

CITY OF PARIS, TEXAS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
September 30, 2014

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR**

CITY OF PARIS, TEXAS

Fiscal Year Ended September 30, 2014

The **CITY OF PARIS**



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

City of Paris, Texas
 Comprehensive Annual Financial Report
 Fiscal Year Ended September 30, 2014

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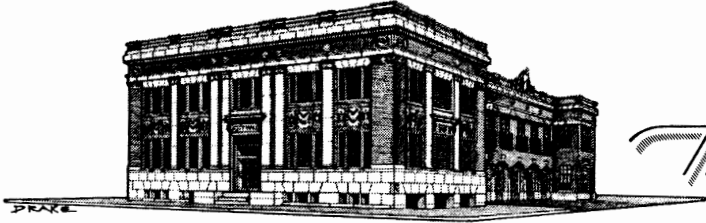
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The CITY OF PARIS

January 30, 2015

Mayor Matt Frierson
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, 2014.

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, 2014, 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 6 banks. The City's 2010 census is 25,171, a decrease of 2.80% from the 2000 census of 25,898.

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

The City is a regional medical center serving patients in Northeast Texas and Southeast Oklahoma. Founded in 1911 as St. Joseph's Hospital, Paris Regional Medical Center is a 364 bed medical center. 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 3 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 12,377.

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

Economic Condition and Outlook

Taxable values, as originally certified by the Lamar County Appraisal District, for fiscal year 2014-2015 reflect a 1.80% increase over the 2013-2014 values. Building permits for new residential and commercial construction totaled \$7,260,368 for fiscal year 2013-14. This activity should be reflected in next year's taxable values.

Sales taxes for 2013-14 increased from the prior year by 1.78%. This increase is consistent with the expected sales tax revenues due to the recovering local economy. Current rebates are 4.27% above the 2013-14 rebates through December 2014 not including the onetime sales tax audit adjustment received in December 2014 which added an extra \$872,390 to the General Fund.

Hotel occupancy taxes were down 7.48% compared to 2012-13 taxes. Successful collection efforts on the delinquent taxes of two hotels in the prior year are the cause of this drop in revenue. No 2014-15 collections were due at the time of writing this letter so no comparative comments may be made at this time.

Franchise fees increased 4.39% over the previous year. This increase came primarily from the natural gas and electrical utilities.

The City of Paris, Paris Economic Development Corporation (PEDC), and the Lamar County Chamber of Commerce have been actively recruiting new business to the area as well as supporting already existing businesses. 2013 saw the move of J. Skinner Baking Company to Paris bringing jobs and tax revenue to the City. Likewise, Kimberly-Clark Corporation

Campbell Soup Company began or completed major capital investments in their existing Paris facilities. Campbell Soup celebrated its 50th anniversary in Paris during 2014. PEDC announced that Powder Innovations, Inc. would be locating a manufacturing facility in Paris in the coming year.

General Fund receipts equaled 99.44% of budget. This shortfall of revenues was caused by lower than anticipated collections on ad valorem taxes, intergovernmental revenues, EMS fees, and interest earnings. General Fund expenditures were only 93.81% of budget with the Police, Fire, Council, Community Development, and Street Departments being the biggest under spenders of their budgets. For the 2014-15 fiscal year, the City Council adopted a tax rate of .50195 cents per \$100 of value. This is the same rate as the previous year. This rate allows maintaining all services at their current levels or above and funds all required interest and sinking funds.

Long-term Financial Planning and Relevant Financial Policies

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

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

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

From a development standpoint, the City has taken several steps. Reentry into the State of Texas Main Street Program 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 Planner has been formulating long-range plans for city development.

Other Financial Information

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

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

Between 30 days and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget for the next fiscal year are heard. The budget is legally enacted by the City Council through passage of an ordinance not later than the 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 9-30-14:

<u>Issue</u>	<u>Tax Supported</u>	<u>Revenue Supported</u>	<u>Fund Maturity</u>	<u>Moody's Investors Rating Insured</u>
2010 Tax and Rev. C. O.	\$ 2,685,000	\$ -	12-15-29	Aa3
2010 G. O. Refunding Bonds	2,455,000	4,790,000	06-15-20	Aa3
2012 G. O. Refunding Bonds	3,170,000	205,000	12-15-21	Aa3
2013 C. O. (TWDB)	-	2,750,000	06-15-32	N/A
2013 G. O. Bond	-	33,050,000	12-15-32	Aa3
Totals	<u>\$ 8,310,000</u>	<u>\$ 40,795,000</u>		

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, 2013. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



W. E. Anderson
Director of Finance



Government Finance Officers Association

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

Presented to

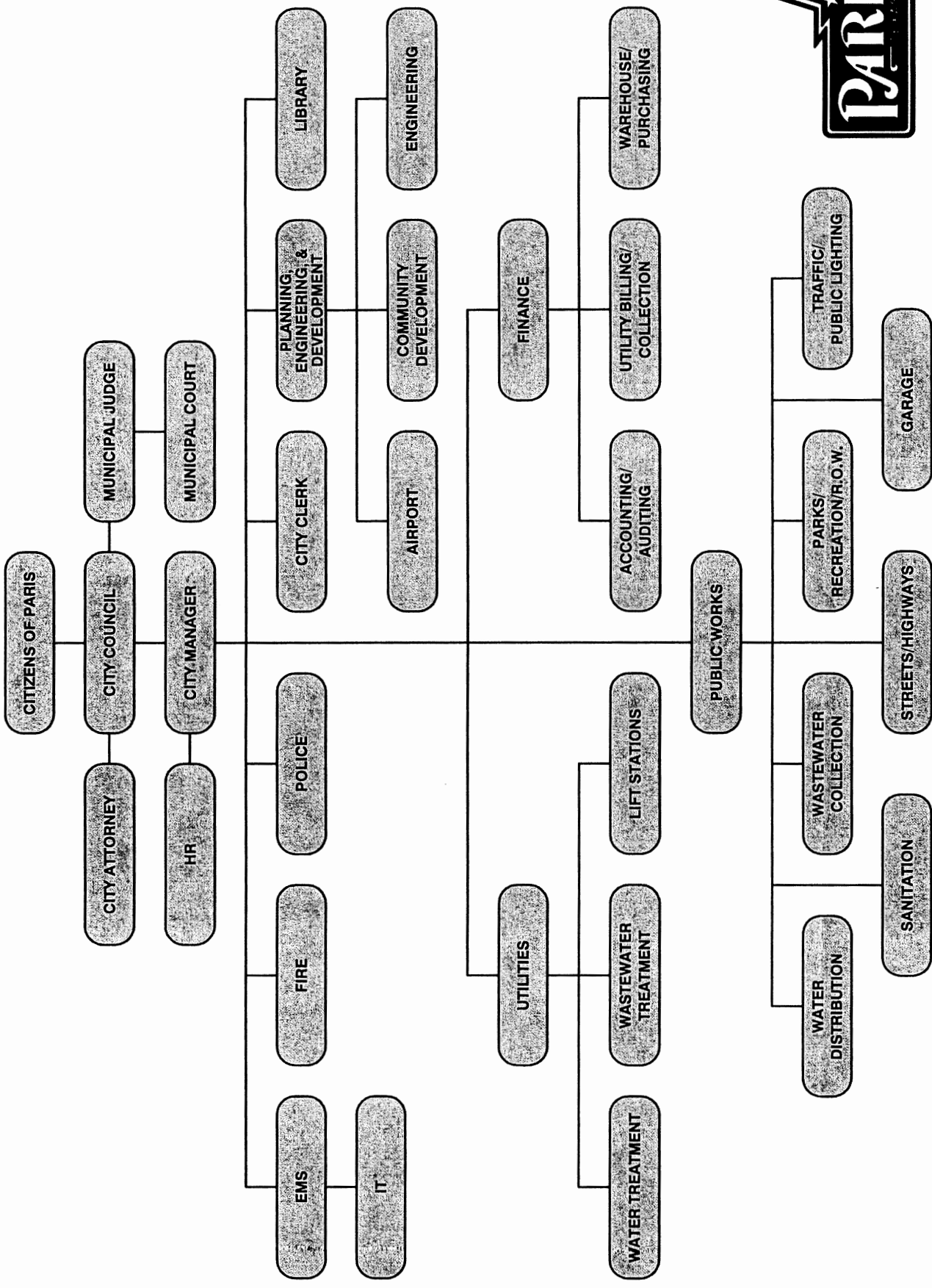
**City of Paris
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY OF PARIS ORGANIZATIONAL CHART



City of Paris, Texas
List of Elected and Appointed Officials

Elected Officials

Matt Frierson – Mayor
Richard Grossnickle – Mayor Pro-Tem
Aaron Jenkins
Sue Lancaster
Benny Plata
Edwin Pickle
Arjumand Hashmi

Appointed Officials

John Godwin – City Manager
W. E. Anderson – Finance Director
Shawn Napier – Engineering, Planning and Development Director
Kent McIllyar – City Attorney
Janice Ellis – City Clerk
Pricilla McAnally – Library Director
Tom E. Hunt, III – Presiding Municipal Court Judge
Bob Hundley – Police Chief
Doug Harris – Utilities Director
Larry Wright – Fire Chief

FINANCIAL SECTION

McClanahan and Holmes, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Paris, Texas

Report on the Financial Statements

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 (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Paris, Texas, as of September 30, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the City of Paris, Texas. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, 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 basic 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, based on our audit, the combining and individual nonmajor fund financial 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 basic financial statements as a whole.

The introductory, statistical section, 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, 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.

McClanahan and Huls, LLP
Certified Public Accountants

Paris, Texas
January 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Paris (the City), we offer readers of the financial statements of the City of Paris, Texas, this narrative overview and analysis of the financial activities of the City of Paris for the fiscal year ended September 30, 2014. 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 reduced its tax rate from 0.51107 per \$100 of valuation to 0.50195 per \$100 valuation for fiscal year 2013-14. This was a 1.78% decrease. The City has lowered its rate six times since the 2003-04 fiscal year when the tax rate was 0.695. For the upcoming 2014-15 fiscal year, the City maintained its tax rate at 0.50195 per \$100 of valuation. The City has accomplished this 19.30 cent tax rate reduction by strict review of its operational needs and increases to the taxable value of property within the City.
- City sales taxes dropped beginning in late fiscal year 2008-09 due to the nationwide recession, but the City had fully recovered from that dip by the end of fiscal year 2012-13. Sales taxes continued to show improvement in 2013-14.
- The number of budgeted positions dropped from a peak of 369 in fiscal year 2002-03 to 316 in fiscal year 2005-06. This reduction of 53 positions was part of an operational review and represents a significant and annually repeating savings to the City. Since 2006, ten employees have been added to the workforce bringing the total City employees to 326.
- City-wide expenses this year exceeded City-wide revenues by \$447,513 compared to \$810,671 excess revenues last year. This reversal was triggered by reduced revenues. Revenues were most impacted by the legal separation of the City and the local city/county health department, reduced contributions by developers, and reduced EMS revenues (caused by fewer ambulance calls and the elimination of Medicaid crossovers).
- The assets of the City of Paris exceeded liabilities at the close of the most recent fiscal year by \$88,615,107 (net position), a decrease of \$447,513 or 0.50% below the previous year amount of \$89,062,620. This change is not material in amount and is a result of several factors, one of which is the decrease in net capital assets. Of the amount reported as net position, \$22,196,878 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,209,772 compared to \$17,647,005 the previous year. This amounts to a decrease of \$2,437,233 or 13.81%. This decrease was due primarily to a decrease in restricted fund balance for debt service. 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 \$11,194,101 or 48.31% of total general fund expenditures. The prior year unassigned fund balance was \$11,969,203 or 50.82% of general fund expenditures.
- General fund expenditures were down \$418,540 or 1.77%
- The City of Paris' noncurrent liabilities decreased by \$3,386,998 or 6.07% during the current fiscal year due to retirement of long-term debt.
- Total charges for services for the City of Paris were \$18,576,578 compared to \$18,850,966 the previous year. This represents a 1.47% decrease in charges over the previous year in all areas except public safety and general government experiencing some decrease. Operating grants and contributions were \$926,506 compared to \$1,959,427 the previous year. This decrease was due to reduced contributions from public safety, public works, and health. Capital grants and contributions were \$791,176 compared to \$668,058 the previous year. General revenues were \$17,454,255 compared to \$17,661,998 the previous year. This decrease was due to lower miscellaneous revenues which can vary from year to year.
- City-wide liabilities decreased \$3,781,981 from \$58,391,338 to \$54,609,357. This amounted to a 6.47% drop caused by normal long-term debt payments as well as fewer current liabilities.
- City-wide expenses decreased \$133,750 (0.34%) decreasing from \$38,329,778 to \$38,196,028 with the decrease being in government activities.
- The ratio of net position to expenses experienced a negligible decrease with the ratio being 232.00% for the year 2013-14 and 232.35% for the year 2012-13. Unrestricted net position changed from \$22,376,979 in 2012-13 to \$22,196,878 in 2013-14, a decrease of .80% reflecting the decrease in cash position.

