726, and 2009 - \$1,204,639. At September 30, 2010, 2011, and 2012, the net pension obligation is zero. Any net pension obligation would be liquidated by the General Fund.

Schedule of Funding Progress:

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	Actuarial Liability as a Percentage of Covered Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(1) / (2)	(3) - (4)		(3) / (5)
2009	\$ 25,841,641	\$ 31,658,754	81.6%	\$ 5,817,113	\$ 10,635,564	54.7%
2010	42,636,949	43,396,366	98.3	759,417	11,352,419	6.7
2011	45,192,490	45,459,374	99.4	266,884	11,462,772	2.3

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V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Schedule of Funding Progress (Continued)

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.

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 benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City contributed 100% of its required contribution for the last three calendar years at the annual required contribution rate of .08% (2010), .08% (2011), and .07% (2012).

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

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.

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 February 25, 2012.

The City's annual required contribution to the plan for fiscal year 2012 was based on a payroll of \$2,459,653 and amounted to \$295,159. Covered employees made contributions of \$295,159. The plan covers 38 retirees and beneficiaries, 25 fully vested active and terminated employees, and 29 nonvested active employees.

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

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, 2012, 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.

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."

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Annual Pension Cost (Continued)

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%

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City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Development of the Actuarial Value of Assets

	December 31,		
	2009	2010	2011
Market Value as of January 1	\$ 5,120,290	\$ 6,036,399	\$ 6,271,702
Contributions, Interest and Dividends			
Contributions by the City	289,868	277,875	290,452
Contributions by Members	289,868	277,875	284,695
Dividends and Interest	178,460	176,181	154,178
Other	1,763	1,869	1,938
	<u>759,959</u>	<u>733,800</u>	<u>731,263</u>
Disbursements			
Benefits Paid Monthly	717,912	882,185	805,619
Lump Sum Distribution	-	-	48,051
Administrative Expenses	92,250	100,952	99,690
Contributions Refunded	48,460	35,511	32,382
	<u>858,622</u>	<u>1,018,648</u>	<u>985,742</u>
Net Realized and Unrealized Gains and Losses			
Realized Gains (Losses)	(362,736)	76,309	193,340
Unrealized Gains (Losses)	1,377,508	443,842	(401,127)
	<u>1,014,772</u>	<u>520,151</u>	<u>(207,787)</u>
Market Value as of December 31	<u>\$ 6,036,399</u>	6,271,702	<u>\$ 5,809,436</u>
Adjustments to Develop Actuarial Value, Net		<u>464,981</u>	
Actuarial Value of Assets		<u>\$ 6,736,683</u>	

City of Paris, Texas
Notes to Financial Statements
September 30, 2012

V. Other Information (Continued)

I. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Other Information – Most Current Available

	September 30,		
	2010	2011	2012
Annual Required Contribution (ARC)	\$ 287,486	\$ 254,450	\$ 257,108
Interest on Net Pension Asset	(26,640)	(26,596)	(29,188)
Adjustment to the ARC	<u>18,565</u>	<u>18,534</u>	<u>20,341</u>
Annual Pension Cost (APC)	279,411	246,388	248,261
Actual Employer Contributions	<u>278,862</u>	<u>278,792</u>	<u>295,159</u>
Change in Net Pension Asset	549	(32,404)	(46,898)
Net Pension Asset, Beginning of Year	<u>(333,000)</u>	<u>(332,451)</u>	<u>(364,855)</u>
Net Pension Asset, End of Year	<u>\$ (332,451)</u>	<u>\$ (364,855)</u>	<u>\$ (411,753)</u>

The City's APC, percentage of APC contributed, and NPA for the plan for the current year and each of the two preceding years were as follows:

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	\$ 248,261	118.9%	\$ (411,753)
2011	246,388	113.2	(364,855)
2010	279,411	99.8	(332,451)

Nonmajor Governmental Funds

Special Revenue

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

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

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

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, 2012

	Special Revenue				Total
	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds	
ASSETS					
Cash	\$ 30,626	\$ 142,337	\$ 12,819	\$ 126,182	\$ 311,964
Investments	331,759	-	-	-	331,759
Notes Receivable	52,216	-	-	-	52,216
Due from Other Funds	-	-	73,591	-	73,591
Due from Other Governments	7,896	-	215,169	-	223,065
Total Assets	\$ 422,497	\$ 142,337	\$ 301,579	\$ 126,182	\$ 992,595
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ 1,384	\$ -	\$ -	\$ 1,384
Total Liabilities	-	1,384	-	-	1,384
Fund Balances:					
Nonspendable					
Permanent Library Funds	-	-	-	-	-
Restricted for:					
Notes	92,216	-	-	-	92,216
Law Enforcement	-	140,953	-	-	140,953
Health	-	-	301,579	-	301,579
Assigned:					
Library	-	-	-	126,182	126,182
Community Development	330,281	-	-	-	330,281
Total Fund Balances	422,497	140,953	301,579	126,182	991,211
Total Liabilities and Fund Balances	\$ 422,497	\$ 142,337	\$ 301,579	\$ 126,182	\$ 992,595

<u>Permanent</u>		Total
Library Trust Funds		Nonmajor Governmental Funds
\$ 309		\$ 312,273
89,323		421,082
-		52,216
-		73,591
-		223,065
<u>\$ 89,632</u>		<u>\$ 1,082,227</u>
<u>\$ -</u>		<u>\$ 1,384</u>
<u>-</u>		<u>1,384</u>
89,632		89,632
-		92,216
-		140,953
-		301,579
-		126,182
-		330,281
<u>89,632</u>		<u>1,080,843</u>
<u>\$ 89,632</u>		<u>\$ 1,082,227</u>

City of Paris, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

Schedule 2

	Special Revenue				Permanent		Total Nonmajor Governmental Funds
	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds	Total	Library Trust Funds	
Revenues:							
Memorial Donations	\$ -	\$ -	\$ -	\$ 4,239	\$ 4,239	\$ -	\$ 4,239
Interest Earned	9,647	808	-	822	11,277	1,112	12,389
Grant Revenue	70,696	-	600,138	-	670,834	-	670,834
Local Revenue	-	38,482	441,982	-	480,464	-	480,464
Total Revenues	<u>80,343</u>	<u>39,290</u>	<u>1,042,120</u>	<u>5,061</u>	<u>1,166,814</u>	<u>1,112</u>	<u>1,167,926</u>
Expenditures:							
Municipal Court	-	20,336	-	-	20,336	-	20,336
Community Development	76,196	-	-	-	76,196	-	76,196
Police	-	10,368	-	-	10,368	-	10,368
Health	-	-	955,930	-	955,930	-	955,930
Library	-	-	-	2,128	2,128	-	2,128
Total Expenditures	<u>76,196</u>	<u>30,704</u>	<u>955,930</u>	<u>2,128</u>	<u>1,064,958</u>	<u>-</u>	<u>1,064,958</u>
Excess of Revenues Over Expenditures	4,147	8,586	86,190	2,933	101,856	1,112	102,968
Other Financing Uses - Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	4,147	8,586	86,190	2,933	101,856	1,112	102,968
Fund Balances - Beginning	<u>418,350</u>	<u>132,367</u>	<u>215,389</u>	<u>123,249</u>	<u>889,355</u>	<u>88,520</u>	<u>977,875</u>
Fund Balances - Ending	<u>\$ 422,497</u>	<u>\$ 140,953</u>	<u>\$ 301,579</u>	<u>\$ 126,182</u>	<u>\$ 991,211</u>	<u>\$ 89,632</u>	<u>\$ 1,080,843</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, 2012

Schedule 3

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest Earned	\$ -	\$ -	\$ 808	\$ 808
Local Revenue	37,098	37,098	38,482	1,384
Total Revenues	<u>37,098</u>	<u>37,098</u>	<u>39,290</u>	<u>2,192</u>
Expenditures:				
Municipal Court	139,416	139,416	20,336	119,080
Police Department	33,385	33,385	10,368	23,017
Total Expenditures	<u>172,801</u>	<u>172,801</u>	<u>30,704</u>	<u>142,097</u>
Excess (Deficiency) of Revenues Over Expenditures - Net Changes in Fund Balance	(135,703)	(135,703)	8,586	144,289
Fund Balance - Beginning	<u>132,367</u>	<u>132,367</u>	<u>132,367</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (3,336)</u>	<u>\$ (3,336)</u>	<u>\$ 140,953</u>	<u>\$ 144,289</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, 2012

