

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)

Independent Auditors' Report
and Financial Statements

Communications with Those Charged with Governance

Year Ended September 30, 2014

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
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September 30, 2014

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Independent Auditors' Report

Board of Directors
Paris Economic Development Corporation
Paris, Texas

We have audited the accompanying financial statements of Paris Economic Development Corporation (PEDC), a component unit of the City of Paris, Texas, as of and for the year ended September 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PEDC as of September 30, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Continuing Disclosure Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Additional Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 10 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.

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

McClanahan and Hillery, LLP

Certified Public Accountants

January 5, 2015
Paris, Texas

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Governmental Funds Balance Sheet/Statement of Net Position
September 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments*	Total Governmental Activities
Assets					
Cash and Cash Equivalents	\$ 754,976	\$ -	\$ 754,976	\$ -	\$ 754,976
Certificates of Deposit	285,003	-	285,003	-	285,003
Taxes Receivable	216,000	-	216,000	-	216,000
Restricted Assets:					
Bond Debt Service Fund					
Cash and Cash Equivalents	-	66,496	66,496	-	66,496
Bond Reserve Fund					
Cash and Cash Equivalents	-	472,564	472,564	-	472,564
Land Development Costs	1,655,772	-	1,655,772	-	1,655,772
Total Assets	\$ 2,911,751	\$ 539,060	\$ 3,450,811	-	3,450,811
Liabilities					
Accounts Payable	\$ 5,679	\$ -	\$ 5,679	-	5,679
Liabilities Payable from Restricted Assets					
Current Portion of Bonds Payable	-	-	-	(300,000)	300,000
Accrued Interest Payable	-	-	-	(4,189)	4,189
Bonds Payable, Net of Current Portion	-	-	-	(980,000)	980,000
Total Liabilities	5,679	-	5,679	(1,284,189)	1,289,868
Fund Balance/Net Position					
Fund Balance:					
Nonspendable-Land Development Costs	1,655,772	-	1,655,772	1,655,772	-
Restricted for Debt Service	-	539,060	539,060	539,060	-
Committed to Industrial Incentives	1,749,546	-	1,749,546	1,749,546	-
Unassigned	(499,246)	-	(499,246)	(499,246)	-
Total Fund Balance	2,906,072	539,060	3,445,132	3,445,132	-
Total Liabilities and Fund Balance	\$ 2,911,751	\$ 539,060	\$ 3,450,811		
Net Position:					
Restricted for Land Development Costs				(1,655,772)	1,655,772
Restricted for Debt Service				(234,871)	234,871
Restricted for Industrial Incentives				(1,749,546)	1,749,546
Unrestricted				1,479,246	(1,479,246)
Total Net Position				\$ (2,160,943)	\$ 2,160,943

*Primarily long-term liabilities not reported in the funds.

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

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities
Year Ended September 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments*	Total Governmental Activities
Revenues					
Sales Taxes	\$ 1,282,550	\$ -	\$ 1,282,550	\$ -	\$ 1,282,550
Investment Earnings	1,596	1,379	2,975	-	2,975
Total Revenues	<u>1,284,146</u>	<u>1,379</u>	<u>1,285,525</u>	<u>-</u>	<u>1,285,525</u>
Expenditures/Expenses					
Current:					
Personnel	137,270	-	137,270	-	137,270
Administration	189,107	-	189,107	-	189,107
Marketing and Promotion	22,516	-	22,516	-	22,516
Direct Business Incentives	2,450,244	-	2,450,244	-	2,450,244
Debt Service:					
Principal	-	290,000	290,000	(290,000)	-
Interest	-	58,536	58,536	(689)	57,847
Fees	-	750	750	-	750
Total Expenditures/Expenses	<u>2,799,137</u>	<u>349,286</u>	<u>3,148,423</u>	<u>(290,689)</u>	<u>2,857,734</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(1,514,991)</u>	<u>(347,907)</u>	<u>(1,862,898)</u>	<u>(290,689)</u>	<u>(1,572,209)</u>
Other Financing Sources (Uses)					
Transfers - Internal Activities	(376,750)	376,750	-	-	-
Interest Income	59,965	-	59,965	-	59,965
Interest Expense	(21,715)	-	(21,715)	-	(21,715)
Total Other Financing Sources (Uses)	<u>(338,500)</u>	<u>376,750</u>	<u>38,250</u>	<u>-</u>	<u>38,250</u>
Net Change in Fund Balances/Net Position	(1,853,491)	28,843	(1,824,648)	(290,689)	(1,533,959)
Fund Balances/Net Position - Beginning	<u>4,759,563</u>	<u>510,217</u>	<u>5,269,780</u>	<u>1,574,878</u>	<u>3,694,902</u>
Fund Balances/Net Position - Ending	<u>\$ 2,906,072</u>	<u>\$ 539,060</u>	<u>\$ 3,445,132</u>	<u>\$ 1,284,189</u>	<u>\$ 2,160,943</u>