- The ratio of city-wide net position restricted for debt service to total expenditures was 7.67% for the year 2013-14 and 7.64% for the year 2012-13.
- Net long-term debt to assets, a measure of solvency, was 36.54 % in 2013-14 and 37.79% in 2012-13. Scheduled debt payments caused the decrease.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Paris maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the debt service fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Paris adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately after this Management Discussion and Analysis.

Proprietary Funds

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Paris, assets exceeded liabilities by \$88,615,107 at the close of the most recent fiscal year. This compares to \$89,062,620 for the previous year. While the regular pay-down of long-term debt normally causes an improvement in net position, the reduced cash position was the primary cause of the \$447,513 decrease in net position.

By far the largest portion of the net position (\$61,469,190 or 69.37%) of the City of Paris reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Paris uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets of the City of Paris is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Paris
Net Position

	Governmental Activities		Business-Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Assets:						
Current and						
Other Assets	\$ 16,918,880	\$ 19,263,548	\$ 47,568,586	\$ 47,996,516	\$ 64,487,466	\$ 67,260,064
Capital Assets	36,785,760	37,875,793	41,951,238	42,318,101	78,736,998	80,193,894
Total Assets	53,704,640	57,139,341	89,519,824	90,314,617	143,224,464	147,453,958
Liabilities:						
Other Liabilities	470,235	488,425	1,800,162	2,176,956	2,270,397	2,665,381
Long-Term Liabilities	9,833,674	10,667,247	42,505,286	45,058,710	52,338,960	55,725,957
Total Liabilities	9,833,674	10,667,247	42,505,286	45,058,710	52,338,960	55,725,957
Net Position:						
Net Investment in						
Capital Assets	28,427,758	28,732,801	33,041,432	33,003,801	61,469,190	61,736,602
Restricted	4,949,039	4,949,039	-	-	4,949,039	4,949,039
Unrestricted	10,023,934	12,301,829	12,172,944	10,075,150	22,196,878	22,376,979
Total Net Position	\$ 43,400,731	\$ 45,983,669	\$ 45,214,376	\$ 43,078,951	\$ 88,615,107	\$ 89,062,620

An additional portion of the net assets (\$4,949,039 or 5.58%) of the City of Paris represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,196,878 or 25.05%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

Governmental activities decreased the net position of the City of Paris by \$2,582,938 (5.61%) during the current fiscal year. This decrease resulted mainly from decreased transfers. Total governmental revenues were down \$942,866 with general revenues being down \$333,073 and program revenues being down \$609,793. General revenues were down primarily due to miscellaneous revenues. Program revenues were down primarily due to fewer grants and contributions.

	General Revenues		
	2014	2013	Increase (Decrease)
Property Taxes	\$ 7,575,840	\$ 7,597,667	\$ (21,827)
Sales Taxes	6,416,749	6,304,250	112,499
Franchise Taxes	2,662,604	2,550,447	112,157
Hotel Occupancy Taxes	547,354	572,150	(24,796)
Unrestricted Investment Earnings	45,799	64,386	(18,587)
Miscellaneous	122,703	615,222	(492,519)
Totals	\$ 17,371,049	\$ 17,704,122	\$ (333,073)

The following table provides a summary of the City's operations for the years ending 2013 and 2014 for both governmental and business-type activities.

City of Paris
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 4,695,250	\$ 4,845,218	\$ 13,881,328	\$ 14,005,748	\$ 18,576,578	\$ 18,850,966
Operating Grants and Contributions	926,506	1,959,427	-	-	926,506	\$ 1,959,427
Capital Grants and Contributions	690,176	117,080	101,000	550,978	791,176	668,058
General Revenues:						
Property Taxes	7,575,840	7,597,667	-	-	7,575,840	7,597,667
Sales Taxes	6,416,749	6,304,250	-	-	6,416,749	6,304,250
Franchise Taxes	2,662,604	2,550,447	-	-	2,662,604	2,550,447
Hotel Occupancy Taxes	547,354	572,150	-	-	547,354	572,150
Unrestricted						
Investment Earnings	45,799	64,386	83,206	(42,124)	129,005	22,262
Other	122,703	615,222	-	-	122,703	615,222
Total Revenues	23,682,981	24,625,847	14,065,534	14,514,602	37,748,515	39,140,449
Expenses						
General Government	3,404,856	3,299,397	-	-	3,404,856	3,299,397
Public Safety	10,449,953	9,982,926	-	-	10,449,953	9,982,926
Public Works	7,909,651	8,396,001	-	-	7,909,651	8,396,001
Health	3,228,513	3,348,281	-	-	3,228,513	3,348,281
Culture and Recreation	816,376	787,242	-	-	816,376	787,242
Cox Field Airport	158,632	259,938	-	-	158,632	259,938
Interest on						
Long-Term Debt	287,256	436,690	-	-	287,256	436,690
Bond Issue Costs	-	314,765	-	-	-	314,765
Water and Sewer	-	-	11,940,791	11,504,538	11,940,791	11,504,538
Total Expenses	26,255,237	26,825,240	11,940,791	11,504,538	38,196,028	38,329,778
Increase (Decrease) in Net Position Before Transfers	(2,572,256)	(2,199,393)	2,124,743	3,010,064	(447,513)	810,671
Transfers/Special Items	(10,682)	2,527,979	10,682	(2,527,979)	-	-
Increase (Decrease) in Net Position	(2,582,938)	328,586	2,135,425	482,085	(447,513)	810,671
Net Position, Beginning	45,983,669	45,655,083	43,078,951	42,596,866	89,062,620	88,251,949
Net Position, Ending	\$ 43,400,731	\$ 45,983,669	\$ 45,214,376	\$ 43,078,951	\$ 88,615,107	\$ 89,062,620

Business-Type Activities

Business-type activities increased the net position of the City of Paris by \$2,135,425. While revenues decreased from 2013 and expenditures increased from 2013, there was still an increase in net position.

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 governmental funds of the City of Paris 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	Governmental Funds	
	2014	2013
Total Assets	<u>\$ 16,420,902</u>	<u>\$ 18,842,009</u>
Total Liabilities	<u>\$ 372,794</u>	<u>\$ 415,421</u>
Deferred Inflows - Property Taxes	<u>838,336</u>	<u>779,583</u>
Fund Balances:		
Nonspendable:		
Inventory	233,127	271,292
Permanent Fund Principal	90,572	90,062
Restricted for:		
Debt Service	1,449,871	2,931,573
Capital Projects	1,339,693	1,390,026
Notes	48,844	90,360
Law Enforcement	178,531	174,637
Public Education	271,269	-
Health	14,253	272,381
Assigned:		
Library	109,085	127,155
Community Development	280,426	330,316
Unassigned:		
General Fund	11,194,101	11,969,203
Total Fund Balances	<u>15,209,772</u>	<u>17,647,005</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 16,420,902</u>	<u>\$ 18,842,009</u>

As of the end of the current fiscal year, the governmental funds of the City of Paris reported combined ending fund balances of \$15,209,772. Approximately 73.59% of this total amount (\$11,194,101) 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 nonspendable, restricted, or assigned to 1) Permanent Fund Principal (\$90,572), 2) pay debt service (\$1,449,871), 3) outstanding notes (\$48,844), 4) inventories (\$233,127), 5) law enforcement (\$178,531), 6) health (\$14,253), 7) library (\$109,085), 8) community development (\$280,426), 9) Public Education (\$271,269), and 10) capital projects (\$1,339,693).

	Governmental Funds Revenues, Expenditures and Changes in Fund Balances	
	2014	2013
Revenues	\$ 23,662,395	\$ 24,246,263
Expenditures	26,050,781	27,193,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,388,386)	(2,947,446)
Total Other Financing Sources (Uses)	(10,682)	2,680,132
Net Change in Fund Balances	(2,399,068)	(267,314)
Increase (Decrease) in Inventory	(38,165)	53,175
Fund Balances - Beginning	17,647,005	17,861,144
Fund Balances - Ending	\$ 15,209,772	\$ 17,647,005

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 \$11,194,101 (\$11,969,203 the previous year), while total fund balance reached \$11,698,497 (\$12,240,495 the previous year). The decrease in the fund balance of the general fund was primarily due to a lower cash position, unavailable revenue in the form of property taxes, and lower inventory. 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 48.39% of total general fund expenditures, while total fund balance represents 50.57% of that same amount.

During the year, the City also made budgeted transfers from the Water and Sewer Fund to the General Fund for administrative support and franchise fees and from the General Fund to the Capital Projects Fund to complete specific projects.

Other governmental funds (non-major) include the Permanent and Expendable Library Funds, Special Revenue Fund, 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 underspent by \$1,524,606 (\$583,485 underspent the previous year). This 6.18% variance was spread out among all departments and is mainly due to conservative forecasting. General Fund revenues were under budget by \$119,365 (0.55%). Shortfalls in property taxes, health revenues, intergovernmental revenues, 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 \$1,339,693 (\$1,390,026 last year). Variances from year to year are common in this fund as projects are approved on a year to year basis by the City Council.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$1,449,871 (\$2,931,573 the previous year), all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$1,481,702 (\$133,962 increase the previous year). The decrease was 50.54% and was due to transfers out. The government enacted a dedicated property tax for debt service at the beginning of the current fiscal year. This tax produced revenues of \$1,637,760 in the current fiscal year (\$1,405,178 the previous year).

Proprietary Fund

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$12,172,944 (\$10,075,150 the previous year). This change was primarily due to reduced liabilities. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City of Paris' investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$82,193,345 (\$80,193,894 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,912,108	\$ 5,912,108	\$ 339,620	\$ 339,620	\$ 6,251,728	\$ 6,251,728
Buildings and System Improvements Other than Buildings	9,406,927	9,675,221	33,568,090	35,877,662	42,975,017	45,552,883
Machinery, Furniture, and Equipment	5,196,634	5,393,211	-	-	5,196,634	5,393,211
Infrastructure	2,738,773	2,939,801	999,673	1,089,711	3,738,446	4,029,512
Construction in Progress	13,087,088	13,885,113	-	-	13,087,088	13,885,113
	444,230	70,339	7,043,855	1,519,129	7,488,085	1,589,468
Total	\$ 36,785,760	\$ 37,875,793	\$ 41,951,238	\$ 38,826,122	\$ 78,736,998	\$ 76,701,915

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 \$49,105,000. Of this amount, \$8,310,000 comprises debt being paid for by property tax revenues and \$40,795,000 represents bonds being paid for by water and sewer revenues.

Issue	Tax Supported	Revenue Supported	Final Maturity	Moody's Investors Rating
2010 G.O. Refunding Bonds	\$ 2,455,000	\$ 4,790,000	6/15/2020	Aa3
2010 Tax and Rev C.O.s	2,685,000	-	12/15/2029	Aa3
2012 G.O. Refunding Bonds	3,170,000	205,000	12/15/2021	Aa3
2013 C.O.s (TWDB)	-	2,750,000	6/15/2032	N/A
2013 G.O. Bonds	-	33,050,000	12/15/2032	Aa3
Totals	\$ 8,310,000	\$ 40,795,000		

The bond debt of the City of Paris decreased by \$3,620,000 (6.85%) during the fiscal year. This decrease was due to scheduled principal payments on the debt. The City's underlying bond rating from Moody's is Aa3.

The maximum tax rate permitted by Article XI, Section 5 of the State of Texas constitution is \$2.50 per \$100 of assessed valuation. Consequently, no legal debt margin can be calculated. The state attorney general has traditionally allowed up to \$1.50 per \$100 valuation to be applied to debt service. The City levied a tax rate of \$0.50195 per \$100 valuation for the 2013-14 fiscal year. This rate was broken down into \$0.39129 per \$100 valuation for operations and \$0.11066 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 7.37% of its debt capacity.

Additional information on the long-term debt of the City of Paris 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 grow 3.67% in the coming year.
- New construction amounted to 16 residential units and 10 commercial units.
- Local population growth is expected to be minimal.
- The tax rate is expected to remain at or below \$.51 per \$100 of value.
- Franchise fees are expected to increase 3.5% in the next year.

All of these factors are considered in preparing the budget of the City of Paris for 2014-15.