Schedule 4

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Grant Revenue	\$ 617,433	\$ 617,433	\$ 600,138	\$ (17,295)
Local Revenue	348,935	348,935	441,982	93,047
Total Revenues	<u>966,368</u>	<u>966,368</u>	<u>1,042,120</u>	<u>75,752</u>
Expenditures:				
Health	968,413	968,413	955,930	12,483
Total Expenditures	<u>968,413</u>	<u>968,413</u>	<u>955,930</u>	<u>12,483</u>
Excess (Deficiency) of Revenues Over Expenditures - Net Changes in Fund Balance	(2,045)	(2,045)	86,190	88,235
Fund Balance - Beginning	<u>215,389</u>	<u>215,389</u>	<u>215,389</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 213,344</u>	<u>\$ 213,344</u>	<u>\$ 301,579</u>	<u>\$ 88,235</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, 2012

Schedule 5

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Ad Valorem Taxes	\$ 1,438,852	\$ 1,438,852	\$ 1,583,842	\$ 144,990
Interest Earned	-	-	12,427	12,427
Total Revenues	<u>1,438,852</u>	<u>1,438,852</u>	<u>1,596,269</u>	<u>157,417</u>
Expenditures:				
Bond Principal Retirement	1,080,200	1,080,200	1,080,200	-
Interest and Fiscal Charges	426,847	426,847	424,730	2,117
Total Expenditures	<u>1,507,047</u>	<u>1,507,047</u>	<u>1,504,930</u>	<u>2,117</u>
Excess (Deficiency) of Revenues Over Expenditures - Net Changes in Fund Balance	(68,195)	(68,195)	91,339	159,534
Fund Balance - Beginning	<u>2,706,272</u>	<u>2,706,272</u>	<u>2,706,272</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,638,077</u>	<u>\$ 2,638,077</u>	<u>\$ 2,797,611</u>	<u>\$ 159,534</u>

City of Paris, Texas
 Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 From Inception and For the Year Ended September 30, 2012

Schedule 6

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization (Budget)</u>
Revenues:				
Interest Earned	\$ 31,323	\$ 19,535	\$ 50,858	\$ -
Total Revenues	<u>31,323</u>	<u>19,535</u>	<u>50,858</u>	<u>-</u>
Expenditures:				
City Council	27,971	48,959	76,930	2,420
Police	-	285,630	285,630	261,865
Fire	131,970	782,383	914,353	875,770
Community Development	79,684	36,860	116,544	109,700
Engineering	17,867	17,688	35,555	35,570
Parks and Recreation	223,952	177,678	401,630	754,005
Solid Waste	254,322	314,489	568,811	573,350
Streets and Highways	2,587,725	(156,140)	2,431,585	3,314,380
Total Expenditures	<u>3,323,491</u>	<u>1,507,547</u>	<u>4,831,038</u>	<u>5,927,060</u>
Deficiency of Revenues Over Expenditures	(3,292,168)	(1,488,012)	(4,780,180)	(5,927,060)
Other Financing Sources (Uses):				
Transfers In	2,162,384	3,556,535	5,718,919	5,718,919
Transfers Out	(1,325,406)	(788,658)	(2,114,064)	(2,114,064)
Certificates of Obligation Issued	3,005,000	-	3,005,000	3,005,000
Net Changes in Fund Balance	<u>\$ 549,810</u>	1,279,865	<u>\$ 1,829,675</u>	<u>\$ 682,795</u>
Fund Balance - Beginning		<u>720,115</u>		
Fund Balance - Ending		<u>\$ 1,999,980</u>		

CAPITAL ASSETS USED IN
THE OPERATION OF GOVERNMENTAL FUNDS

City of Paris, Texas
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 September 30, 2012 and 2011

Schedule 7

	2012	2011
Governmental Funds Capital Assets:		
Land	\$ 5,912,108	\$ 5,912,108
Buildings	14,601,581	15,430,302
Improvements Other Than Buildings	7,860,667	5,645,638
Machinery and Equipment	19,654,343	17,614,232
Infrastructure	39,025,955	39,081,870
Construction in Progress	607,529	342,635
Total Governmental Funds Capital Assets	\$ 87,662,183	\$ 84,026,785
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 58,527,388	\$ 57,990,426
Capital Projects Funds	22,178,388	20,722,078
Donations	6,956,407	5,314,281
Total Investments in Governmental Funds Capital Assets by Source	\$ 87,662,183	\$ 84,026,785

City of Paris, Texas
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 September 30, 2012

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
General Government:				
Council	\$ 339,906	\$ 2,457,709	\$ 99,522	\$ 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>109,470</u>	<u>1,162,350</u>
Public Safety:				
Police	619,585	5,082,541	808,022	3,627,207
Fire	159,268	2,189,378	231,972	3,319,886
Total Public Safety	<u>778,853</u>	<u>7,271,919</u>	<u>1,039,994</u>	<u>6,947,093</u>
Public Works:				
Community Development	3,299,676	-	377,509	198,551
Engineering	-	10,747	-	210,750
Public Works	125,543	-	-	842,073
Parks and Recreation	112,230	92,268	3,427,702	941,495
Solid Waste	626,395	-	42,079	1,697,042
Streets and Highways	138,590	88,220	80,192	2,353,625
Traffic and Public Lighting	-	-	-	189,023
Garage	-	95,121	-	84,966
Other Unclassified	-	-	52,361	172,694
Total Public Works	<u>4,302,434</u>	<u>286,356</u>	<u>3,979,843</u>	<u>6,690,219</u>
Emergency Medical Service	-	94,177	6,200	2,541,759
Cox Field	429,120	3,428,970	2,646,618	221,928
Library	61,795	1,047,713	78,542	2,090,994
Total Governmental Funds Capital Assets	<u>\$ 5,912,108</u>	<u>\$ 14,601,581</u>	<u>\$ 7,860,667</u>	<u>\$ 19,654,343</u>

<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 3,469,041
-	10,187
-	123,716
-	85,967
-	395,261
-	4,084,172
-	10,137,355
-	5,900,504
-	16,037,859
-	3,875,736
-	221,497
-	967,616
-	4,573,695
-	2,365,516
39,025,955	41,686,582
-	189,023
-	180,087
-	225,055
39,025,955	54,284,807
-	2,642,136
-	6,726,636
-	3,279,044
<u>\$ 39,025,955</u>	<u>\$ 87,054,654</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, 2012

Schedule 9

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets September 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Governmental Funds Capital Assets September 30, 2012</u>
General Government:				
Council	\$ 3,463,041	\$ 6,000	\$ -	\$ 3,469,041
Manager	10,187	-	-	10,187
Attorney	123,716	-	-	123,716
Clerk	85,967	-	-	85,967
Finance	395,261	-	-	395,261
Total General Government	<u>4,078,172</u>	<u>6,000</u>	<u>-</u>	<u>4,084,172</u>
Public Safety:				
Police	10,690,231	463,951	1,016,827	10,137,355
Fire	5,107,310	793,194	-	5,900,504
Total Public Safety	<u>15,797,541</u>	<u>1,257,145</u>	<u>1,016,827</u>	<u>16,037,859</u>
Public Works:				
Community Development	3,838,876	36,860	-	3,875,736
Engineering	203,809	17,688	-	221,497
Public Works	967,616	-	-	967,616
Parks and Recreation	4,334,922	238,773	-	4,573,695
Solid Waste	2,051,027	314,489	-	2,365,516
Streets and Highways	41,439,169	403,543	156,140	41,686,582
Traffic and Public Lighting	189,023	-	-	189,023
Garage	180,087	-	-	180,087
Other Unclassified	118,245	106,810	-	225,055
Total Public Works	<u>53,322,774</u>	<u>1,118,163</u>	<u>156,140</u>	<u>54,284,807</u>
Emergency Medical Service	2,385,083	257,053	-	2,642,136
Cox Field	4,821,536	1,905,100	-	6,726,636
Library	3,279,044	-	-	3,279,044
Total Governmental Funds Capital Assets	<u>\$ 83,684,150</u>	<u>\$ 4,543,461</u>	<u>\$ 1,172,967</u>	<u>\$ 87,054,654</u>

STATISTICAL SECTION

City of Paris, Texas
Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Unaudited

	Fiscal Year			
	2003	2004	2005	2006
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	4,715,567	5,790,128	7,192,467	9,619,009
 Total Governmental Activities, Net Assets	 <u>\$ 35,572,332</u>	 <u>\$ 33,287,770</u>	 <u>\$ 37,575,273</u>	 <u>\$ 39,804,063</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	3,675,892	4,592,176	3,487,041	6,282,200
 Total Business-type Activities, Net Assets	 <u>\$ 33,778,354</u>	 <u>\$ 33,852,494</u>	 <u>\$ 31,543,079</u>	 <u>\$ 32,737,336</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	8,391,459	10,382,304	10,679,508	15,901,209
 Total Primary Government, Net Assets	 <u>\$ 69,350,686</u>	 <u>\$ 67,140,264</u>	 <u>\$ 69,118,352</u>	 <u>\$ 72,541,399</u>