*Primarily long-term liabilities not reported in the funds.

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

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Financial Statements
September 30, 2014

Note 1: Organization

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 as provided by the Development Corporation Act of 1979. PEDC is a component unit of the City of Paris, Texas, and the business and affairs are managed by a five-member board of directors appointed by the governing body of the City of Paris, Texas.

Note 2: Summary of Significant Accounting Policies

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

The accounting policies of PEDC conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Financial Statements – Combined Governmental Funds and Government - Wide Statements

PEDC's financial statements include both government-wide (reporting the unit as a whole) and fund financial statements (reporting PEDC's major funds).

In the Statement of Net Position, the governmental activities column is reported using the accrual basis of accounting and an economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations, if any. Net position is reported in various categories based on current financial reporting pronouncements. The reporting policy regarding committed classification is that when a contractual obligation is created by the governing board, the amount of the incentive is considered committed. When payments are made, they are considered to have been paid from the fund balance classification in which they were accumulated.

The Statement of Activities reports both the gross and net cost of PEDC's function (economic development). Economic development is supported by general government revenues (sales tax and interest on investments).

The financial transactions of PEDC are reported in two individual funds in the combined financial statements using the current financial resources measurement focus and the modified accrual basis of accounting. These funds are accounted for by providing a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenditures. The focus of the governmental funds' measurement (in the fund statements column) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. PEDC considers all revenues available if they are collected within sixty days after year end and expenditures are recognized when the related liability is incurred. The following is a description of the governmental funds of PEDC:

General Fund - The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Financial Statements
September 30, 2014

Note 2: Summary of Significant Accounting Policies (continued)

B. Assets, Liabilities, and Net Position

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 the date of acquisition.

Statutes authorize 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.

Investments are stated at market value.

2) Restricted Assets and Fund Balance Reserves

Certain resources set aside for repayment of revenue bonds and related interest are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Bond Debt Service Fund is used to accumulate resources for debt service payments over the next twelve months. Governmental funds report reservations of fund balances for amounts that are not considered a current financial resource.

The Bond Reserve Fund is accumulated for the purpose of retiring the last of any bonds as they become due or for debt service when the Bond Debt Service Funds are insufficient.

3) Land Development Costs – Industrial Park

PEDC has acquired land and added improvements to develop an industrial park which is to be divided and sold to businesses wanting to locate their facilities in such an area. Land and added improvements are not depreciated because they are expected to be sold or used as incentives and are not used in PEDC's ongoing activities.

4) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5) Excess of Expenditures Over Appropriations

For the year ended September 30, 2014, expenditures did not exceed appropriations (budget) in any function or line item.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Financial Statements
September 30, 2014

Note 3: Deposits and Investments

PEDC maintains accounts in several financial institutions. At September 30, 2014, the carrying amount of demand deposits and certificates of deposit was \$901,925 and the bank balance was \$837,465, which was covered by federal depository insurance for \$683,395 and pledged securities of \$1,000,000.

Note 4: Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the values of its shares.

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

Investments at September 30, 2014, are invested in Lone Star Investments, \$390,902, (Texas Political Subdivisions Investment Pool) and Texas CLASS, \$285,912. These investments are reported with the bank accounts as Cash and Cash Equivalents. Investments in the Lone Star investment pool and Texas CLASS investment pool are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

Note 5: Bonds Payable

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 \$300,000 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. 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 \$353,417, the average annual principal and interest requirements of the bonds. At September 30, 2014, the balances in the Debt Service Fund and Reserve Fund are \$66,496 and \$472,564, respectively.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Financial Statements
September 30, 2014

Note 5: Bonds Payable (continued)

Debt Service requirements related to these bonds are as follows for the years ended September 30:

Years	Bonded Debt Requirements		Total
	Principal	Interest	
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
	<u>\$ 1,280,000</u>	<u>\$ 133,669</u>	<u>\$ 1,413,669</u>

A summary of long-term liability transactions for the year ended September 30, 2014, is as follows:

Balance 9/30/13	Additions	Reductions	Balance 9/30/14	Due Within One Year
<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 1,280,000</u>	<u>\$ 300,000</u>

Note 6: Pension Plan

PEDC contributes to a simplified employee pension plan for its employees, administered by Edward Jones. The contribution rate is 5% and amounted to \$5,189 during the year ended September 30, 2014.