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 Position
September 30, 2014

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
ASSETS				
Cash and Cash Equivalents	\$ 6,634,284	\$ 2,472,895	\$ 9,107,179	\$ 754,976
Investments	6,580,076	546,831	7,126,907	285,003
Receivables (Net of Allowance for Uncollectibles)	2,259,945	1,776,134	4,036,079	216,000
Inventories	233,127	297,111	530,238	-
Due from Other Governments	564,357	-	564,357	-
Restricted Assets:				
Cash and Cash Equivalents	100,268	8,150,474	8,250,742	539,060
Investments	-	30,868,794	30,868,794	-
Receivables	48,845	-	48,845	-
Land Development Costs	-	-	-	1,655,772
Net Pension Asset	497,978	-	497,978	-
Water Rights (Net of Accumulated Amortization)	-	3,456,347	3,456,347	-
Capital Assets Not Being Depreciated:				
Land	5,912,108	339,620	6,251,728	-
Construction in Progress	444,230	7,043,855	7,488,085	-
Capital Assets (Net of Accumulated Depreciation):				
Buildings and System Improvements Other Than Buildings	9,406,927	33,568,090	42,975,017	-
Buildings	5,196,634	-	5,196,634	-
Machinery and Equipment Infrastructure	2,738,773	999,673	3,738,446	-
Infrastructure	13,087,088	-	13,087,088	-
Total Assets	<u>53,704,640</u>	<u>89,519,824</u>	<u>143,224,464</u>	<u>3,450,811</u>

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

City of Paris, Texas
Statement of Net Position
September 30, 2014

Statement 1
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
LIABILITIES				
Accounts Payable and Other Current Liabilities	372,794	497,566	870,360	5,679
Accrued Interest Payable	97,441	475,620	573,061	4,189
Customers' Deposits	-	826,976	826,976	-
Noncurrent Liabilities:				
Due Within One Year	1,253,046	2,423,278	3,676,324	300,000
Due in More Than One Year	8,580,628	40,082,008	48,662,636	980,000
Total Liabilities	<u>10,303,909</u>	<u>44,305,448</u>	<u>54,609,357</u>	<u>1,289,868</u>
NET POSITION				
Net Investment in Capital Assets	28,427,758	33,041,432	61,469,190	-
Restricted for:				
Construction	1,390,026	-	1,390,026	-
Debt Service	2,931,573	-	2,931,573	234,871
Notes Receivables	90,360	-	90,360	-
Law Enforcement	174,637	-	174,637	-
Health	272,381	-	272,381	-
Industrial Incentives	-	-	-	1,749,546
Land Development Costs	-	-	-	1,655,772
Permanent Library Funds, Nonexpendable	90,062	-	90,062	-
Unrestricted	<u>10,023,934</u>	<u>12,172,944</u>	<u>22,196,878</u>	<u>(1,479,246)</u>
Total Net Position	<u>\$ 43,400,731</u>	<u>\$ 45,214,376</u>	<u>\$ 88,615,107</u>	<u>\$ 2,160,943</u>

City of Paris, Texas
Statement of Activities
Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,404,856	\$ 3,310	\$ 53,829	\$ 24,000
Public Safety	10,449,953	433,828	408,985	126,643
Public Works	7,909,651	1,799,918	54,114	493,393
Health	3,228,513	2,371,757	396,063	-
Culture and Recreation	816,376	19,400	13,515	-
Cox Field Airport	158,632	67,037	-	46,140
Interest on Long-Term Debt	287,256	-	-	-
Total Governmental Activities	<u>26,255,237</u>	<u>4,695,250</u>	<u>926,506</u>	<u>690,176</u>
Business-Type Activities:				
Water and Sewer	11,940,791	13,881,328	-	101,000
Total Business-Type Activities	<u>11,940,791</u>	<u>13,881,328</u>	<u>-</u>	<u>101,000</u>
Total Primary Government	<u>\$ 38,196,028</u>	<u>\$ 18,576,578</u>	<u>\$ 926,506</u>	<u>\$ 791,176</u>
Component Unit:				
Economic Development	<u>\$ 2,857,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Ad Valorem Taxes
Sales Taxes
Franchise Taxes
Hotel Occupancy Taxes
Unrestricted Investment Earnings
Miscellaneous

Transfers

Total General Revenues, Contribution Income, and Transfers
Changes in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
\$ (3,323,717)	\$ -	\$ (3,323,717)	\$ -
(9,480,497)	-	(9,480,497)	-
(5,562,226)	-	(5,562,226)	-
(460,693)	-	(460,693)	-
(783,461)	-	(783,461)	-
(45,455)	-	(45,455)	-
(287,256)	-	(287,256)	-
<u>(19,943,305)</u>	<u>-</u>	<u>(19,943,305)</u>	<u>-</u>
-	2,041,537	2,041,537	-
-	<u>2,041,537</u>	<u>2,041,537</u>	<u>-</u>
(19,943,305)	2,041,537	(17,901,768)	-
			<u>(2,857,734)</u>
7,575,840	-	7,575,840	-
6,416,749	-	6,416,749	1,282,550
2,662,604	-	2,662,604	-
547,354	-	547,354	-
45,799	83,206	129,005	41,225
122,703	-	122,703	-
(10,682)	10,682	-	-
<u>17,360,367</u>	<u>93,888</u>	<u>17,454,255</u>	<u>1,323,775</u>
(2,582,938)	2,135,425	(447,513)	(1,533,959)
<u>45,983,669</u>	<u>43,078,951</u>	<u>89,062,620</u>	<u>3,694,902</u>
<u>\$ 43,400,731</u>	<u>\$ 45,214,376</u>	<u>\$ 88,615,107</u>	<u>\$ 2,160,943</u>

City of Paris, Texas
Balance Sheet - Governmental Funds
September 30, 2014

Statement 3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,494,847	\$ 1,440,987	\$ 1,363,637	\$ 435,081	\$ 6,734,552
Investments	6,359,234	-	-	220,842	6,580,076
Receivable (Net of Allowance for Uncollectibles)	2,192,508	67,438	-	48,844	2,308,790
Inventories	233,127	-	-	-	233,127
Due from Other Governments	540,357	-	-	24,000	564,357
Total Assets	\$ 12,820,073	\$ 1,508,425	\$ 1,363,637	\$ 728,767	\$ 16,420,902
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 241,794	\$ -	\$ 23,944	\$ 7,056	\$ 272,794
Deferred Revenue	100,000	-	-	-	100,000
Total Liabilities	341,794	-	23,944	7,056	372,794
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	779,782	58,554	-	-	838,336
Fund Balances:					
Nonspendable:					
Inventory	233,127	-	-	-	233,127
Permanent Library Funds	-	-	-	90,572	90,572
Restricted for:					
Debt Service	-	1,449,871	-	-	1,449,871
Capital Projects	-	-	1,339,693	-	1,339,693
Notes	-	-	-	48,844	48,844
Law Enforcement	-	-	-	178,531	178,531
Public Education	271,269	-	-	-	271,269
Health	-	-	-	14,253	14,253
Assigned:					
Library	-	-	-	109,085	109,085
Community Development	-	-	-	280,426	280,426
Unassigned: General Fund	11,194,101	-	-	-	11,194,101
Total Fund Balances	11,698,497	1,449,871	1,339,693	721,711	15,209,772
Total Liabilities, Deferred Inflows and Fund Balances	\$ 12,820,073	\$ 1,508,425	\$ 1,363,637	\$ 728,767	

Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Net of Accumulated Depreciation)		36,785,760
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or not reflected in the funds.		1,336,314
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(9,931,115)
Net position of governmental activities		<u>\$ 43,400,731</u>

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

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2014

Statement 4

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Ad Valorem	\$ 5,922,165	\$ 1,637,760	\$ -	\$ -	\$ 7,559,925
Sales	6,416,749	-	-	-	6,416,749
Franchise	2,662,604	-	-	-	2,662,604
Hotel Occupancy	555,141	-	-	-	555,141
Licenses and Permits	108,943	-	-	-	108,943
Fines and Fees	586,429	-	-	277,832	864,261
Use of Money and Property	119,847	8,682	4,672	5,428	138,629
Sanitation	1,472,278	-	-	-	1,472,278
Health	2,111,439	-	-	-	2,111,439
Intergovernmental	1,128,989	-	-	474,176	1,603,165
Other	166,021	-	-	3,240	169,261
Total Revenues	21,250,605	1,646,442	4,672	760,676	23,662,395
EXPENDITURES					
Current:					
General Government	1,528,924	-	-	32,225	1,561,149
Public Safety	9,703,311	-	-	9,564	9,712,875
Public Works	6,218,485	-	235,005	54,114	6,507,604
Health	2,127,225	-	-	916,260	3,043,485
Culture and Recreation	685,970	-	-	21,746	707,716
Other	1,646,531	-	-	-	1,646,531
Debt Service:					
Principal	-	1,226,543	-	-	1,226,543
Interest	-	311,919	-	-	311,919
Capital Outlay:					
General Government	-	-	-	113,258	113,258
Public Safety	398,186	-	-	-	398,186
Public Works	655,750	-	-	-	655,750
Health	165,765	-	-	-	165,765
Total Expenditures	23,130,147	1,538,462	235,005	1,147,167	26,050,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,879,542)	107,980	(230,333)	(386,491)	(2,388,386)

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

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2014

Statement 4
(Continued)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Transfers In	1,579,000	-	180,000	23,291	1,782,291
Transfers Out	<u>(203,291)</u>	<u>(1,589,682)</u>	<u>-</u>	<u>-</u>	<u>(1,792,973)</u>
Total Other Financing Sources (Uses)	<u>1,375,709</u>	<u>(1,589,682)</u>	<u>180,000</u>	<u>23,291</u>	<u>(10,682)</u>
Net Changes in Fund Balances	(503,833)	(1,481,702)	(50,333)	(363,200)	(2,399,068)
Fund Balances - Beginning	12,240,495	2,931,573	1,390,026	1,084,911	17,647,005
Decrease in Inventory	<u>(38,165)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,165)</u>
Fund Balances - Ending	<u>\$ 11,698,497</u>	<u>\$ 1,449,871</u>	<u>\$ 1,339,693</u>	<u>\$ 721,711</u>	<u>\$ 15,209,772</u>

City of Paris, Texas
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2014

Statement 5

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

Net change in fund balances - total governmental funds (Statement 4).	\$ (2,399,068)
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.	(1,067,590)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	58,752
The net effect of various miscellaneous transactions involving capital assets (e.g., dispositions) is to decrease net assets.	(22,442)
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.	8,313
The net change in inventory is a direct adjustment to fund balance in the funds.	(38,165)
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.	(314,888)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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>1,192,150</u>
Change in net position of governmental activities (Statement 2).	<u><u>\$ (2,582,938)</u></u>

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

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended September 30, 2014

Statement 6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 6,102,408	\$ 6,102,408	\$ 5,922,165	\$ (180,243)
Sales Taxes	6,125,000	6,125,000	6,416,749	291,749
Hotel Occupancy Taxes	500,000	500,000	555,141	55,141
Franchise Taxes	2,492,200	2,492,200	2,662,604	170,404
Licenses and Permits	117,265	117,265	108,943	(8,322)
Fines and Fees	533,120	533,120	586,429	53,309
Use of Money and Property	194,756	194,756	119,847	(74,909)
Sanitation	1,470,000	1,470,000	1,472,278	2,278
Health	2,245,306	2,245,306	2,111,439	(133,867)
Intergovernmental Revenues	1,303,516	1,303,516	1,128,989	(174,527)
Other	286,400	286,400	166,021	(120,379)
Total Revenues	21,369,971	21,369,971	21,250,605	(119,366)
EXPENDITURES				
General Government:				
Council	321,830	341,830	98,437	243,393
Manager	360,183	360,183	352,742	7,441
Attorney	427,259	364,259	357,756	6,503
Municipal Court	213,525	213,525	201,840	11,685
Clerk	168,944	118,944	110,685	8,259
Finance	428,934	408,934	407,464	1,470
Total General Government	1,920,675	1,807,675	1,528,924	278,751
Public Safety:				
Police	6,055,421	6,055,421	5,792,055	263,366
Fire	4,579,712	4,579,712	4,309,442	270,270
Total Public Safety	10,635,133	10,635,133	10,101,497	533,636
Public Works:				
Community Development	864,209	814,209	409,750	404,459
Engineering	488,854	492,854	485,868	6,986
Public Works	236,691	1,186,691	1,170,240	16,451
Parks and Recreation	1,464,844	1,464,844	1,496,433	(31,589)
Sanitation	1,045,555	995,555	939,787	55,768
Streets and Highways	1,586,347	1,618,347	1,446,513	171,834
Traffic and Public Lighting	554,000	559,000	622,506	(63,506)
Garage	317,402	317,402	303,138	14,264
Total Public Works	6,557,902	7,448,902	6,874,235	574,667