Table 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 28,296,810	\$ 27,214,018	\$ 26,663,557	\$ 26,871,917	\$ 25,311,134	\$ 27,532,353
1,356,091	2,634,911	952,225	5,454,967	3,958,563	5,421,971
12,344,117	12,724,897	15,119,471	10,358,596	12,801,387	12,700,759
<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>	<u>\$ 45,655,083</u>
\$ 23,735,238	\$ 24,810,704	\$ 26,288,945	\$ 28,883,901	\$ 31,855,910	\$ 34,499,646
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	8,496,996
<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>	<u>\$ 42,996,642</u>
\$ 52,032,048	\$ 52,024,722	\$ 52,952,502	\$ 55,755,818	\$ 57,167,044	\$ 62,031,999
4,944,480	5,445,144	4,765,664	7,091,689	3,958,563	5,421,971
18,545,115	20,087,182	22,357,422	20,174,249	24,217,521	21,197,755
<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>	<u>\$ 88,651,725</u>

City of Paris, Texas
Changes in Net Assets
Last Ten 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	\$ 34,305,993	\$ 36,391,359	\$ 34,551,877	\$ 33,339,143
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	\$ 17,674,415	\$ 19,586,014	\$ 19,148,591	\$ 19,667,173

Table 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,722,181	\$ 2,076,554	\$ 3,590,461	\$ 2,632,370	\$ 2,890,290	\$ 2,094,110
426,485	467,865	449,227	481,106	437,320	480,144
9,045,085	9,737,225	9,498,749	10,021,261	9,880,712	10,771,351
7,217,841	7,705,564	6,905,252	7,279,655	7,667,367	7,568,269
2,897,836	3,174,713	3,133,324	3,184,085	3,202,551	3,416,360
690,413	790,216	730,925	751,523	719,240	712,033
236,414	262,533	294,089	225,565	220,027	261,463
584,861	557,588	507,788	460,678	438,460	342,554
22,821,116	24,772,258	25,109,815	25,036,243	25,455,967	25,646,284
10,839,828	10,959,294	11,197,470	10,423,943	10,694,363	11,008,967
<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>	<u>\$ 36,655,251</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
806,321	1,029,991	676,229	757,291	606,792	729,267
1,626,253	1,690,210	1,693,133	1,709,552	1,775,841	1,788,753
2,406,995	2,710,279	2,638,943	2,595,679	2,608,306	2,721,421
19,601	22,464	21,335	21,123	19,707	20,877
1,244,186	1,407,529	1,317,832	1,431,301	1,953,631	1,305,387
25,599	55,152	224,458	355,429	205,628	636,974
6,128,955	6,915,625	6,571,930	6,870,375	7,169,905	7,202,679
12,359,516	13,012,253	13,616,713	13,650,486	13,798,137	13,852,441
<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>	<u>\$ 21,055,120</u>

City of Paris, Texas
Changes in Net Assets
Last Ten 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	2012
\$(16,692,161)	\$(17,856,633)	\$(18,537,885)	\$(18,165,868)	\$(18,095,410)	\$(18,443,605)
1,519,688	2,052,959	2,419,243	3,226,543	3,103,774	2,843,474
<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>	<u>\$(15,600,131)</u>
\$ 7,924,453	\$ 7,904,936	\$ 7,794,381	\$ 7,853,487	\$ 7,620,281	\$ 7,619,472
5,673,616	5,696,174	6,441,260	5,843,494	6,033,469	5,993,859
3,082,183	2,898,214	2,859,338	2,743,214	2,719,496	2,731,097
430,991	434,441	526,998	500,755	449,213	498,667
571,678	399,676	174,636	113,006	84,327	55,875
102,195	-	-	-	-	1,642,126
1,100,000	1,100,000	902,699	1,062,139	764,880	3,486,508
-	-	-	-	-	-
<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>	<u>22,027,604</u>
367,601	309,586	212,479	103,220	162,374	63,722
-	196,052	628,090	728,317	434,500	303,910
(1,100,000)	(1,100,000)	(902,699)	(1,062,139)	(764,880)	(3,486,508)
-	-	-	-	-	-
<u>(732,399)</u>	<u>(594,362)</u>	<u>(62,130)</u>	<u>(230,602)</u>	<u>(168,006)</u>	<u>(3,118,876)</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>	<u>\$ 18,908,728</u>
\$ 2,192,955	\$ 576,808	\$ 161,427	\$ (49,773)	\$ (636,302)	\$ 3,583,999
787,289	1,458,597	2,357,113	2,995,941	2,935,768	(275,402)
<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>	<u>\$ 3,308,597</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Nonspendable	\$ 217,610	\$ 155,608	\$ 153,043	\$ 118,925	\$ 202,440
Unassigned	<u>5,502,760</u>	<u>3,735,128</u>	<u>5,375,749</u>	<u>8,874,883</u>	<u>11,581,136</u>
Total General Fund	<u>\$ 5,720,370</u>	<u>\$ 3,890,736</u>	<u>\$ 5,528,792</u>	<u>\$ 8,993,808</u>	<u>\$ 11,783,576</u>
All Other Governmental Funds					
Reserved	\$ 8,071,051	\$ 7,776,342	\$ 4,831,754	\$ 997,192	\$ 1,440,583
Unreserved, Reported in:					
Special Revenue Funds	800,930	909,520	1,006,385	908,559	924,573
Permanent Funds	77,454	(196,478)	73,373	76,552	80,468
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 8,949,435</u>	<u>\$ 8,489,384</u>	<u>\$ 5,911,512</u>	<u>\$ 1,982,303</u>	<u>\$ 2,445,624</u>

(1) For 2011 and 2012, the fund balance of All Other Governmental Funds is classified consistent with recent pronouncements (GASB 54). Previous years have not been restated.

Table 3

Fiscal Year				
2008	2009	2010	2011 (1)	2012 (1)
\$ 251,411	\$ 215,128	\$ 214,932	\$ 199,519	\$ 218,117
11,478,815	13,751,446	11,376,619	12,156,169	11,764,593
<u>\$ 11,730,226</u>	<u>\$ 13,966,574</u>	<u>\$ 11,591,551</u>	<u>\$ 12,355,688</u>	<u>\$ 11,982,710</u>
\$ 2,704,009	\$ 1,008,826	\$ 5,540,873	\$ -	\$ -
811,645	792,271	781,230	-	-
82,762	84,365	86,564	-	-
-	-	-	88,520	89,632
-	-	-	3,870,043	5,332,339
-	-	-	532,263	456,463
<u>\$ 3,598,416</u>	<u>\$ 1,885,462</u>	<u>\$ 6,408,667</u>	<u>\$ 4,490,826</u>	<u>\$ 5,878,434</u>

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

	Fiscal Year		
	2003	2004	2005
Revenues:			
Taxes	\$15,323,499	\$14,959,510	\$16,109,433
Licenses and Permits	80,666	73,163	98,611
Fines and Fees	472,857	501,124	556,895
Use of Money and Property	265,980	247,260	357,262
Public Safety	172,955	208,878	230,029
Sanitation Fees	1,349,711	1,346,443	1,361,406
Health	2,043,589	2,246,352	2,083,448
Intergovernmental Revenues	2,715,441	2,493,221	2,272,486
Other	302,489	852,469	470,791
Total Revenues	<u>22,727,187</u>	<u>22,928,420</u>	<u>23,540,361</u>
Expenditures:			
Current:			
General Government	1,577,462	1,612,645	1,545,542
Finance	476,883	533,799	508,968
Public Safety	8,675,218	9,070,046	9,136,810
Public Works	5,957,419	6,473,823	5,324,999
Health Department	800,717	797,474	844,625
Emergency Medical Service	1,790,799	1,844,574	1,862,313
Insurance Trust Fund	-	879,643	-
Library	1,034,918	795,347	601,885
Cox Field Airport	132,347	133,295	134,542
Other	505,553	484,044	535,395
Debt Service:			
Interest	744,280	796,024	670,102
Principal	862,838	1,225,517	1,065,372
Capital Outlay	3,664,855	1,833,954	3,163,974
Total Expenditures	<u>26,223,289</u>	<u>26,480,185</u>	<u>25,394,527</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,496,102)</u>	<u>(3,551,765)</u>	<u>(1,854,166)</u>
Other Financing Sources (Uses):			
Proceeds of Capital Leases	59,980	87,114	-
Transfers In	1,352,661	1,929,831	1,799,397
Transfers Out	(1,062,866)	(694,377)	(881,956)
Certificates of Obligation Issued	-	-	-
Total Other Financing Sources (Uses)	<u>349,775</u>	<u>1,322,568</u>	<u>917,441</u>
Increase (Decrease) in Reserve for Inventory	<u>44,848</u>	<u>(60,488)</u>	<u>(3,091)</u>
Net Changes in Fund Balances	<u>\$ (3,101,479)</u>	<u>\$ (2,289,685)</u>	<u>\$ (939,816)</u>
Debt Service as a Percentage of Noncapital Expenditures	7.15%	8.20%	7.81%