Note 7: Commitments

PEDC has extended several incentive agreements to various companies and other commitments:

- (1) Warehouse Company - Company is to create 35 new jobs providing an incentive amount of \$105,000 of which \$30,000 remains to be satisfied as of September 30, 2014.
- (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) 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, 2014, \$14,746 of the incentive remains to be satisfied. PEDC has also executed a guaranty in connection with a \$75,000 note to a bank.
- (4) Retail and Office Structure - Incentive is to participate in reimbursement of sewer line construction to the extent of \$250,000.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Financial Statements
September 30, 2014

Note 7: Commitments (continued)

- (5) 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.
- (6) Bakery - In December 2013, the Board of Directors reached an incentive agreement for training reimbursement and cash for new job creation of \$1,179,000, of which \$790,500 remains to be satisfied as of September 30, 2014.

Note 8: Interfund Transfers

During the year, transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due. The interfund transfers are reported as Other Financing Sources (Uses).

Note 9: Risk Management and Subsequent Events

PEDC is exposed to various risks of loss and has obtained insurance related to general liability, loan enforcement liability, errors and omissions liability, and automobile liability.

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

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,282,550	\$ 82,550
Investment Earnings	1,500	1,500	1,596	96
Total Revenues	<u>1,201,500</u>	<u>1,201,500</u>	<u>1,284,146</u>	<u>82,646</u>
Expenditures				
Current:				
Personnel	253,625	138,450	137,270	1,180
Administration	111,200	210,405	189,107	21,298
Marketing and Promotion	97,995	29,395	22,516	6,879
Job Training	5,000	35,000	-	35,000
Direct Business Incentives	2,852,746	2,693,246	2,450,244	243,002
Total Expenditures	<u>3,320,566</u>	<u>3,106,496</u>	<u>2,799,137</u>	<u>307,359</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,119,066)</u>	<u>(1,904,996)</u>	<u>(1,514,991)</u>	<u>390,005</u>
Other Financing Sources (Uses)				
Transfers to Debt Service Fund	(348,536)	(349,286)	(376,750)	(27,464)
Interest Income	13,500	13,500	59,965	46,465
Interest Expense	-	(23,500)	(21,715)	1,785
Total Other Financing Sources (Uses)	<u>(335,036)</u>	<u>(359,286)</u>	<u>(338,500)</u>	<u>20,786</u>
Net Change in Fund Balances	(2,454,102)	(2,264,282)	(1,853,491)	410,791
Fund Balances - Beginning	<u>4,759,563</u>	<u>4,759,563</u>	<u>4,759,563</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,305,461</u>	<u>\$ 2,495,281</u>	<u>\$ 2,906,072</u>	<u>\$ 410,791</u>

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Notes to Required Supplementary Information
September 30, 2014

Note 1: Budgetary Data

PEDC's fiscal year commences October 1st and ends September 30th. A budget for the forthcoming fiscal year shall be submitted to, and approved by, the Board of Directors in June and delivered to the City of Paris on or before June 30th. After Board approval, the budget on appropriate forms is submitted to the City Manager for inclusion in the annual budget of the City of Paris. The budget is to include projected operating expenses and such other budgetary information as shall be useful to or appropriate for the Board and the City of Paris.

The proposed budget shall contain such classifications and shall be in such form as may be prescribed from time to time by the City Council of the City of Paris. The budget shall not be effective until it has been approved by the City Council.