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

City of Paris, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended September 30, 2014

Statement 6
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (Continued)				
Health	2,242,933	2,359,933	2,292,990	66,943
Culture and Recreation:				
Paris Band	23,050	23,050	21,181	1,869
Library Services	663,334	693,334	664,789	28,545
Total Culture and Recreation	686,384	716,384	685,970	30,414
Other:				
Cox Field Airport	105,750	105,750	97,778	7,972
Other	1,505,976	1,580,976	1,548,753	32,223
Contingency	50,000	-	-	-
Total Other	1,661,726	1,686,726	1,646,531	40,195
Total Expenditures	23,704,753	24,654,753	23,130,147	1,524,606
Deficiency of Revenues Over Expenditures	(2,334,782)	(3,284,782)	(1,879,542)	1,405,241
Other Financing Sources (Uses):				
Transfers In	1,579,000	1,579,000	1,579,000	-
Transfers Out	-	-	(203,291)	(203,291)
Total Other Financing Sources (Uses)	1,579,000	1,579,000	1,375,709	(203,291)
Net Changes in Fund Balance	(755,782)	(1,705,782)	(503,833)	1,201,950
Fund Balance - Beginning	12,240,495	12,240,495	12,240,495	-
Decrease in Inventory	-	-	(38,165)	(38,165)
Fund Balance - Ending	<u>\$ 11,484,713</u>	<u>\$ 10,534,713</u>	<u>\$ 11,698,497</u>	<u>\$ 1,163,785</u>

City of Paris, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

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	\$ 2,472,094	\$ 4,833,708
Restricted Cash and Cash Equivalents	8,151,275	3,587,780
Total Cash and Cash Equivalents	<u>10,623,369</u>	<u>8,421,488</u>
Accounts Receivable, Net	1,764,634	1,854,524
Accrued Interest Receivable	11,500	23,230
Inventories	297,111	304,115
Total Current Assets	<u>12,696,614</u>	<u>10,603,357</u>
Noncurrent Assets:		
Investments:		
Construction	27,238,287	34,952,225
Reserve and Contingency	3,630,507	2,423,230
Unrestricted	546,831	625,092
Total Investments	<u>31,415,625</u>	<u>38,000,547</u>
Water Rights (Net of Accumulated Amortization)	<u>3,456,347</u>	<u>3,491,979</u>
Capital Assets:		
Land	339,620	339,620
Construction in Progress	7,043,855	1,519,129
Plant, Pumps and Motors	33,511,832	33,458,618
Distribution System	40,407,764	39,933,744
Collection System	23,113,899	23,113,899
Maintenance Equipment and Vehicles	3,552,467	3,415,173
Furniture and Equipment	244,222	244,222
Less Accumulated Depreciation	(66,262,421)	(63,198,283)
Total Capital Assets (Net of Accumulated Depreciation)	<u>41,951,238</u>	<u>38,826,122</u>
Total Noncurrent Assets	<u>76,823,210</u>	<u>80,318,648</u>
Total Assets	<u>89,519,824</u>	<u>90,922,005</u>

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

City of Paris, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

Statement 7
(Continued)

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
LIABILITIES		
Current Liabilities:		
Accounts Payable	497,566	896,325
Accrued Interest Payable	475,620	432,039
Customers' Deposits	826,976	848,592
Due to Other Funds	-	607,388
Bonds and Certificates of Obligation - Current Portion	2,402,285	2,530,810
Accrued Compensated Absences - Current Portion	20,993	8,194
Total Current Liabilities	4,223,440	5,323,348
Noncurrent Liabilities:		
Bonds and Certificates of Obligation - Noncurrent Portion	39,893,066	42,365,856
Accrued Compensated Absences - Noncurrent Portion	188,942	153,850
Total Noncurrent Liabilities	40,082,008	42,519,706
Total Liabilities	44,305,448	47,843,054
NET POSITION		
Net Investment in Capital Assets	33,041,432	33,003,801
Unrestricted	12,172,944	10,075,150
Total Net Position	\$ 45,214,376	\$ 43,078,951

City of Paris, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2014

Statement 8

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
Operating Revenues:		
Charges for Sales and Services:		
Water Sales and Taps	\$ 7,997,176	\$ 8,069,584
Sewer Charges and Taps	5,432,655	5,516,901
Sanitation Billing Fees	76,449	76,230
Service Charges	159,205	158,329
Industrial Surcharges	30,250	24,450
Miscellaneous	185,593	160,254
Total Operating Revenues	13,881,328	14,005,748
Operating Expenses:		
Personnel	2,994,766	3,014,366
Supplies	1,116,500	1,136,242
Contractual	2,000,057	2,117,298
Maintenance	662,977	774,319
Sundry Charges	487,678	495,350
Other	80,766	40,871
Depreciation	3,064,138	3,022,331
Total Operating Expenses	10,406,882	10,600,777
Operating Income	3,474,446	3,404,971
Nonoperating Revenues (Expenses):		
Investment Earnings (Expenses)	83,206	(42,124)
Interest Expense - Revenue and General Obligation Bonds	(1,655,392)	(415,787)
Bond Issue Costs	-	(506,334)
Amortization of Water Rights	(35,632)	(35,632)
Amortization of Bond Premium	157,115	53,992
Net Nonoperating Revenues (Expenses)	(1,450,703)	(945,885)
Income Before Contributions, Other Revenue and Transfers	2,023,743	2,459,086
Capital Contributions, Other Revenue and Transfers:		
Capital Contributions	101,000	50,200
Intergovernmental Revenue	-	500,778
Transfers In	1,589,682	841,588
Transfers Out	(1,579,000)	(3,369,567)
Total Capital Contributions, Other Revenue and Transfers	111,682	(1,977,001)
Changes in Net Position	2,135,425	482,085
Total Net Position - Beginning	43,078,951	42,596,866
Total Net Position - Ending	\$ 45,214,376	\$ 43,078,951

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

City of Paris, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2014

Statement 9

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 13,949,923	\$ 14,033,612
Payments to Suppliers and Contractors	(4,739,733)	(4,553,951)
Payments to Employees	(2,946,875)	(3,014,366)
Increase (Decrease) in Interfund Payables	(607,388)	201,600
Net Cash Provided by Operating Activities	5,655,927	6,666,895
Cash Flows from Noncapital Financing Activities		
Transfers In	1,589,682	-
Transfers Out	(1,579,000)	(3,066,234)
Net Cash Provided (Used) by Noncapital Financing Activities	10,682	(3,066,234)
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(6,088,254)	(1,680,978)
Proceeds from Sale of Bonds	-	36,825,000
Principal Paid on Bonds	(2,444,200)	(1,350,200)
Bond Issue Costs	-	(506,334)
Interest Paid on Long-Term Debt	(1,611,811)	(243,831)
Premium Received on Bonds Issued	-	1,472,800
Construction Grants	-	500,778
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,144,265)	35,017,235
Cash Flows from Investing Activities		
Interest on Investments	140,317	79,222
Purchase of Investment Securities	(32,383,129)	(38,115,496)
Maturities of Investments	38,922,349	2,101,838
Net Cash Provided (Used) by Investing Activities	6,679,537	(35,934,436)
Net Increase in Cash and Cash Equivalents	2,201,881	2,683,460
Cash and Cash Equivalents - Beginning	8,421,488	5,738,028
Cash and Cash Equivalents - Ending	\$ 10,623,369	\$ 8,421,488

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

City of Paris, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2014

Statement 9
(Continued)

	Water and Sewer Enterprise Fund Current Year	Water and Sewer Enterprise Fund Prior Year
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 3,474,446	\$ 3,404,971
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	3,064,138	3,022,331
Decrease (Increase) in Accounts Receivable	90,210	(3,714)
Decrease (Increase) in Inventory	7,004	(20,300)
Increase (Decrease) in Customers' Deposits	(21,615)	18,631
Increase (Decrease) in Due to Other Funds	(607,388)	201,600
Increase in Accrued Compensated Absences	47,891	14,303
Increase (Decrease) in Accounts Payable	(398,759)	29,073
Total Adjustments	2,181,481	3,261,924
Net Cash Provided by Operating Activities	\$ 5,655,927	\$ 6,666,895
Noncash Investing, Capital and Financing Activities:		
Increase (Decrease) in Market Value of Investments	\$ (45,702)	\$ (3,595)
Capital Contributions	\$ 101,000	\$ 50,200
Noncash Transfers Out	\$ -	\$ 303,333

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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 provider have been met.

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

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 (e.g., 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 nonmajor 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.

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 non-operating 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. 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.

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

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.

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. An equivalent amount is reported as nonspendable fund balance in the governmental funds.

4. Restricted Assets

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

5. Capital Assets

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

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 \$1,655,392. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have an item that qualifies for reporting in this category during this current fiscal year.

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

7. Compensated Absences

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year of issuance.

In the fund financial statements, governmental 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.

9. 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.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$36,785,760 are as follows:

Land	\$ 5,912,108
Construction in Progress	444,230
Buildings	15,044,754
Less: Accumulated Depreciation - Buildings	(5,637,827)
Improvements Other Than Buildings	7,910,261
Less: Accumulated Depreciation - Improvements Other Than Buildings	(2,713,627)
Machinery and Equipment	20,006,844
Less: Accumulated Depreciation - Machinery and Equipment	(17,268,071)
Infrastructure	41,178,373
Less: Accumulated Depreciation - Infrastructure	<u>(28,091,285)</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 36,785,760</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$9,931,115 difference are as follows:

Bonds Payable	\$ 8,310,000
Plus: Premium on Bonds Payable (to be Amortized Over the Life of the Debt)	48,002
Accrued Interest	97,441
Compensated Absences	997,479
OPEB Liability	328,193
Landfill Post - Closure Care Costs	<u>150,000</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 9,931,115</u>

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

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

\$(1,067,590) difference are as follows:

Capital Outlay	\$ 1,332,959
Depreciation Expense	<u>(2,400,549)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ (1,067,590)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,192,150 difference are as follows:

Amortization of Premium	\$ 16,350
Principal Repayments	<u>1,175,800</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 1,192,150</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 nonbudgeted financial activities, which are not subject to an appropriated budget and the appropriation process or to any legally authorized nonappropriated budget review and approval process. The community development block grant fund is not annually appropriated. The City has no special revenue funds which are reported as major funds.

III. Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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

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

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

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, 2014, the City Council approved a transfer of \$1,233,000, from various departments to other departmental line items. Expenditures exceeded appropriations in the parks and recreation department by \$31,598. Expenditures also exceeded appropriations in the traffic and public lighting department by \$63,506.

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 (FDIC) insurance. Collateral agreements must be approved prior to deposit of funds as provided by law. The City was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution's agent in the name of the City.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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

A. Deposits and Investments (Continued)

As of September 30, 2014, 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	\$ 187,902	Not Rated	5.92
Federal National Mortgage Association	2,750,137	Not Rated	9.07
Government National Mortgage Association	729,184	Not Rated	6.09
Certificates of Deposit	90,261	Not Rated	0.46
Fixed Income:			
Federal Home Loan Bank	31,996,490	AA+	13.6
Federal National Mortgage Association	<u>2,241,727</u>	Not Rated	1.08
Totals	<u>\$ 37,995,701</u>		

Component Unit - PEDC

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, 2014

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, 2014, the City’s bank balance was not exposed to custodial credit risk.

Foreign Currency Risk is the risk that an investment denominated in the currency of a foreign country could reduce its United States of America dollar value as a result of changes in foreign currency exchange rates. At September 30, 2014, 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	\$ 2,304	\$ -	\$ -	\$ 11,500
Property Taxes	871,796	89,917	-	-
Sales Taxes	1,084,000	-	-	-
Accounts	115,020	-	-	1,841,633
Notes	-	-	48,844	-
Street Assessments	26,473	-	-	-
Fines	141,633	-	-	-
EMS	2,007,561	-	-	-
Gross Receivables	<u>4,248,787</u>	<u>89,917</u>	<u>48,844</u>	<u>1,853,133</u>
Less: Allowance for Uncollectibles	<u>(2,056,279)</u>	<u>(22,479)</u>	<u>-</u>	<u>(77,000)</u>
Net Total Receivables	<u>\$ 2,192,508</u>	<u>\$ 67,438</u>	<u>\$ 48,844</u>	<u>\$ 1,776,133</u>

Net receivable balances not expected to be collected within one year are Property Taxes - \$480,516, Fines - \$20,817, EMS - \$100,000, and Street Assessments - \$26,473.