Source: City of Paris

Note: (1) Included in General Fund 2005

Table 4

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$16,435,160	\$17,116,584	\$16,909,018	\$17,606,479	\$16,941,815	\$16,824,545	\$16,822,577
87,137	106,997	101,776	171,906	88,935	112,142	145,792
543,606	571,165	652,804	554,424	526,668	501,601	550,496
493,234	721,799	532,435	317,028	274,986	313,948	210,476
212,729	34,151	67,335	65,283	57,369	40,297	-
1,287,138	1,488,874	1,319,923	1,306,867	1,347,707	1,461,736	1,468,917
2,489,961	2,935,839	2,646,417	2,583,958	2,621,420	2,578,496	2,818,196
1,867,098	613,665	1,504,435	1,575,080	1,736,611	1,768,322	1,858,092
247,234	374,545	302,120	221,114	301,069	247,354	271,709
<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>	<u>24,146,255</u>
1,210,298	966,627	962,561	1,075,990	1,109,767	1,219,607	1,029,702
549,079	414,080	448,951	430,364	462,282	425,455	473,719
8,653,589	8,564,024	9,283,682	9,303,726	9,489,393	9,154,646	9,659,131
5,193,512	5,518,798	5,562,625	5,591,689	5,509,576	7,459,432	5,757,456
822,734	816,419	925,195	900,945	942,596	908,339	955,930
1,890,825	1,979,104	2,128,274	2,111,069	2,095,897	2,146,210	2,302,247
-	-	-	-	-	-	-
621,327	570,394	675,209	616,148	642,830	630,977	632,515
143,620	117,574	145,052	180,364	112,800	107,276	150,848
60,011	752,256	1,057,566	2,360,244	1,468,366	1,545,147	1,434,177
622,773	596,043	563,669	518,682	443,618	945,016	1,080,200
864,958	968,598	1,304,230	847,851	871,978	480,448	424,730
4,550,646	1,269,778	1,028,778	808,089	2,666,238	815,623	2,649,513
<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>26,550,168</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>	<u>(2,403,913)</u>
-	639,650	-	-	-	-	-
1,152,590	1,984,963	2,764,641	3,359,644	5,338,879	1,176,462	5,100,935
(62,590)	(884,963)	(1,664,641)	(2,456,945)	(4,276,740)	(411,581)	(1,614,427)
-	-	-	-	3,005,000	-	-
<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>3,486,508</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>18,599</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>	<u>\$ 1,101,194</u>
7.74%	7.60%	8.17%	5.46%	5.68%	6.11%	6.44%

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>
2002	2002-03	\$7,303,340	\$ 7,003,492	95.89%	\$ 107,759	\$ 7,111,251
2003	2003-04	7,470,691	7,180,706	96.12	105,582	7,286,288
2004	2004-05	7,762,498	7,422,657	95.62	121,826	7,544,483
2005	2005-06	7,670,001	7,312,326	95.34	101,415	7,413,741
2006	2006-07	7,935,867	7,683,568	96.82	91,574	7,775,142
2007	2007-08	7,952,325	7,696,134	96.78	24,297	7,720,431
2008	2008-09	7,837,300	7,579,213	96.71	68,332	7,647,545
2009	2009-10	7,797,457	7,624,228	97.78	66,691	7,690,919
2010	2010-11	7,651,941	7,418,544	96.95	57,409	7,475,953
2011	2011-12	7,543,165	7,387,161	97.93	-	7,387,161

Source:

City of Paris
Lamar County Appraisal District

Note:

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

Table 5

<u>Ratio of Total Collections To Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes To Total Tax Levy</u>
97.37%	\$ 30,509	.42%
97.53	42,085	.56
97.19	49,041	.63
96.66	52,363	.68
97.97	53,058	.67
97.08	56,786	.71
97.58	67,925	.87
98.63	86,464	1.11
97.70	110,655	1.45
97.93	156,004	2.07

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

Table 6

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
City of Paris										
O&M	\$ 0.56104	\$ 0.57289	\$ 0.57977	\$ 0.56650	\$ 0.49294	\$ 0.46526	\$ 0.43113	\$ 0.42439	\$ 0.41713	\$ 0.41000
I & S	0.13396	0.12211	0.11248	0.12575	0.09931	0.09474	0.08887	0.09561	0.10287	0.11000
Total	\$ 0.69500	\$ 0.69500	\$ 0.69225	\$ 0.69225	\$ 0.59225	\$ 0.56000	\$ 0.52000	\$ 0.52000	\$ 0.52000	\$ 0.52000
Lamar County										
O&M	\$ 0.36210	\$ 0.35730	\$ 0.38060	\$ 0.41320	\$ 0.42140	\$ 0.42340	\$ 0.41430	\$ 0.40360	\$ 0.39420	\$ 0.39990
I & S	0.01960	0.03170	0.03070	0.02220	0.02150	0.01950	0.01860	0.01900	0.01890	0.01930
Total	\$ 0.38170	\$ 0.38900	\$ 0.41130	\$ 0.43540	\$ 0.44290	\$ 0.44290	\$ 0.43290	\$ 0.42260	\$ 0.41310	\$ 0.41920
Paris ISD										
O&M	\$ 1.50000	\$ 1.38500	\$ 1.50000	\$ 1.50000	\$ 1.37000	\$ 1.04000	\$ 1.04000	\$ 1.17000	\$ 1.17000	\$ 1.17000
I & S	0.09000	0.21800	0.09200	0.08200	0.08200	0.40500	0.40500	0.15500	0.25500	0.25500
Total	\$ 1.59000	\$ 1.60300	\$ 1.59200	\$ 1.58200	\$ 1.45200	\$ 1.44500	\$ 1.44500	\$ 1.32500	\$ 1.42500	\$ 1.42500
Chisum ISD										
O&M	\$ 1.50000	\$ 1.48000	\$ 1.48000	\$ 1.50000	\$ 1.37000	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.15500	0.17500	0.16800	0.16800	0.16400	0.15570	0.20000	0.18000	0.16000	0.16000
Total	\$ 1.65500	\$ 1.65500	\$ 1.64800	\$ 1.66800	\$ 1.53400	\$ 1.19575	\$ 1.24000	\$ 1.22000	\$ 1.20000	\$ 1.20000
North Lamar ISD										
O&M	\$ 1.41740	\$ 1.46810	\$ 1.45840	\$ 1.45910	\$ 1.33370	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.22810	0.17740	0.13060	0.08620	0.08630	0.12811	0.11811	0.10811	0.09650	0.08650
Total	\$ 1.64550	\$ 1.64550	\$ 1.58900	\$ 1.54530	\$ 1.42000	\$ 1.16816	\$ 1.15811	\$ 1.14811	\$ 1.13650	\$ 1.12650
Paris Junior College										
O&M	\$ 0.17830	\$ 0.19070	\$ 0.19220	\$ 0.19220	\$ 0.19220	\$ 0.19800	\$ 0.18740	\$ 0.18500	\$ 0.18974	\$ 0.19000
I & S	0.00210	0.00250	-	-	-	-	-	-	-	-
Total	\$ 0.18040	\$ 0.19320	\$ 0.19220	\$ 0.19220	\$ 0.19220	\$ 0.19800	\$ 0.18740	\$ 0.18500	\$ 0.18974	\$ 0.19000

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
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
2011	2011-12	918,495,080	1,402,956,164	543,332,657	623,174,818

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		
\$ 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
564,303,245	1,461,827,737	2,026,130,982	72.15	0.52000

City of Paris, Texas
Principal Property Taxpayers
September 30, 2012 and 2003
Unaudited