The Budgetary Comparison Schedule presented as Required Supplementary Information for the General Fund is presented to provide a meaningful comparison of actual results with the budget. For the year ended September 30, 2014, expenditures did not exceed appropriations (budget) in any function or line item.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)
Continuing Disclosure Information
September 30, 2014
(Unaudited)

Sales Tax Collections

The following table shows Sales Tax Collections for the Paris Economic Development Corporation's 1/4% sales tax for the five years ended September 30:

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
October	\$ 97,701.57	\$ 97,310.53	\$ 95,420.37	\$ 93,160.73	\$ 91,316.16
November	114,348.83	112,362.90	107,894.61	113,944.71	112,001.77
December	100,022.29	87,692.97	85,472.54	83,756.09	81,876.99
January	99,144.63	93,398.77	95,604.34	94,198.44	72,605.01
February	139,328.22	135,537.65	128,112.10	123,832.73	129,328.54
March	83,304.86	87,514.04	86,791.28	84,926.35	85,110.53
April	94,682.24	92,841.95	89,313.73	91,263.32	77,960.05
May	127,251.18	123,708.09	116,340.62	118,937.01	118,561.33
June	99,797.86	98,039.23	90,696.91	93,615.93	90,126.28
July	100,455.16	106,267.35	97,350.69	89,290.63	90,902.36
August	116,746.73	114,731.18	111,539.71	119,235.15	115,346.90
September	103,766.17	106,635.71	98,234.76	96,332.78	100,762.81
Totals	<u>\$ 1,276,549.74</u>	<u>\$ 1,256,040.37</u>	<u>\$ 1,202,771.66</u>	<u>\$ 1,202,493.87</u>	<u>\$ 1,165,898.73</u>

Pro Forma Bonded Debt Service Coverage

Maximum Annual Debt Service Requirement (2016)	\$ 355,221
Projected Annual Sales Tax Receipts 2014-15 (Pledged Revenues are Gross 1/4 Cent Sales Tax)	\$ 1,250,000
Estimated Pro Forma Coverage	3.52 x
Average Annual Remaining Debt Service at September 30, 2014	\$ 353,417
Projected Annual Sales Tax Receipts 2014-15 (Pledged Revenues are Gross 1/4 Cent Sales Tax)	\$ 1,250,000
Estimated Pro Forma Coverage	3.54 x

Condensed Corporation Operating Statement

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Operating Revenues:					
Sales Taxes	\$ 1,282,550	\$ 1,261,040	\$ 1,198,772	\$ 1,206,494	\$ 1,168,612
Other Income (Loss) (1)	41,225	6,497	(51,210)	(13)	22,977
Total Revenues	<u>1,323,775</u>	<u>1,267,537</u>	<u>1,147,562</u>	<u>1,206,481</u>	<u>1,191,589</u>
Operating Expenses:					
Projects	2,450,244	194,883	1,757,106 (2)	324,732	684,921
Administration, Personnel and Promotion	348,893	602,356	730,349	432,300	395,827
Total Expenses	<u>2,799,137</u>	<u>797,239</u>	<u>2,487,455</u>	<u>757,032</u>	<u>1,080,748</u>
Net Available for Additional Economic Incentives or Debt Service	<u>\$ (1,475,362)</u>	<u>\$ 470,298</u>	<u>\$ (1,339,893)</u>	<u>\$ 449,449</u>	<u>\$ 110,841</u>

Source: Information received from the Issuer.

(1) The net of interest income, interest expense, and gain or loss on the sale of assets.

(2) Includes a one-time contribution to a regional highway project for \$1,488,588.

Paris Economic Development Corporation
(A Component Unit of the City of Paris, Texas)

Communications with Those Charged with Governance

Year Ended September 30, 2014

McClanahan and Holmes, LLP

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Paris Economic Development Corporation
Paris, Texas

We have audited the financial statements of the Paris Economic Development Corporation (PEDC) for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by PEDC are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2014. We noted no transactions entered into by PEDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were sales tax receivable and accrued interest payable.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were debt and commitments.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. PEDC prepares its budget and maintains its general ledger primarily on a cash basis while the year-end financial reports are prepared on a modified accrual or accrual basis. At year end, we are provided information to convert the cash basis to accrual basis for financial statement presentation. In addition, a receivable from the prior year was deemed to not be collectible and was written off.

	<u>Debit</u>	<u>Credit</u>
Sales Tax Receivable	\$ 6,000	
Direct Business Incentives	46,744	
Sales Tax Revenue		\$ 6,000
Other Receivable		46,744

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management, board of directors, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

McClanahan and Huber, LLP
Certified Public Accountants

Paris, Texas
January 5, 2015