At year-end, PEDC had a receivable for sales tax of \$216,000.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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

C. Capital Assets

Capital assets activity for the year ended September 30, 2014, is as follows:

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,912,108	\$ -	\$ -	\$ 5,912,108
Construction in Progress	70,339	373,891	-	444,230
Total Capital Assets, Not Being Depreciated	<u>5,982,447</u>	<u>373,891</u>	<u>-</u>	<u>6,356,338</u>
Capital Assets, Being Depreciated:				
Buildings	14,931,496	113,258	-	15,044,754
Improvements Other Than Buildings	7,910,261	-	-	7,910,261
Machinery and Equipment	19,359,414	697,457	50,027	20,006,844
Infrastructure	41,030,021	148,352	-	41,178,373
Total Capital Assets, Being Depreciated	<u>83,231,192</u>	<u>959,067</u>	<u>50,027</u>	<u>84,140,232</u>
Less Accumulated Depreciation for:				
Buildings	5,256,275	381,552	-	5,637,827
Improvements Other Than Buildings	2,517,050	196,577	-	2,713,627
Machinery and Equipment	16,419,613	876,043	27,585	17,268,071
Infrastructure	27,144,908	946,377	-	28,091,285
Total Accumulated Depreciation	<u>51,337,846</u>	<u>2,400,549</u>	<u>27,585</u>	<u>53,710,810</u>
Total Capital Assets, Being Depreciated, Net	<u>31,893,346</u>	<u>(1,441,482)</u>	<u>22,442</u>	<u>30,429,422</u>
Governmental Activities, Capital Assets, Net	<u>\$ 37,875,793</u>	<u>\$ (1,067,591)</u>	<u>\$ 22,442</u>	<u>\$ 36,785,760</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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

C. Capital Assets (Continued)

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 339,620	\$ -	\$ -	\$ 339,620
Construction in Progress	1,519,129	5,524,726	-	7,043,855
Total Capital Assets, Not Being Depreciated	<u>1,858,749</u>	<u>5,524,726</u>	<u>-</u>	<u>7,383,475</u>
Capital Assets, Being Depreciated:				
Plant, Pumps and Motors	33,458,618	53,214	-	33,511,832
Distribution System	39,933,744	474,020	-	40,407,764
Collection System	23,113,899	-	-	23,113,899
Maintenance Equipment and Vehicles	3,415,173	137,294	-	3,552,467
Furniture and Equipment	244,222	-	-	244,222
Total Capital Assets, Being Depreciated	<u>100,165,656</u>	<u>664,528</u>	<u>-</u>	<u>100,830,184</u>
Less Accumulated Depreciation for:				
Plants, Pumps and Motors	25,170,728	983,301	-	26,154,029
Distribution System	20,924,708	1,165,436	-	22,090,144
Collection System	14,533,163	688,069	-	15,221,232
Maintenance Equipment and Vehicles	2,325,462	227,332	-	2,552,794
Furniture and Equipment	244,222	-	-	244,222
Total Accumulated Depreciation	<u>63,198,283</u>	<u>3,064,138</u>	<u>-</u>	<u>66,262,421</u>
Total Capital Assets, Being Depreciated, Net	<u>36,967,373</u>	<u>(2,399,610)</u>	<u>-</u>	<u>34,567,763</u>
Business-Type Activities, Capital Assets, Net	<u><u>\$ 38,826,122</u></u>	<u><u>\$ 3,125,116</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,951,238</u></u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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	\$ 106,271
Public Safety	557,312
Public Works, Including Depreciation of General Infrastructure Asset	1,318,921
Health	185,027
Library	60,854
Cox Field Airport	108,661
Other	63,503
Total Depreciation Expense - Governmental Activities	<u>\$ 2,400,549</u>
Business-Type Activities:	
Water and Sewer	
Total Depreciation Expense - Business -Type Activities	<u>\$ 3,064,138</u>

D. Construction Commitments

The City has active construction projects as of September 30, 2014. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Sewer and Water System Replacement and Related Street Reconstruction	\$ 5,591,320	\$ 4,394,705

E. Interfund Transfers

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Water and Sewer Fund</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 23,291	\$ 180,000	\$ -	\$ 203,291
Debt Service Fund	-	-	-	1,589,682	1,589,682
Water and Sewer Fund	<u>1,579,000</u>	-	-	-	<u>1,579,000</u>
Transfers In	<u>\$ 1,579,000</u>	<u>\$ 23,291</u>	<u>\$ 180,000</u>	<u>\$ 1,589,682</u>	<u>\$ 3,371,973</u>

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

E. Interfund Transfers (Continued)

During the year ended September 30, 2014, the City made budgeted transfers from the Water and Sewer Fund to the General Fund of \$1,579,000. Transfers were made from the General Fund to the Capital Projects Fund of \$180,000 for reserves. The balance of a Special Revenue Fund was closed out with a transfer to the General Fund of \$23,291. The balance remaining in the 2002 Tax and Revenue Fund and the 2003 GO Refunding Bonds were transferred to the Debt Service Fund in the amount of \$998,293, and transfers were made from the Water and Sewer Fund for \$591,389 to the Debt Service Fund to make debt service payments.

F. Long-Term Liabilities

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

\$3,005,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments varying from \$110,000 to \$230,000 with final payment due December 15, 2029. Interest is payable semi-annually ranging from 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.

\$17,075,000 General Obligation Refunding Bonds, Series 2010, due in annual installments varying from \$1,050,000 to \$1,430,000, 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.

\$4,505,000 General Obligation Refunding Bonds, Series 2012, due in annual installments varying from \$350,000 to \$1,130,000 with final payment due December 14, 2021. On December 18, 2012, the City issued this series bearing interest ranging from 2.0% to 2.5% to refund Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2002 (\$3,440,000) bearing interest ranging from 4.0% to 4.7% and General Obligation Refunding Bonds, Series 2003 (\$1,210,000) bearing interest ranging from 3.75% to 3.9%. The net proceeds of \$4,652,190 (after payment of various fees and including premium and accrued interest) were deposited in an escrow fund to prepay the refunded bonds. The issuance of the bonds produced a gross debt service savings of \$612,058 and a net present value savings of \$584,806.

\$2,900,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, due in annual installments varying from \$145,000 to \$160,000 with final payment due June 15, 2032. Interest is payable semi-annually at rates ranging from 0.12% to 1.45%. On June 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued to provide funds to pay the costs of improving the potable water distribution system and related costs. The certificates are also secured by a pledge of net revenues of the water works and sewer system. In addition to the purchase of these bonds by the Texas Water Development Board, the City received \$500,778 in connection with a loan forgiveness program. The bonds are reported as obligations of the Enterprise Fund.

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)

\$33,925,000 General Obligation Bonds, Series 2014, due in annual installments varying from \$875,000 to \$2,850,000 with final payment due December 15, 2032. Interest is payable semi-annually at rates ranging from 1.0% to 5.0%. On December 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued August 15, 2014, at a premium for the purpose of replacing and extending water distribution lines and sewer collection lines and making repairs necessitated by the replacement. Voters of the issuer approved the issuance of \$45,000,000 in tax bonds. The bonds are reported as obligations of the Enterprise Fund.

The ordinances require that 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, 2014, the fund balances in the Interest and Sinking Funds are \$1,449,871.

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

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City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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)

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

	Balance September 30, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One year
Governmental Activities					
Debt Payable					
General Obligation Debt	\$ 9,485,800	\$ -	\$ 1,175,800	\$ 8,310,000	\$ 1,025,000
Premium	64,352	-	16,350	48,002	13,787
Total Debt Payable	<u>9,550,152</u>	<u>-</u>	<u>1,192,150</u>	<u>8,358,002</u>	<u>1,038,787</u>
Compensated Absences	796,466	276,255	75,242	997,479	99,748
Landfill Post-Closure					
Care Costs	66,873	83,127	-	150,000	-
OPEB Liability	253,756	188,948	114,511	328,193	114,511
Governmental Activities Long-Term Liabilities	<u>\$ 10,667,247</u>	<u>\$ 548,330</u>	<u>\$ 1,381,903</u>	<u>\$ 9,833,674</u>	<u>\$ 1,253,046</u>
Business-Type Activities					
Debt Payable					
Revenue Bonds	\$ 43,239,200	\$ -	\$ 2,444,200	\$ 40,795,000	\$ 2,250,000
Premium	1,657,466	-	157,115	1,500,351	152,285
Total Debt Payable	<u>44,896,666</u>	<u>-</u>	<u>2,601,315</u>	<u>42,295,351</u>	<u>2,402,285</u>
Compensated Absences	162,044	47,891	-	209,935	20,993
Business-Type Activities Long-Term Liabilities	<u>\$ 45,058,710</u>	<u>\$ 47,891</u>	<u>\$ 2,601,315</u>	<u>\$ 42,505,286</u>	<u>\$ 2,423,278</u>
Component Unit					
Bonds Payable	\$ 1,570,000	\$ -	\$ 290,000	\$ 1,280,000	\$ 300,000
Component Unit Long-Term Liabilities	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 1,280,000</u>	<u>\$ 300,000</u>

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

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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)

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
2015	\$ 1,025,000	\$ 230,298	\$ 2,250,000	\$ 1,624,272
2016	865,000	205,716	1,750,000	1,588,022
2017	885,000	183,254	1,575,000	1,525,322
2018	915,000	158,860	1,595,000	1,474,822
2019	950,000	133,169	1,585,000	1,420,872
2020-2024	2,435,000	364,965	9,170,000	6,014,484
2025-2029	1,005,000	150,716	11,725,000	3,715,598
2030-2034	230,000	4,830	11,145,000	1,033,542
Totals	<u>\$ 8,310,000</u>	<u>\$ 1,431,808</u>	<u>\$ 40,795,000</u>	<u>\$ 18,396,934</u>

PEDC has outstanding Paris Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2010, originally issued at \$2,685,000, bearing interest ranging from 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 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 \$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.

Debt service requirements related to these bonds are as follows:

Years	Bond 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
Totals	<u>\$ 1,280,000</u>	<u>\$ 133,669</u>	<u>\$ 1,413,669</u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

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

G. Restricted Net Position and Restricted Asset Accounts

In order to safeguard the financial integrity of the water and sewer system, the City Council approved a resolution establishing and maintaining funds comparable to those required by the revenue bonds refunded in 2010. At September 30, 2014, these accounts, shown as cash and investments on the Statement of Net Position – Proprietary Funds, are as follows:

Reserve Fund	\$ 9,360,077
Contingency Fund	\$ 1,768,595

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

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

	Cash and Cash Equivalents	Certificates of Deposit and Other Investments	Other Receivables
Notes Receivable	\$ -	\$ -	\$ 48,845
Construction	652,309	27,238,287	-
Total Restricted Assets	\$ 652,309	\$ 27,238,287	\$ 48,845

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, 2014. 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 party.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

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.

Intangible asset activity for the year ended September 30, 2014, is as follows:

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
Intangible Asset - Water Rights	\$ 4,113,119	\$ -	\$ -	\$ 4,113,119
Less Accumulated Amortization	621,140	35,632	-	656,772
Total Intangible Asset - Water Rights, Net	\$ 3,491,979	\$ (35,632)	\$ -	\$ 3,456,347

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, 2014, were approximately \$3,700,000.

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, 2014, 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

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

V. Other Information (Continued)

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

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

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

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

PEDC has extended several incentive agreements to various companies:

- (1) 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 – The incentive is to participate in reimbursement of sewer line construction to the extent of \$250,000.
- (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 approved an incentive agreement of \$1,179,000 for training reimbursement and cash for new job creation, of which \$790,500 remains to be satisfied as of September 30, 2014.

V. Other Information (Continued)

G. Discontinued Operations

The City of Paris and Lamar County have had a long standing relationship with the Health Department financially and otherwise. In recent years, an effort was made to formally clarify this relationship for legal reasons. The City of Paris, Lamar County, and the Health Department entered into an interlocal agreement in 2014 detailing their respective positions in this relationship and establishing a health district. One aspect of this relationship was formal and legal separation from the City of Paris which had been providing not only financial support but accounting and legal services on a pro bono basis. This put the City in the same position as Lamar County which only provided financial support to the Health Department. The agreement provided the new Paris-Lamar County Health District the foundation necessary to pursue their short and long-term service goals and obtain funding in addition to city and county support.

H. Postemployment Benefits Other Than Pensions

The City has in effect a single employer plan adopted by City Council resolution whereby persons who retire before age sixty-five will be provided health care coverage until they become sixty-five. The contribution requirements of the government are established and may be amended by the governing council. The City's contributions are financed on a pay-as-you-go basis and for the year ended September 30, 2014, the contributions were approximately \$127,000 for 25 retired employees. An additional 47 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.