Taxpayer	Type of Business	2012		
		Taxable Assessed Value	Rank	Percentage of Total Freeze Adjusted Taxable Assessed Value
Lamar Power Partners	Electric Utility	\$ 205,185,800	1	14.81%
Kimberly-Clark Corp. - A	Disposable Diapers	116,106,927	2	8.38
Campbell Soup Company - A	Food Manufacturer	53,439,580	3	3.86
Campbell Soup Company - B	Warehouse	34,669,630	4	2.50
Paris Regional Medical Center - A	Hospital	31,732,500	5	2.29
Paris Generation, LP	Electric Utility	22,581,100	6	1.63
Oncor Electric Delivery	Electric Utility	20,053,960	7	1.45
Silgan Can Company	Can Manufacturer	14,987,410	8	1.08
Kimberly-Clark Corp.- B	Warehouse	11,314,260	9	0.82
Paris Regional Medical Center - B	Hospital	10,402,160	10	0.75
CFS Air, LLC	Aviation	-	-	-
Earthgrains Baking Company	Food Manufacturer	-	-	-
S.W. Bell Telephone	Telephone Utility	-	-	-
Walmart Store, Inc.	Retailer	-	-	-
Totals		<u>\$ 520,473,327</u>		<u>37.57%</u>

Source:
Lamar County Appraisal District

2003		
<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
\$ -	-	- %
126,554,880	1	11.77
48,247,740	2	4.49
12,362,100	7	1.15
-	-	-
36,750,000	3	3.42
17,988,310	6	1.67
25,318,610	4	2.35
-	-	-
-	-	-
20,946,380	5	1.95
12,146,240	8	1.13
8,798,080	9	0.82
8,214,550	10	0.76
<u>\$ 317,326,890</u>		<u>29.51%</u>

City of Paris, Texas
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
Unaudited

Table 9

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Taxable Assessed Value</u>	<u>Gross General Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt To Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
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
2011-12	25,337	1,461,827,737	10,750,600	2,797,611	7,952,989	0.54	313.89

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
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	-	-
2012	10,750,600	-	-	7,764,400	-	-

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>
\$ 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
18,515,000	(1)	733

City of Paris, Texas
 Direct and Overlapping
 Governmental Activities Debt
 September 30, 2012
 Unaudited

Table 11

<u>Taxing Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percent Applicable to Government</u>	<u>Amount Applicable to Government</u>
Lamar County	\$ 4,542,496	62.75%	\$ 2,850,416
Paris Independent School District	53,428,270	49.30	26,340,137
Chisum Independent School District	9,590,000	47.75	4,579,225
North Lamar Independent School District	<u>3,300,000</u>	32.67	<u>1,078,110</u>
Subtotal Overlapping Debt	70,860,766		34,847,888
City of Paris	<u>10,750,600</u>	100.00%	<u>10,750,600</u>
Total Direct and Overlapping Debt	<u>\$ 81,611,366</u>		<u>\$ 45,598,488</u>
Per Capita Direct and Overlapping Funded Debt	<u>\$ 3,221</u>		<u>\$ 1,800</u>

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

Note: \$7,764,400 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. Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Paris. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Paris, Texas
Legal Debt Margin Information
September 30, 2012
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, 2012.

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***	
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
2011-12	13,916,163	7,445,178	6,470,985	970,550	123,683	1,094,233	5.91

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 (1)	Percent Unemployment Rate
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	1,585,028,000	31,780	39.7	13,428	9.7
2011	50,074	1,657,062,000	33,092	39.9	12,865	8.5

(1) 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 - 3,573
North Lamar Independent School District - 2,932
Chisum Independent School District - 847
Paris Junior College - 5,513
Chamber of Commerce
Bureau of Economic Analysis

City of Paris, Texas
Principal Employers
Fiscal Year End 2012 and 2003
Unaudited

Table 15

Taxpayer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Paris Regional Medical Center	875	1	8.50%	1,079	1	9.94%
Campbell Soup Corp.	758	2	7.36	1,000	2	9.21
Kimberly-Clark Corp.	732	3	7.11	1,000	3	9.21
Turner Industries	600	4	5.83	450	5	4.14
We-Pack Logistics, Inc.	300	5	2.91	150	10	1.38
R. K. Hall Construction, LTD	250	6	2.43	202	8	1.86
Huhtamaki	154	7	1.50	178	9	1.64
HWH - We Build	115	8	1.12	-	-	-
Silgan Can Co.	87	9	0.84	-	-	-
T & K Machinery	79	10	0.77	-	-	-
Sara Lee Bakery	-	-	-	759	4	6.99
TCIM	-	-	-	347	6	3.20
Paris Industries	-	-	-	275	7	2.53
Totals	<u>3,950</u>		<u>38.37%</u>	<u>5,440</u>		<u>50.10%</u>
Public Employers:						
Paris ISD	628					
North Lamar ISD	469					
City of Paris	325					
Paris Junior College	124					
Lamar County	<u>189</u>					
Totals	<u>1,735</u>					

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			
	2003	2004	2005	2006
FACILITIES:				
Airports:				
Number of Airports	1	1	1	1
Fire Protection:				
Number of Stations	4	4	4	4
Number of Fire Hydrants	1,042	1,045	1,082	1,078
Number of Employees (certified)	56	54	48	48
Employees Per 1,000 Population	2.13	2.05	1.81	1.80
Libraries:				
Number of Libraries	1	1	1	1
Number of Volumes	123,626	106,687	102,801	106,955
Circularization of Materials	337,947	308,527	210,956	195,944
Circulation Per Capita	12.87	11.70	7.96	7.36
Library Cards in Force	29,247	26,406	15,551	21,164
Police Protection:				
Number of Stations	1	1	1	1
Number of Employees (certified)	65	62	62	62
Employees Per 1,000 Population	2.47	2.35	2.34	2.33
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	10,905,049	10,838,754	10,619,268	12,435,000
Maximum Day's Water Consumption - Gallons	17,075,000	16,257,000	18,603,000	19,557,000
Annual Water Consumption - Gallons	3,980,343,000	2,966,984,000	3,876,033,000	4,538,690,000
Water Mains - Miles	208	208	208	208
Water Connections - Metered	10,294	9,941	9,865	9,803
Sewer Mains - Miles	195	195	195	195
Area Miles	42.89	42.89	42.89	42.89
Number of Full-Time Employees	369	367	352	316

Source: City of Paris

Table 16

Fiscal Year						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
4	3	3	3	3	3	3
1,093	1,112	1,173	1,189	1,222	1,217	1,217
48	48	48	51	51	51	51
1.80	1.79	1.77	1.88	2.01	2.01	2.01
1	1	1	1	1	1	1
109,789	106,607	97,243	98,895	90,524	85,357	85,357
187,547	162,278	162,957	159,966	144,830	136,286	136,286
7.02	6.07	6.04	5.90	5.71	5.37	5.37
23,285	12,011	12,011	15,941	13,461	14,563	14,563
1	1	1	1	1	1	1
63	62	61	62	62	62	62
2.35	2.31	2.26	2.28	2.44	2.44	2.44
87	87	87	87	87	87	87
221	221	221	221	221	221	221
24	24	24	25	24	24	24
171	172	160	171	160	160	160
3	3	3	3	3	3	3
10,335,000	10,678,976	10,185,500	10,069,000	11,687,000	11,560,000	11,560,000
16,842,000	18,360,000	20,394,000	21,311,000	21,900,000	21,010,000	21,010,000
3,774,782,000	3,912,548,000	3,624,429,000	3,675,218,000	4,611,321,000	4,234,583,000	4,234,583,000
183	184	184	183	183	183	183
9,979	9,888	9,905	10,076	9,834	9,966	9,966
189	190	190	197	188	188	188
39.18	39.18	39.18	39.18	39.18	39.18	39.18
319	321	322	322	324	325	325

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

Function:	Fiscal Year			
	2003	2004	2005	2006
Public Safety				
Police				
Stations	1	1	1	1
Patrol Units	11	11	11	11
Fire Stations	4	4	4	4
Sanitation				
Collection Trucks	-	-	-	13
Highways and Streets				
Streets (miles)	209	209	209	209
Streetlights	N/A	N/A	2,160	2,198
Traffic Signals*	-	-	-	-
Culture and Recreation				
Parks' Acreage	308	308	308	308
Swimming Pools - Municipal	1	1	1	1
Tennis Courts	-	-	-	14
Community Centers	1	1	1	1
Water				
Water Mains (miles)	208	208	208	208
Fire Hydrants	1,042	1,045	1,082	1,082
Maximum Daily Capacity (thousands of gallons)	36,000	36,000	36,000	36,000
Sewer				
Sanitary Sewers (miles)	195	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						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
11	10	10	10	10	10	10
4	4	3	3	3	3	3
8	8	8	8	8	8	7
174	174	160	174	174	174	163
2,212	2,224	2,217	2,216	2,220	2,220	2,220
-	-	-	-	-	-	-
308	308	308	308	286	286	286
1	1	1	1	1	1	1
14	14	14	14	14	14	14
1	1	1	1	1	1	1
183	184	184	184	183	183	183
1,093	1,112	1,173	1,189	1,222	1,217	1,217
36,000	36,000	36,000	36,000	36,000	36,000	36,000
189	190	190	190	189	189	189
7,250	7,250	7,250	7,250	7,250	7,250	7,250