Funding Policy and Annual OPEB Cost

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2014, is as follows:

Annual Required Contribution	\$ 194,268
Interest on OPEB Obligation	11,419
Adjustment to ARC	<u>(16,739)</u>
Annual OPEB Cost	188,948
Net Estimated Employer Contributions	<u>(114,511)</u>
Increase in Net OPEB Obligation	74,437
Beginning of Year Net OPEB Obligation	<u>253,756</u>
End of Year Net OPEB Obligation	<u><u>\$ 328,193</u></u>

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

H. Postemployment Benefits Other Than Pensions (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014, and the two preceding years are as follows:

Fiscal Year Ended September 30,	Annual OPEB Cost	Amount Contributed	Percentage Contributed	Net OPEB Obligation
2014	\$ 188,948	\$ 114,511	60.6%	\$ 328,193
2013	190,607	111,487	58.5%	253,756
2012	221,839	169,555	76.4%	174,636

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2013 is as follows:

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
	(1)	(2)	(3) (1) / (2)	(4) (2) - (1)	(5)	(6) (4) / (5)
2013	\$ -	\$ 1,887,824	0.00%	\$ 1,887,824	\$ 14,165,810	13.33%
2012	-	1,887,824	0.00	1,887,824	13,788,720	13.69
2011	-	2,270,920	0.00	2,270,920	13,701,933	16.57

Actuarial Methods and Assumptions

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

V. Other Information (Continued)

H. Postemployment Benefits Other Than Pensions (Continued)

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

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Amortization period	25-year, closed amortization
Healthcare cost trend rate	3.0% per annum*

*The City's subsidy for a retiree covered by the health plan is assumed to increase at 3.0% per year.

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

I. Deferred Compensation Plan

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

J. Employee Retirement Systems and Plans

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

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees (except firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), 1 of 850 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. State statutes authorize the State to establish and amend all plan provisions. The plan financial statements are prepared on the accrual basis of accounting.

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

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.

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.

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:

Employee Deposit Rate:	6%
Matching Ratio (City to Employee):	2 to 1
A Member is Vested After	5 Years
Service Retirement Eligibility (Expressed as Age/Years of Service	60/5, 0/20
Updated Service Credit	0%
Annuity Increase (to Retirees)	0% of CPI

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013, valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013, valuation will determine the contribution rate beginning January 1, 2015).

During the past three fiscal years, the City has contributed 100% of its annual pension cost as follows: 2013 - \$756,699, 2012 - \$791,046, and 2011 - \$923,731. At September 30, 2012, 2013, and 2014, the net pension obligation is zero. Any net pension obligation would be liquidated by the General Fund.

Funded Status and Funding Progress

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

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Schedule of Funding Progress:

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	Actuarial Liability as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
2013	\$ 49,791,493	\$ 52,099,901	95.6%	\$ 2,308,408	\$ 11,393,523	20.3%
2012	47,511,401	47,210,873	100.6	(300,528)	11,200,807	(2.7)
2011	45,192,490	45,459,374	99.4	266,884	10,716,117	2.5

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

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

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Supplemental Death Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage and discontinue participation by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit."

Contributions

The City contributes to the Supplemental Death Benefits Fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City contributed 100% of its required contribution for the last three calendar years at the annual required contribution rate of .07% (2012), .08% (2013), and .08 % (2014).

2. Firefighters' Relief and Retirement Fund

Plan Description

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

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Eligibility

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

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

The fund was amended effective February 14, 2012.

The City's annual required contribution to the plan for fiscal year 2014 was based on a payroll of \$2,367,589 and amounted to \$284,361. Covered employees made contributions of \$355,451. The plan covers 41 retirees and beneficiaries, 23 fully vested active and terminated employees, and 32 nonvested active employees.

Service Retirement Disability and Death Benefits

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

Annual Pension Cost

The actuarial valuation date used to determine the Annual Required Contribution for the year ended September 30, 2014, and the most current available information required for disclosure under Paragraph 22 of GASB Statement No. 27 is January 1, 2014. The actuarial cost method used in the January 1, 2014, valuation is the entry age normal actuarial cost method. This method is also referred to as the entry age actuarial cost method under the terminology developed by the Joint Committee on Pension Terminology. The valuation measures the actuarial balance between the present value of future benefits and the sum of (i) the present value of future contributions and (ii) the actuarial value of assets. The plan is not subject to the minimum funding requirements of Internal Revenue Code Section 430. There has been no change in the actuarial cost method since the last actuarial valuation.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Annual Pension Cost (Continued)

The actuarial assumptions used in the actuarial valuation performed as of January 1, 2014, 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 29.2 years.

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

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

Schedule of Funding Progress:

	January 1,		
	2009	2011	2013
Actuarial Value of Assets	\$ 6,144,348	\$ 6,736,683	\$ 6,111,951
Actuarial Accrued Liability (AAL)	12,179,917	12,964,325	13,600,257
Unfunded AAL (UAAL)	<u>\$ 6,035,569</u>	<u>\$ 6,227,642</u>	<u>\$ 7,488,306</u>
Funded Ratio	50.4%	52.0%	44.9%
Covered Payroll	\$ 2,035,271	\$ 2,196,182	\$ 2,323,183
UAAL as a Percentage of Covered Payroll	296.5%	283.6%	322.3%

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Development of the Actuarial Value of Assets

	December 31,		
	2011	2012	2013
Market Value as of January 1	\$ 6,271,702	\$ 5,809,436	\$ 6,004,711
Contributions, Interest, and Dividends			
Contributions by the City	290,452	290,740	283,511
Contributions by Members	284,695	359,750	354,388
Dividends and Interest	154,178	105,634	23,472
Other	1,938	1,417	7,224
	<u>731,263</u>	<u>757,541</u>	<u>668,595</u>
Disbursements			
Benefits Paid Monthly	805,619	850,585	842,283
Lump Sum Distributions	48,051	161,171	-
Administrative Expenses	99,690	31,760	14,944
Contributions Refunded	32,382	4,765	71,662
	<u>985,742</u>	<u>1,048,281</u>	<u>928,889</u>
Net Realized and Unrealized Gains and Losses			
Realized Gains (Losses)	193,340	70,325	686,887
Unrealized Gains (Losses)	(401,127)	415,690	(569,298)
	<u>(207,787)</u>	<u>486,015</u>	<u>117,589</u>
Market Value as of December 31	<u>\$ 5,809,436</u>	<u>\$ 6,004,711</u>	<u>\$ 5,862,006</u>

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City of Paris, Texas
Notes to Financial Statements
September 30, 2014

V. Other Information (Continued)

J. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Other Information – Most Current Available

	September 30,		
	2012	2013	2014
Annual Required Contribution (ARC)	\$ 257,108	\$ 248,314	\$ 251,688
Interest on Net Pension Asset	(29,188)	(32,940)	(36,343)
Adjustment to the ARC	20,341	22,955	25,327
Annual Pension Cost (APC)	248,261	238,329	240,672
Actual Employer Contributions	295,159	280,865	284,361
Change in Net Pension Asset	(46,898)	(42,536)	(43,689)
Net Pension Asset, Beginning of Year	(364,855)	(411,753)	(454,289)
Net Pension Asset, End of Year	<u>\$ (411,753)</u>	<u>\$ (454,289)</u>	<u>\$ (497,978)</u>

The City's APC, percentage of APC contributed, and Net Pension Asset 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
2014	\$ 240,672	118.2%	\$ (497,978)
2013	238,329	117.8	(454,289)
2012	248,261	118.9	(411,753)

Investments

The plan is authorized to invest in obligations of the U.S. Treasury, government agencies, corporate bonds, and equity securities. All of the plan's investment are considered Category 1, which includes investments that are insured or registered or securities which are held by the plan or the plan's agent. The investments that represent 5% or more of the total plan assets are separately identified. Investments at fair value are Exchange Traded Funds \$1,825,274, Fixed Income \$2,693, Real Estate Investment Securities \$125,924, and Mutual Funds \$847,525 for total investments of \$2,801,418.

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, and local governments 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, 2014

Schedule 1

	Special Revenue				Permanent		Total Nonmajor Governmental Funds
	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds	Total	Library Trust Funds	
ASSETS							
Cash and Cash Equivalents	\$ 125,844	\$ 180,148	\$ 19,237	\$ 109,540	\$ 434,769	\$ 312	\$ 435,081
Investments	130,582	-	-	-	130,582	90,260	220,842
Notes Receivables	48,844	-	-	-	48,844	-	48,844
Due from Other Governments	24,000	-	-	-	24,000	-	24,000
Total Assets	\$329,270	\$180,148	\$ 19,237	\$ 109,540	\$ 638,195	\$ 90,572	\$ 728,767
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ 1,617	\$ 4,984	\$ 455	\$ 7,056	\$ -	\$ 7,056
Total Liabilities	-	1,617	4,984	455	7,056	-	7,056
Fund Balances:							
Nonspendable							
Permanent Library Funds	-	-	-	-	-	90,572	90,572
Restricted for:							
Notes	48,844	-	-	-	48,844	-	48,844
Law Enforcement	-	178,531	-	-	178,531	-	178,531
Health	-	-	14,253	-	14,253	-	14,253
Assigned:							
Library	-	-	-	109,085	109,085	-	109,085
Community Development	280,426	-	-	-	280,426	-	280,426
Total Fund Balances	329,270	178,531	14,253	109,085	631,139	90,572	721,711
Total Liabilities and Fund Balances	\$329,270	\$ 180,148	\$ 19,237	\$ 109,540	\$ 638,195	\$ 90,572	\$ 728,767

City of Paris, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2014

Schedule 2

	Special Revenue				Permanent	Total Nonmajor Governmental Funds	
	Community Development Block Grant	Special Revenue	Health Department	Library Memorial Funds			Library Trust Funds
REVENUES							
Memorial Donations	\$ -	\$ -	\$ -	\$ 3,240	\$ 3,240	\$ -	\$ 3,240
Interest Earned	3,766	646	70	436	4,918	510	5,428
Grant Revenue	78,114	-	396,062	-	474,176	-	474,176
Local Revenue	-	43,267	234,565	-	277,832	-	277,832
Total Revenues	81,880	43,913	630,697	3,676	760,166	510	760,676
EXPENDITURES							
Current							
General Government	119,172	26,311	-	-	145,483	-	145,483
Public Safety	-	9,564	-	-	9,564	-	9,564
Community Development	54,114	-	-	-	54,114	-	54,114
Health	-	4,144	912,116	-	916,260	-	916,260
Library	-	-	-	21,746	21,746	-	21,746
Total Expenditures	173,286	40,019	912,116	21,746	1,147,167	-	1,147,167
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,406)	3,894	(281,419)	(18,070)	(387,001)	510	(386,491)
Other Financing Sources							
Transfers In	-	-	23,291	-	23,291	-	23,291
Net Changes in Fund Balances	(91,406)	3,894	(258,128)	(18,070)	(363,710)	510	(363,200)
Fund Balances - Beginning	420,676	174,637	272,381	127,155	994,849	90,062	1,084,911
Fund Balances - Ending	\$329,270	\$178,531	\$ 14,253	\$109,085	\$ 631,139	\$ 90,572	\$ 721,711

City of Paris, Texas
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2014

Schedule 3

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest Earned	\$ -	\$ -	\$ 646	\$ 646
Local Revenue	34,072	34,072	43,267	9,195
Total Revenues	<u>34,072</u>	<u>34,072</u>	<u>43,913</u>	<u>9,841</u>
EXPENDITURES				
Municipal Court	134,036	134,036	26,311	107,725
Police	16,620	16,620	9,564	7,056
Community Development	200,000	200,000	-	200,000
Health	40,000	40,000	4,144	35,856
Total Expenditures	<u>390,656</u>	<u>390,656</u>	<u>40,019</u>	<u>350,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures - Net Changes in Fund Balance	(356,584)	(356,584)	3,894	360,478
Fund Balance - Beginning	<u>174,637</u>	<u>174,637</u>	<u>174,637</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (181,947)</u>	<u>\$ (181,947)</u>	<u>\$ 178,531</u>	<u>\$ 360,478</u>

City of Paris, Texas
 Health Department Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2014

Schedule 4

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest Earned	\$ -	\$ -	\$ 70	\$ 70
Grant Revenue	826,240	826,240	396,062	(430,178)
Local Revenue	165,000	165,000	234,565	69,565
Total Revenues	<u>991,240</u>	<u>991,240</u>	<u>630,697</u>	<u>(360,543)</u>
EXPENDITURES				
Health	<u>1,207,019</u>	<u>1,207,019</u>	<u>912,116</u>	<u>294,903</u>
Total Expenditures	<u>1,207,019</u>	<u>1,207,019</u>	<u>912,116</u>	<u>294,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(215,779)</u>	<u>(215,779)</u>	<u>(281,419)</u>	<u>(65,640)</u>
Other Financing Sources (Uses)				
Transfers In	<u>-</u>	<u>-</u>	<u>23,291</u>	<u>23,291</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>23,291</u>	<u>23,291</u>
Net Changes in Fund Balance	(215,779)	(215,779)	(258,128)	(42,349)
Fund Balance - Beginning	<u>272,381</u>	<u>272,381</u>	<u>272,381</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 56,602</u>	<u>\$ 56,602</u>	<u>\$ 14,253</u>	<u>\$ (42,349)</u>

City of Paris, Texas
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2014

Schedule 5

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 1,441,586	\$ 1,441,586	\$ 1,637,760	\$ 196,174
Interest Earned	-	-	8,682	8,682
Total Revenues	<u>1,441,586</u>	<u>1,441,586</u>	<u>1,646,442</u>	<u>204,856</u>
EXPENDITURES				
Bond Principal Retirement	1,227,985	1,227,985	1,226,543	1,442
Interest and Fiscal Charges	311,953	311,953	311,919	34
Total Expenditures	<u>1,539,938</u>	<u>1,539,938</u>	<u>1,538,462</u>	<u>1,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(98,352)</u>	<u>(98,352)</u>	<u>107,980</u>	<u>206,332</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(1,589,682)	(1,589,682)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,589,682)</u>	<u>(1,589,682)</u>
Net Changes in Fund Balance	(98,352)	(98,352)	(1,481,702)	(1,383,350)
Fund Balance - Beginning	<u>2,931,573</u>	<u>2,931,573</u>	<u>2,931,573</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,833,221</u>	<u>\$ 2,833,221</u>	<u>\$ 1,449,871</u>	<u>\$ (1,383,350)</u>

City of Paris, Texas
Capital Projects Fund

Schedule 6

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and Year Ended September 30, 2014

	Prior Years	Current Year	Total to Date	Project Authorization (Budget)
REVENUES				
Interest Earned	\$ 59,697	\$ 4,671	\$ 64,368	\$ -
Total Revenues	<u>59,697</u>	<u>4,671</u>	<u>64,368</u>	<u>-</u>
EXPENDITURES				
City Council	114,109	-	114,109	114,109
Police	285,630	-	285,630	285,630
Fire	915,942	-	915,942	915,942
Community Development	220,340	235,005	455,345	690,350
Engineering	35,555	-	35,555	35,555
Parks and Recreation	451,234	-	451,234	451,234
Solid Waste	568,811	-	568,811	568,811
Streets and Highways	2,482,453	-	2,482,453	3,005,000
Total Expenditures	<u>5,074,074</u>	<u>235,005</u>	<u>5,309,079</u>	<u>6,066,631</u>
Deficiency of Revenues Over Expenditures	(5,014,377)	(230,334)	(5,244,711)	(6,066,631)
Other Financing Sources (Uses)				
Transfers In	6,186,087	180,000	6,366,087	-
Transfers Out	(2,956,989)	-	(2,956,989)	-
Certificates of Obligation Issued	3,005,000	-	3,005,000	-
Net Changes in Fund Balance	<u>\$ 1,219,721</u>	(50,334)	<u>\$ 1,169,387</u>	<u>\$ (6,066,631)</u>
Fund Balance - Beginning		<u>1,390,026</u>		
Fund Balance - Ending		<u>\$ 1,339,692</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, 2014 and 2013

Schedule 7

	2014	2013
Governmental Funds Capital Assets:		
Land	\$ 5,912,108	\$ 5,912,108
Buildings	15,044,754	14,931,496
Improvements Other Than Buildings	7,910,261	7,910,261
Machinery and Equipment	20,006,844	19,359,414
Infrastructure	41,178,373	41,030,021
Construction in Progress	444,230	70,339
Total Governmental Funds Capital Assets	\$ 90,496,570	\$ 89,213,639
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 61,224,124	\$ 59,941,193
Capital Projects Funds	22,316,039	22,316,039
Donations	6,956,407	6,956,407
Total Investments in Governmental Funds Capital Assets by Source	\$ 90,496,570	\$ 89,213,639

City of Paris, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2014

Schedule 8

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
General Government:				
Council	\$ 339,906	\$ 2,657,105	\$ 99,522	\$ 571,904
Manager	-	-	9,948	113,768
Attorney	-	-	-	10,187
Clerk	-	14,737	-	71,230
Finance	-	-	-	395,261
Total General Government	<u>339,906</u>	<u>2,671,842</u>	<u>109,470</u>	<u>1,162,350</u>
Public Safety:				
Police	619,585	5,076,421	808,022	4,164,734
Fire	159,268	2,189,378	231,972	2,986,352
Total Public Safety	<u>778,853</u>	<u>7,265,799</u>	<u>1,039,994</u>	<u>7,151,086</u>
Public Works:				
Community Development	3,299,676	232,272	377,509	198,551
Engineering	-	10,747	-	210,750
Public Works	125,543	-	-	869,418
Parks and Recreation	112,230	92,268	3,477,296	925,454
Solid Waste	626,395	-	42,079	1,570,534
Streets and Highways	138,590	96,845	80,192	2,398,238
Traffic and Public Lighting	-	9,000	-	203,557
Garage	-	95,121	-	84,966
Other Unclassified	-	-	52,361	172,694
Total Public Works	<u>4,302,434</u>	<u>536,253</u>	<u>4,029,437</u>	<u>6,634,162</u>
Emergency Medical Service	-	94,177	6,200	2,758,309
Cox Field	429,120	3,428,970	2,646,618	209,943
Library	61,795	1,047,713	78,542	2,090,994
Total Governmental Funds Capital Assets	<u>\$ 5,912,108</u>	<u>\$ 15,044,754</u>	<u>\$ 7,910,261</u>	<u>\$ 20,006,844</u>

<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 3,668,437
-	123,716
-	10,187
-	85,967
-	395,261
-	4,283,568
-	10,668,762
-	5,566,970
-	16,235,732
-	4,108,008
-	221,497
-	994,961
-	4,607,248
-	2,239,008
41,178,373	43,892,238
-	212,557
-	180,087
-	225,055
41,178,373	56,680,659
-	2,858,686
-	6,714,651
-	3,279,044
\$ 41,178,373	\$ 90,052,340

City of Paris, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2014

Schedule 9

Function and Activity	Governmental Funds Capital Assets September 30, 2013	Increases	Decreases	Governmental Funds Capital Assets September 30, 2014
General Government:				
Council	\$ 3,555,179	\$ 113,258	\$ -	\$ 3,668,437
Manager	10,187	-	-	10,187
Attorney	123,716	-	-	123,716
Clerk	85,967	-	-	85,967
Finance	395,261	-	-	395,261
Total General Government	4,170,310	113,258	-	4,283,568
Public Safety:				
Police	10,389,610	319,179	(40,027)	10,668,762
Fire	5,487,963	79,007	-	5,566,970
Total Public Safety	15,877,573	398,186	(40,027)	16,235,732
Public Works:				
Community Development	4,108,008	-	-	4,108,008
Engineering	221,497	-	-	221,497
Public Works	967,616	27,345	-	994,961
Parks and Recreation	4,595,283	11,965	-	4,607,248
Solid Waste	2,239,008	-	-	2,239,008
Streets and Highways	43,664,223	228,015	-	43,892,238
Traffic and Public Lighting	198,023	14,534	-	212,557
Garage	180,087	-	-	180,087
Other Unclassified	225,055	-	-	225,055
Total Public Works	56,398,800	281,859	-	56,680,659
Emergency Medical Service	2,702,922	165,764	(10,000)	2,858,686
Cox Field	6,714,651	-	-	6,714,651
Library	3,279,044	-	-	3,279,044
Total Governmental Funds Capital Assets	\$ 89,143,300	\$ 959,067	\$ (50,027)	\$ 90,052,340

STATISTICAL SECTION

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

Financial Trends	Tables 1-4
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	Tables 5 - 8
These schedules contain information to help the reader assess the government's most significant local revenue source, the ad valorem tax.	
Debt Capacity	Tables 9-13
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	Tables 14-15
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	Tables 16-19
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities:				
Net Investment in Capital Assets	\$ 25,293,563	\$ 28,935,168	\$ 28,296,810	\$ 27,214,018
Restricted	5,089,243	1,249,886	1,356,091	2,634,911
Unrestricted	7,192,467	9,619,009	12,344,117	12,724,897
Total Governmental Activities, Net Position	\$ 37,575,273	\$ 39,804,063	\$ 41,997,018	\$ 42,573,826
Business-Type Activities:				
Net Investment in Capital Assets	\$ 24,119,931	\$ 23,590,438	\$ 23,735,238	\$ 24,810,704
Restricted	3,936,107	2,864,698	3,258,469	2,810,233
Unrestricted	3,487,041	6,282,200	6,530,918	7,362,285
Total Business-Type Activities, Net Position	\$ 31,543,079	\$ 32,737,336	\$ 33,524,625	\$ 34,983,222
Primary Government:				
Net Investment in Capital Assets	\$ 49,413,494	\$ 52,525,606	\$ 52,032,048	\$ 52,024,722
Restricted	9,025,350	4,114,584	4,614,560	5,445,144
Unrestricted	10,679,508	15,901,209	18,875,035	20,087,182
Total Primary Government, Net Assets/Position	\$ 69,118,352	\$ 72,541,399	\$ 75,521,643	\$ 77,557,048

Table 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 26,663,557	\$ 26,871,917	\$ 25,311,134	\$ 27,532,353	\$ 28,732,801	\$ 28,427,758
952,225	5,454,967	3,958,563	5,421,971	4,949,039	4,949,039
15,119,471	10,358,596	12,801,387	12,700,759	12,301,829	10,023,934
<u>\$ 42,735,253</u>	<u>\$ 42,685,480</u>	<u>\$ 42,071,084</u>	<u>\$ 45,655,083</u>	<u>\$ 45,983,669</u>	<u>\$ 43,400,731</u>
\$ 26,288,945	\$ 28,883,901	\$ 31,855,910	\$ 34,499,646	\$ 33,003,801	\$ 33,041,432
3,813,439	1,636,722	-	-	-	-
7,237,951	9,815,653	11,416,134	8,496,996	10,075,150	12,172,944
<u>\$ 37,340,335</u>	<u>\$ 40,336,276</u>	<u>\$ 43,272,044</u>	<u>\$ 42,996,642</u>	<u>\$ 43,078,951</u>	<u>\$ 45,214,376</u>
\$ 52,952,502	\$ 55,755,818	\$ 57,167,044	\$ 62,031,999	\$ 61,736,602	\$ 61,469,190
4,765,664	7,091,689	3,958,563	5,421,971	4,949,039	4,949,039
22,357,422	20,174,249	24,217,521	21,197,755	22,376,979	22,196,878
<u>\$ 80,075,588</u>	<u>\$ 83,021,756</u>	<u>\$ 85,343,128</u>	<u>\$ 88,651,725</u>	<u>\$ 89,062,620</u>	<u>\$ 88,615,107</u>

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

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental Activities:				
General Government	\$ 2,188,590	\$ 1,391,781	\$ 1,722,181	\$ 2,076,554
Finance	515,965	556,076	426,485	467,865
Public Safety	9,825,404	9,138,101	9,045,085	9,737,225
Public Works	6,957,522	6,826,116	7,217,841	7,705,564
Health	2,904,920	2,889,602	2,897,836	3,174,713
Library Services	718,779	745,653	690,413	790,216
Cox Field Airport	258,496	264,181	236,414	262,533
Interest on Long-Term Debt	627,691	614,799	584,861	557,588
Bond Issue Costs	-	-	-	-
Total Governmental Activities Expenses	23,997,367	22,426,309	22,821,116	24,772,258
Business-Type Activities:				
Water and Sewer Services	10,554,510	10,912,834	10,839,828	10,959,294
Total Primary Government Expenses	34,551,877	33,339,143	33,660,944	35,731,552
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	184,469	167,032	-	-
Public Safety	379,992	698,497	806,321	1,029,991
Public Works	1,718,241	1,609,895	1,626,253	1,690,210
Health	1,648,008	2,389,663	2,406,995	2,710,279
Library Services	38,960	31,532	19,601	22,464
Cox Field	-	-	-	-
Operating Grants and Contributions	2,823,843	1,660,785	1,244,186	1,407,529
Capital Grants and Contributions	194,227	230,177	25,599	55,152
Total Governmental Activities Program Revenues	6,987,740	6,787,581	6,128,955	6,915,625
Business-Type Activities:				
Charges for Services:				
Water and Sewer Service	12,160,851	12,879,592	12,359,516	13,012,253
Total Primary Government Program Revenues	19,148,591	19,667,173	18,488,471	19,927,878