City of Paris, Texas
 Building Permits at Market Value
 Last Ten Fiscal Years
 Unaudited

Table 18

<u>Property Value Fiscal Year</u>	<u>Commercial Units</u>	<u>Commercial Construction Value</u>	<u>Residential Units</u>	<u>Residential Construction Value</u>	<u>Total Construction Value</u>
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
2012	13	7,836,610	10	760,000	8,596,610

Source:
 City of Paris

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

	Fiscal Year			
	2003	2004	2005	2006
Function:				
Manager	3.0	3.0	2.0	1.0
Attorney	5.0	5.0	5.0	3.0
Court Clerk	4.0	4.0	4.0	3.0
City Clerk	2.0	2.0	2.0	2.0
Finance	5.0	5.5	5.5	5.5
Police*	88.0	88.0	86.0	82.0
Fire	57.0	58.0	58.0	49.0
Community Development	6.5	6.5	8.5	7.5
Engineering	6.5	7.5	7.5	6.5
Public Works	4.0	4.0	3.0	2.5
Parks & ROW	15.5	16.5	12.0	9.0
Sanitation	19.5	17.5	17.5	16.5
Streets	22.0	22.0	21.0	15.0
Traffic & Lighting	2.5	2.5	2.5	2.0
Garage	6.0	6.0	4.0	4.0
EMS	26.0	26.0	26.0	26.0
Airport	2.0	2.0	1.0	1.0
Library	15.0	14.0	10.5	10.5
Warehouse	2.5	2.5	2.0	2.0
Water Billing	10.0	10.0	9.0	7.0
Water Treatment Plant	17.5	17.5	16.5	15.5
Water Distribution	12.5	12.5	12.5	11.5
Waste Water Collection	7.5	7.5	7.5	7.5
Waste Water Treatment Plant	25.5	24.5	25.5	23.5
Lift Stations	4.0	3.0	3.0	3.0
Information Technology	-	-	-	-
Totals	369.0	367.5	352.0	316.0

* Includes related grant employees.
 Seasonal employees not included.

Source: City of Paris

Table 19

Fiscal Year						
2007	2008	2009	2010	2011	2012	
1.0	2.0	2.0	2.0	2.0	3.0	
3.0	3.0	4.0	4.0	4.0	4.0	
3.0	3.0	3.0	4.0	4.0	4.0	
2.0	3.0	3.0	3.0	3.0	3.0	
5.5	5.5	5.5	5.5	6.0	5.0	
87.0	85.0	84.0	84.0	84.5	85.5	
52.0	52.0	52.0	52.0	52.0	52.0	
6.5	6.5	5.5	5.5	7.0	7.5	
6.5	6.5	6.5	6.5	6.5	6.5	
2.5	2.5	3.0	3.0	3.0	3.0	
9.0	9.5	9.5	9.5	9.0	10.0	
12.5	12.5	12.0	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	
6.0	6.0	6.0	6.0	5.5	5.5	
26.0	26.0	26.0	26.0	26.0	26.0	
2.0	1.0	0.0	0.0	0.0	0.0	
10.5	11.5	11.5	10.5	10.5	10.5	
1.0	2.0	2.0	2.0	2.0	2.0	
7.0	7.5	8.0	8.0	8.0	8.0	
15.5	15.5	15.5	15.5	15.5	15.5	
11.5	11.0	11.5	11.5	11.5	10.5	
7.5	7.5	7.5	7.5	7.5	7.5	
21.5	22.5	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	2.0	
<u>320.0</u>	<u>322.5</u>	<u>322.5</u>	<u>322.5</u>	<u>324.0</u>	<u>325.5</u>	

CONTINUING DISCLOSURE INFORMATION

(Unaudited)

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

ASSESSED VALUATION

TABLE 1

2012-2013 Actual Market Value of Taxable Property (100% of Actual) ^(a)		\$ 2,077,494,013
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 45,402,320	
Disabled and Deceased Veterans' Exemptions	5,755,101	
Productivity Loss	22,250,900	
Partially Exempt Property	44,824	
Freeport	93,238,379	
Pollution Control/Solar	46,362,004	
Abatement Loss	77,120,210	
Cap Loss (10%)	2,326,480	
Historical/Other	657,867	
Totally Exempt Property	<u>292,964,690</u>	
		<u>586,122,775</u>
2012-2013 Net Taxable Assessed Valuation		1,491,371,238
Frozen Taxable Value Loss		<u>106,183,087</u> ^(b)
Freeze Adjusted Net Taxable Assessed Valuation		<u>\$ 1,385,188,151</u>

^(a) See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the last 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 older 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 December 18, 2012)		
General Obligation Refunding Bonds, Series 2010		\$ 9,910,000
Combination Tax and Revenue Certificates of Obligation, Series 2010		2,900,000
General Obligation Refunding Bonds, Series 2012		<u>4,505,000</u>
Total Gross General Obligation Debt Principal Outstanding		<u>17,315,000</u>
Less: Self-Supporting General Obligation Debt Principal		
General Obligation Refunding Bonds, Series 2010		
(Excludes that portion of the 2010 Refunded Obligations (Series 2000 COs) used 100% for Gen Fund purposes)		6,740,000
General Obligation Refunding Bonds, Series 2012 (52% of DS related to 2003 GO Ref issue)		<u>625,000</u>
Total Self-Supporting General Obligation Debt Outstanding Following the Issuance of the Bonds		<u>7,365,000</u>
Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Bonds		<u>\$ 9,950,000</u>
General Obligation Interest and Sinking Fund Balance as of September 30, 2012		\$ 1,020,727
Ratio of Gross General Obligation Debt Principal to 2012-2013 Net Taxable Assessed Valuation		1.25%
Ratio of Net General Obligation Debt Principal to 2012-2013 Net Taxable Assessed Valuation		0.72%
2012-2013 <u>Freeze Adjusted</u> Net Taxable Assessed Valuation		\$ 1,385,188,151
Population: 1980 - 25,498; 1990 - 24,699; 2000 - 25,898	Current (Estimate) -	25,337
Per Capita 2012-2013 Net Taxable Assessed Valuation		\$ 54,671
Per Capita Gross General Obligation Debt Principal		\$ 683
Per Capita Net General Obligation Debt Principal		\$ 393

Name	Type of Property	2012 Net Taxable Assessed Valuation	% of Total 2012 Assessed Valuation
Lamar Power Partners LP	Electric Utility	\$ 205,185,800	14.81%
Kimberly Clark Corporation -A	Disposable Diaper Manufacturing	116,106,927	8.38%
Campbell Soup - A	Food Manufacturing	53,439,580	3.86%
Campbell Soup - B	Food Manufacturing Warehouse	34,669,630	2.50%
Essent PRMC LP - A	Health Care Services / Hospital	31,732,500	2.29%
Paris Generation LP	Utility	22,581,100	1.63%
ONCOR Electric Delivery Company	Electric Utility	20,053,960	1.45%
Silgan Can Company	Can Manufacturing	14,987,410	1.08%
Kimberly Clark Corporation -B	Warehouse	11,314,260	0.82%
Essent PRMC LP - B	Health Care Services / Clinic	10,402,160	0.75%
Total		\$ 520,473,327	37.57%

Based on a 2012 Freeze Adjusted Net Taxable Assessed Valuation of \$1,385,188,151

Source: Lamar County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS ^(a)

Tax Year	Net Taxable Assessed Valuation ^(b)	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
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%	97.44%	9-30-09
2009	1,405,294,035	0.52000	7,797,457	97.78%	98.43%	9-30-10
2010	1,380,460,473	0.52000	7,651,941	96.95%	98.38%	9-30-11
2011	1,359,521,473	0.52000	7,543,165	97.93%	99.41%	9-30-12
2012	1,385,188,151	0.51107	7,079,281	-	-	9-30-13

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 2003 through 2007 are as shown in the City's 2011 Comprehensive Annual Financial Report. Valuations for tax years 2008-2012 represent Freeze Adjusted Net Taxable Valuations.

Source: The Lamar County Appraisal District, the City's 2011 Comprehensive Annual Financial Report and additional information from the City.

TAX RATE DISTRIBUTION

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Fund	\$ 0.41487	\$0.41000	\$ 0.41713	\$ 0.42439	\$ 0.43113	\$ 0.46526
O & S Fund	0.09620	0.11000	0.10287	0.09561	0.08887	0.09474
Total	\$ 0.51107	\$0.52000	\$ 0.52000	\$ 0.52000	\$ 0.52000	\$ 0.56000

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

MUNICIPAL SALES TAX**TABLE 6**

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 % of Ad Valorem Tax Levy	(\$ Equivalent of Ad Valorem Tax Rate)	0.25% EDC
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	7,192,631	4,795,087	1,198,772	79.46	0.41	1,198,772

Source: State Comptroller of the State of Texas Website and City 2011-12 CAFR..

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 7

	Fiscal Year Ended September 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues ^(a)					
Water Sales and Taps	\$ 8,013,691	\$ 8,336,146	\$ 8,072,440	\$ 7,745,873	\$ 7,641,122
Sewer Charges and Taps	5,256,682	4,951,015	4,968,912	5,172,748	4,714,273
Service Charges	163,469	164,094	162,454	163,181	180,081
Industrial Surcharges	65,152	94,369	210,511	198,029	169,018
Miscellaneous	277,194	175,217	166,440	268,935	239,455
Investment Earnings	63,722	162,374	103,220	212,479	309,586
Total Revenues	13,839,910	13,883,215	13,683,977	13,761,245	13,253,535
Expenses ^(b)	7,445,178	7,201,866	6,732,799	7,244,274	6,873,535
Net Revenue Available for Debt Service	\$ 6,394,732	\$ 6,681,349	\$ 6,951,178	\$ 6,516,971	\$ 6,380,000
Annual Revenue Bond Requirements	\$ -	\$ -	\$ 1,088,669	\$ 2,174,545	\$ 2,177,164
Coverage of Annual Revenue Bond Requirements	N/A	N/A	6.39 x	3.00 x	2.93 x
Annual Requirements on all Bonds Paid from System Revenues	\$ 3,817,033	\$ 3,805,992	\$ 1,624,011	\$ 3,948,712	\$ 3,949,633
Coverage of Annual Requirements on all Bonds Paid from System Revenues	1.68 x	1.76 x	4.28 x	1.65 x	1.62 x
Customer Count:					
Water	9,966	9,834	9,942	9,901	9,982
Sewer	9,483	9,455	9,450	9,441	9,533
^(a) Does not include sanitation billing fees of	\$ 76,253	\$ 77,296	\$ 69,729	\$ 67,947	\$ 68,304

^(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 - 2011-2012

TABLE 9

(October 1, 2011 through September 30, 2012) (Unaudited)

Name of Customer	Product	2011-2012 Average Monthly Consumption (Cu Ft.)	2011-2012 Average Monthly Bill
Lamar Power Partners ^(a)	Electric Utility	14,077,754	\$ 23,934
Lamar County Water Supply	Water	12,713,461	122,845
Campbell Soup Company	Soups/Juices/Sauces	12,217,819	107,878
Paris Generation, LP	Electric Utility	1,257,530	20,226
Daisy Farms	Dairy Farm	1,166,006	10,467
Kimberly Clark	Disposable Diapers	930,233	24,108
Paris Regional Medical Center	Medical Care	383,234	11,311
Paris Housing Authority	Multifamily Housing	214,751	5,658
Paris Junior College	Higher Education	172,777	4,766
Paris Independent School District	Public School Education	156,548	6,483
	Totals	43,290,113	\$ 337,676

^(a) Includes raw water consumption.

Source: Information from the Issuer.

SEWER RATES

TABLE 10

*(Rates Effective August 1, 2012)***Residential Class**

Meter Size (Inches)	Base Cost (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$11.11 for first 200 Cubic Feet	\$4.78 / 100 Cubic Feet
1" and Larger	\$55.08 for first 1,000 Cubic Feet	\$4.78 / 100 Cubic Feet

Commercial Industrial Class

Meter Size (Inches)	Base Cost (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$15.73 for first 200 Cubic Feet	\$4.97 / 100 Cubic Feet
1" - 2"	\$55.08 for first 1,000 Cubic Feet	\$4.97 / 100 Cubic Feet
Larger than 2"	\$111.43 for first 2,000 Cubic Feet	\$4.97 / 100 Cubic Feet

*Source: The issuer's current Water and Sewer Rates Ordinance***PRINCIPAL SEWER CUSTOMERS - 2011-2012**

TABLE 11

(October 1, 2011 through September 30, 2012) (Unaudited)

Name of Customer	Product	2012-2012 Average Monthly Consumption (Cu Ft.)	2011-2012 Average Monthly Bill
Kimberly-Clark	Disposable Diapers	451,551	\$ 21,414
Paris Regional Medical Center	Medical Care	282,677	13,726
Paris Housing Authority	Multifamily Housing	195,939	9,297
Texas State Highway Department	Public Transportation	133,492	6,294
Paris Junior College	Higher Education	122,303	5,943
Lamar County Human Resources	Social Services	79,651	3,757
Bettes Enterprises	Car Wash	76,492	3,609
Spanish Oakes Apartments	Apartment Complex	75,155	3,550
Paris Independent School District	Public School Education	74,989	3,760
Lamar County	County Government	68,989	3,258
	Totals	1,561,238	\$ 74,608

Source: Information from the issuer

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

This section includes elements required by Government Auditing Standards, issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

McClanahan and Holmes, LLP

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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, 2012, which collectively comprise the City of Paris, Texas', basic financial statements and have issued our report thereon dated March 19, 2013. 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

Management of the City of Paris is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 previously.

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*.

We noted certain matters that we reported to management of the City of Paris in a separate letter dated March 19, 2013.

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 Hulbert, LLP
Certified Public Accountants

Paris, Texas
March 19, 2013

City of Paris, Texas
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2012

Finding/Recommendation

Current Status

None

City of Paris, Texas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2012

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

Significant Deficiency(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

Significant Deficiency(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? X yes _____ 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
14.228	Community Development Block Grants/Entitlement Grants
66.818	Brownfields Assessment Cleanup Cooperative Agreement

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

City of Paris, Texas
Schedule of Findings and Questioned Costs, Continued
For the Fiscal Year Ended September 30, 2012

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF AGRICULTURE

2012-1 Special Supplemental Food Program for Women, Infants, and Children—CFDA No. 10.557

Condition: During our test work we noted that two monthly purchase vouchers and the final quarterly report were submitted after the due date. The SF-SAC reporting package was not submitted for the previous year.

Criteria: This program requires that monthly purchase vouchers and quarterly reports be submitted by the 20th working day of the month following the reporting month. In addition, Form SF-SAC and the Single Audit reporting package must be filed annually within nine months of fiscal year end.

Cause: With regard to the monthly purchase vouchers and quarterly reports, priority has been given to City of Paris duties over the bookkeeping services provided to the Health Department/ WIC which is a separate entity and not part of the City. A twenty day turnaround was not always practical on that basis. With regard to form SF-SAC and single audit reporting package, the City placed its audit report on the City website with the understanding that state and federal agencies would download the report from there as needed. The City overlooked the requirement that Form SF-SAC and the audit report also had to be sent to the Federal Audit Clearinghouse.

Effect: As a result, the City did not fully comply with certain requirements of this program, but we noted no instance in which the pass-through grantor withheld reimbursement due to late report submission.

Questioned Costs: No costs were questioned as a result of this finding.

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Management Response: The City will develop a plan to ensure that information is submitted within the reporting period specified by the grant agreement.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2012-2 Community Development Block Grants/ Entitlement Grants—CFDA No. 14.228

Condition: The City did not submit the ACF or Form SF-SAC and the Single Audit reporting package.

Criteria: Recipients of federal awards are required to submit timely and accurate reports to the awarding agency in accordance with federal compliance requirements and/or pass-through agency grant agreements. Specifically, the Texas Department of Agriculture requires that auditees submit an Audit Certification Form (ACF) and submit Form SF-SAC and the Single Audit reporting package annually within sixty (60) days and nine months of fiscal year end, respectively.

Cause: The City places its audit report on the City website with the understanding that state and federal agencies would download the report from there as needed. The City was unaware that Form SF-SAC and the audit report also had to be sent to the Federal Audit Clearinghouse and was not notified by the third party grant administrator of that requirement.

City of Paris, Texas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2012

Section III – Federal Award Findings and Questioned Costs, Continued

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, Continued

2012-2 Community Development Block Grants/ Entitlement Grants—CFDA No. 14.228, Continued

Effect: As a result, the City did not fully comply with certain requirements of this program, but we noted no instance in which the pass-through grantor withheld reimbursement due to late report submission.

Questioned Costs: No costs were questioned as a result of this finding.

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Management Response: The City will develop a plan to ensure that information is submitted within the reporting period specified by the grant agreement.

ENVIRONMENTAL PROTECTION AGENCY

2012-3 Brownfields Assessment Cleanup Cooperative Agreement—CFDA No. 66.818

Condition: The City did not submit the Federal Financial Report (SF-425) within the timeframe required. Form SF-SAC and the Single Audit reporting package were not submitted for the prior year.

Criteria: Recipients of federal awards are required to submit timely and accurate reports to the awarding agency in accordance with federal compliance requirements and/or pass-through agency grant agreements. In addition, auditees are required to submit Form SF-SAC and the Single Audit reporting package annually within nine months of fiscal year end.

Cause: This condition appears to be caused by the third-party administrator hired to accumulate data and submit quarterly and semi-annual reports.

Effect: As a result, the City did not fully comply with certain requirements of this program, but we noted no instance in which the pass-through grantor withheld reimbursement due to late report submission.

Questioned Costs: No costs were required to be questioned as a result of this finding.

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Management Response: The City will contact its third-party administrator, responsible for accumulating financial information into the required format for quarterly and semi-annual reporting, and develop a plan to ensure that information is submitted within the time specified by the grant agreement.

City of Paris, Texas
Corrective Action Plan
For the Fiscal Year Ended September 30, 2012

The City of Paris respectfully submits the following corrective action plan for the year ended September 30, 2012.

Name and address of independent public accounting firm: McClanahan & Holmes, LLP, 228 Sixth Street S.E., Paris, Texas 75460

Audit period: Year Ended September 30, 2012

The findings from the September 30, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings - Federal Award Programs

DEPARTMENT OF AGRICULTURE

2012-1 Special Supplemental Food Program for Women, Infants, and Children—CFDA No. 10.557

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Action Taken: We concur with the recommendation and it has been implemented effective March 4, 2013.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2012-2 Community Development Block Grants/ Entitlement Grants—CFDA No. 14.228

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Action Taken: We concur with the recommendation and it has been implemented effective March 4, 2013.

ENVIRONMENTAL PROTECTION AGENCY

2012-3 Brownfields Assessment Cleanup Cooperative Agreement—CFDA No. 66.818

Recommendation: We recommend that the City implement controls to ensure that all necessary reports have been completed and submitted by the required due date.

Action Taken: We concur with the recommendation and it has been implemented effective March 4, 2013.

McClanahan and Holmes, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 (the City), Texas, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Paris' major federal programs for the year ended September 30, 2012. 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 each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Paris' 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 of the City's compliance with those requirements.

In our opinion, the City of Paris, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1, 2012-2 and 2012-3.

Internal Control Over Compliance

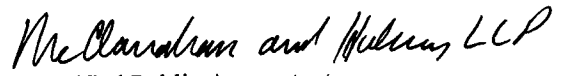
Management of the City of Paris, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The City of Paris' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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.


Certified Public Accountants

Paris, Texas
March 19, 2013

City of Paris, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

<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 Agriculture</u>			
Passed-Through Texas Department of State Health Services:			
Special Supplemental Food Program for Women, Infants, and Children	10.557	2012-039968-001	\$ 294,148
Total U.S. Department of Agriculture			<u>294,148</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Texas Department of Agriculture:			
Community Development Block Grants/ Entitlement Grants	14.228	728056	2,000
	14.228	729599	165,011
	14.228	710222	150,000
Passed-Through Texas Department of Housing and Community Affairs:			
Home Investment Partnerships Program	14.239	1001224	65,500
Home Investment Partnerships Program	14.239	1001273	7,896
Total U.S. Department of Housing and Urban Development			<u>390,407</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0311	94,365
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2653	13,621
	16.738	2012-DJ-BX-0861	5,029
Total U.S. Department of Justice			<u>113,015</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-966942-01	170,697
Total U.S. Environmental Protection Agency			<u>170,697</u>
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000893	6,000
Total U.S. Department of Energy			<u>6,000</u>

City of Paris, Texas
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2012

<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:			
Immunization Cooperative Agreements	93.268	2012-039618	107,532
	93.268	2013-041471	6,891
Preventative Health and Health Services Block Grant	93.991	2012-039630	138,361
	93.991	2013-041953	20,919
Maternal and Child Health Services Block Grant to the States	93.994	2012-039430	137
Passed-Through the University of Texas Health Science Center at Tyler:			
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	SC12-17	34,997
Total U.S. Department of Health and Human Services			<u>308,837</u>
Total Expenditures of Federal Programs			<u>\$ 1,283,104</u>

See Notes to the Schedule of Expenditures of Federal Awards.

City of Paris, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2012

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.

Note 2: Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Edward Byrne Memorial Formula Grant Program	16.738	<u>\$ 7,150</u>

City of Paris, Texas
Special Supplemental Food Program
for Women, Infants, and Children
Schedule of Revenues and Expenditures
For the Year Ended September 30, 2012

Federal Financial Assistance

Federal Grantor: U.S. Department of Agriculture

Pass-Through Grantor: Texas Department of State Health Services

CFDA Number: 10.557

Project Number: 2012-039968-001

Contract Period: 10/01/11 - 09/30/12

	<u>Award Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Federal	\$ 304,906	\$ -	\$ 294,148	\$ 294,148	\$ (10,758)
Total Revenues	<u>304,906</u>	<u>-</u>	<u>294,198</u>	<u>294,148</u>	<u>(10,758)</u>
Expenditures:					
Personnel	246,716	-	240,105	240,105	(6,611)
Travel	6,000	-	4,887	4,887	(1,113)
Supplies	6,250	-	4,591	4,591	(1,659)
Other	27,940	-	28,956	28,956	1,016
Indirect Charges	<u>18,000</u>	<u>-</u>	<u>15,609</u>	<u>15,609</u>	<u>(2,391)</u>
Total Expenditures	<u>304,906</u>	<u>-</u>	<u>294,148</u>	<u>294,148</u>	<u>(10,758)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Paris, Texas
Brownfields Assessment and Cleanup Cooperative Agreement
Schedule of Revenues and Expenditures
For the Year Ended September 30, 2012

Federal Financial Assistance
Federal Grantor: U.S. Environmental Protection Agency
CFDA Number: 66.818
Project Number: BF 966942-01
Contract Period: 10/01/09 - 11/30/12

	<u>Award Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Federal	<u>\$ 200,000</u>	<u>\$ 27,960</u>	<u>\$ 170,697</u>	<u>\$ 198,657</u>	<u>\$ (1,343)</u>
Total Revenues	<u>200,000</u>	<u>27,960</u>	<u>170,697</u>	<u>198,657</u>	<u>(1,343)</u>
Expenditures:					
Contractual	<u>200,000</u>	<u>27,960</u>	<u>170,697</u>	<u>198,657</u>	<u>(1,343)</u>
Total Expenditures	<u>200,000</u>	<u>27,960</u>	<u>170,697</u>	<u>198,657</u>	<u>(1,343)</u>
Excess Revenues Over Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Paris, Texas
Community Development Block Grants/Entitlement Grants
Schedule of Revenues and Expenditures
For the Year Ended September 30, 2012

Federal Financial Assistance
Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Texas Department of Agriculture
CFDA Number: 14.228
Project Number: 729599
Contract Period: 09/15/09 - 03/14/12

	<u>Award Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Federal	\$ 250,000	\$ 67,591	\$ 167,886	\$ 235,477	\$ (14,523)
Total Revenues	<u>250,000</u>	<u>67,591</u>	<u>167,886</u>	<u>235,477</u>	<u>(14,523)</u>
Expenditures:					
Sewer Facilities	183,750	22,853	146,374	169,227	(14,523)
Engineering/Architecture	46,250	33,613	12,637	46,250	-
General Administration	<u>20,000</u>	<u>14,000</u>	<u>6,000</u>	<u>20,000</u>	<u>-</u>
Total Expenditures	<u>250,000</u>	<u>70,466</u>	<u>165,011</u>	<u>235,477</u>	<u>(14,523)</u>
Excess (Deficiency) Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (2,875)</u>	<u>\$ 2,875</u>	<u>\$ -</u>	<u>\$ -</u>