Table 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 3,590,461	\$ 2,632,370	\$ 2,890,290	\$ 2,094,110	\$ 2,905,871	\$ 2,997,393
449,227	481,106	437,320	480,144	393,526	407,463
9,498,749	10,021,261	9,880,712	10,771,351	9,982,926	10,449,953
6,905,252	7,279,655	7,667,367	7,568,269	8,396,001	7,909,651
3,133,324	3,184,085	3,202,551	3,416,360	3,348,281	3,228,513
730,925	751,523	719,240	712,033	787,242	816,376
294,089	225,565	220,027	261,463	259,938	158,632
507,788	460,678	438,460	342,554	436,690	287,256
-	-	-	-	314,765	-
25,109,815	25,036,243	25,455,967	25,646,284	26,825,240	26,255,237
11,197,470	10,423,943	10,694,363	11,008,967	11,504,538	11,940,791
36,307,285	35,460,186	36,150,330	36,655,251	38,329,778	38,196,028
-	-	-	-	2,447	3,310
676,229	757,291	606,792	729,267	412,150	433,828
1,693,133	1,709,552	1,775,841	1,788,753	1,860,656	1,799,918
2,638,943	2,595,679	2,608,306	2,721,421	2,463,907	2,371,757
21,335	21,123	19,707	20,877	27,824	19,400
-	-	-	-	78,234	67,037
1,317,832	1,431,301	1,953,631	1,305,387	1,959,427	926,506
224,458	355,429	205,628	636,974	117,080	690,176
6,571,930	6,870,375	7,169,905	7,202,679	6,921,725	6,311,932
13,616,713	13,650,486	13,798,137	13,852,441	14,005,748	13,881,328
20,188,643	20,520,861	20,968,042	21,055,120	20,927,473	20,193,260

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

	Fiscal Year			
	2005	2006	2007	2008
Net (Expense)/Revenue				
Governmental Activities	(17,009,627)	(15,638,728)	(16,692,161)	(17,856,633)
Business-Type Activities	1,606,341	1,966,758	1,519,688	2,052,959
Total Primary Government, Net Expense	<u>\$(15,403,286)</u>	<u>\$(13,671,970)</u>	<u>\$(15,172,473)</u>	<u>\$(15,803,674)</u>
General Revenues and Other Changes in Net Assets/Position				
Governmental Activities:				
Taxes				
Property	\$ 7,733,700	\$ 7,583,269	\$ 7,924,453	\$ 7,904,936
Sales	5,066,926	5,401,371	5,673,616	5,696,174
Franchise	3,062,589	3,053,671	3,082,183	2,898,214
Hotel Occupancy	314,404	396,333	430,991	434,441
Investment Earnings	112,310	342,306	571,678	399,676
Grants, Donations and Miscellaneous	418,603	568	102,195	-
Transfers	4,588,598	1,090,000	1,100,000	1,100,000
Total Governmental Activities	<u>21,297,130</u>	<u>17,867,518</u>	<u>18,885,116</u>	<u>18,433,441</u>
Business-Type Activities:				
Investment Earnings	70,731	284,899	367,601	309,586
Contributions	602,111	32,600	-	196,052
Transfers	(4,588,598)	(1,090,000)	(1,100,000)	(1,100,000)
Total Business-Type Activities	<u>(3,915,756)</u>	<u>(772,501)</u>	<u>(732,399)</u>	<u>(594,362)</u>
Total Primary Government	<u>\$ 17,381,374</u>	<u>\$ 17,095,017</u>	<u>\$ 18,152,717</u>	<u>\$ 17,839,079</u>
Changes in Net Assets/Position				
Governmental Activities	\$ 4,287,503	\$ 2,228,790	\$ 2,192,955	\$ 576,808
Business-Type Activities	(2,309,415)	1,194,257	787,289	1,458,597
Total Primary Government	<u>\$ 1,978,088</u>	<u>\$ 3,423,047</u>	<u>\$ 2,980,244</u>	<u>\$ 2,035,405</u>

Table 2
(Continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
<u>(18,537,885)</u>	<u>(18,165,868)</u>	<u>(18,286,062)</u>	<u>(18,443,605)</u>	<u>(19,903,515)</u>	<u>(19,943,305)</u>
<u>2,419,243</u>	<u>3,226,543</u>	<u>3,103,774</u>	<u>2,843,474</u>	<u>2,501,210</u>	<u>1,940,537</u>
<u><u>\$(16,118,642)</u></u>	<u><u>\$(14,939,325)</u></u>	<u><u>\$(15,182,288)</u></u>	<u><u>\$(15,600,131)</u></u>	<u><u>\$(17,402,305)</u></u>	<u><u>\$(18,002,768)</u></u>
\$ 7,794,381	\$ 7,853,487	\$ 7,620,281	\$ 7,619,472	\$ 7,597,667	\$ 7,575,840
6,441,260	5,843,494	6,033,469	5,993,859	6,304,250	6,416,749
2,859,338	2,743,214	2,719,496	2,731,097	2,550,447	2,662,604
526,998	500,755	449,213	498,667	572,150	547,354
174,636	113,006	84,327	55,875	64,386	45,799
-	-	-	1,642,126	615,222	122,703
902,699	1,062,139	764,880	3,486,508	2,527,979	(10,682)
<u>18,699,312</u>	<u>18,116,095</u>	<u>17,671,666</u>	<u>22,027,604</u>	<u>20,232,101</u>	<u>17,360,367</u>
212,479	103,220	162,374	63,722	(42,124)	83,206
628,090	728,317	434,500	303,910	550,978	101,000
<u>(902,699)</u>	<u>(1,062,139)</u>	<u>(764,880)</u>	<u>(3,486,508)</u>	<u>(2,527,979)</u>	<u>10,682</u>
<u>(62,130)</u>	<u>(230,602)</u>	<u>(168,006)</u>	<u>(3,118,876)</u>	<u>(2,019,125)</u>	<u>194,888</u>
<u><u>\$ 18,637,182</u></u>	<u><u>\$ 17,885,493</u></u>	<u><u>\$ 17,503,660</u></u>	<u><u>\$ 18,908,728</u></u>	<u><u>\$ 18,212,976</u></u>	<u><u>\$ 17,555,255</u></u>
\$ 161,427	\$ (49,773)	\$ (614,396)	\$ 3,583,999	\$ 328,586	\$ (2,582,938)
2,357,113	2,995,941	2,935,768	(275,402)	482,085	2,135,425
<u><u>\$ 2,518,540</u></u>	<u><u>\$ 2,946,168</u></u>	<u><u>\$ 2,321,372</u></u>	<u><u>\$ 3,308,597</u></u>	<u><u>\$ 810,671</u></u>	<u><u>\$ (447,513)</u></u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable	\$ 153,043	\$ 118,925	\$ 202,440	\$ 251,411
Restricted	-	-	-	-
Unassigned	5,375,749	8,874,883	11,581,136	11,478,815
Total General Fund	<u>\$ 5,528,792</u>	<u>\$ 8,993,808</u>	<u>\$ 11,783,576</u>	<u>\$ 11,730,226</u>
All Other Governmental Funds				
Reserved	\$ 4,831,754	\$ 997,192	\$ 1,440,583	\$ 2,704,009
Unreserved, Reported in:				
Special Revenue Funds	1,006,385	908,559	924,573	811,645
Permanent Funds	73,373	76,552	80,468	82,762
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,911,512</u>	<u>\$ 1,982,303</u>	<u>\$ 2,445,624</u>	<u>\$ 3,598,416</u>

(1) For 2011, 2012, 2013, and 2014 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					
2009	2010	2011 (1)	2012 (1)	2013 (1)	2014 (1)
\$ 215,128	\$ 214,932	\$ 199,519	\$ 218,117	\$ 271,292	\$ 233,127
-	-	-	-	-	271,269
13,751,446	11,376,619	12,156,169	11,764,593	11,969,203	11,194,101
<u>\$ 13,966,574</u>	<u>\$ 11,591,551</u>	<u>\$ 12,355,688</u>	<u>\$ 11,982,710</u>	<u>\$ 12,240,495</u>	<u>\$ 11,698,497</u>
\$ 1,008,826	\$ 5,540,873	\$ -	\$ -	\$ -	\$ -
792,271	781,230	-	-	-	-
84,365	86,564	-	-	-	-
-	-	88,520	89,632	90,062	90,572
-	-	3,870,043	5,332,339	4,858,977	3,031,192
-	-	532,263	456,463	457,471	389,511
<u>\$ 1,885,462</u>	<u>\$ 6,408,667</u>	<u>\$ 4,490,826</u>	<u>\$ 5,878,434</u>	<u>\$ 5,406,510</u>	<u>\$ 3,511,275</u>

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

	Fiscal Year		
	2005	2006	2007
REVENUES			
Taxes	\$16,109,433	\$16,435,160	\$17,116,584
Licenses and Permits	98,611	87,137	106,997
Fines and Fees	556,895	543,606	571,165
Use of Money and Property	357,262	493,234	721,799
Public Safety	230,029	212,729	34,151
Sanitation	1,361,406	1,287,138	1,488,874
Health	2,083,448	2,489,961	2,935,839
Intergovernmental	2,272,486	1,867,098	613,665
Other	470,791	247,234	374,545
Total Revenues	<u>23,540,361</u>	<u>23,663,297</u>	<u>23,963,619</u>
EXPENDITURES			
Current:			
General Government	1,545,542	1,210,298	966,627
Finance	508,968	549,079	414,080
Public Safety	9,136,810	8,653,589	8,564,024
Public Works	5,324,999	5,193,512	5,518,798
Health Department	844,625	822,734	816,419
Emergency Medical Service	1,862,313	1,890,825	1,979,104
Library	601,885	621,327	570,394
Cox Field Airport	134,542	143,620	117,574
Other	535,395	60,011	752,256
Debt Service:			
Interest	670,102	622,773	596,043
Principal	1,065,372	864,958	968,598
Capital Outlay	3,163,974	4,550,646	1,269,778
Total Expenditures	<u>25,394,527</u>	<u>25,183,372</u>	<u>22,533,695</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,854,166)</u>	<u>(1,520,075)</u>	<u>1,429,924</u>
Other Financing Sources (Uses):			
Proceeds of Capital Leases	-	-	639,650
Transfers In	1,799,397	1,152,590	1,984,963
Transfers Out	(881,956)	(62,590)	(884,963)
Long-Term Debt Issued	-	-	-
Payment to Escrow Agent and Premium	-	-	-
Sale of General Capital Assets	-	-	-
Total Other Financing Sources (Uses)	<u>917,441</u>	<u>1,090,000</u>	<u>1,739,650</u>
Increase (Decrease) in Reserve for Inventory	<u>(3,091)</u>	<u>(34,118)</u>	<u>83,515</u>
Net Changes in Fund Balances	<u>\$ (939,816)</u>	<u>\$ (464,193)</u>	<u>\$ 3,253,089</u>
Debt Service as a Percentage of Noncapital Expenditures	7.81%	7.74%	7.60%

Table 4

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$16,909,018	\$17,606,479	\$16,941,815	\$16,824,545	\$16,822,577	\$17,020,156	\$17,194,419
101,776	171,906	88,935	112,142	145,792	154,923	108,943
652,804	554,424	526,668	501,601	550,496	624,609	864,261
532,435	317,028	274,986	313,948	210,476	142,620	138,629
67,335	65,283	57,369	40,297	-	-	-
1,319,923	1,306,867	1,347,707	1,461,736	1,468,917	1,463,210	1,472,278
2,646,417	2,583,958	2,621,420	2,578,496	2,818,196	2,453,270	2,111,439
1,504,435	1,575,080	1,736,611	1,768,322	1,858,092	2,069,494	1,603,165
302,120	221,114	301,069	247,354	271,709	317,981	169,261
<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>	<u>24,246,263</u>	<u>23,662,395</u>
962,561	1,075,990	1,109,767	1,219,607	1,029,702	1,197,486	1,153,686
448,951	430,364	462,282	425,455	473,719	393,526	407,463
9,283,682	9,303,726	9,489,393	9,154,646	9,659,131	9,462,148	9,712,875
5,562,625	5,591,689	5,509,576	7,459,432	5,757,456	6,646,804	6,507,604
925,195	900,945	942,596	908,339	955,930	1,043,502	916,260
2,128,274	2,111,069	2,095,897	2,146,210	2,302,247	2,132,692	2,127,225
675,209	616,148	642,830	630,977	632,515	632,040	707,716
145,052	180,364	112,800	107,276	150,848	153,182	97,778
1,057,566	2,360,244	1,468,366	1,545,147	1,434,177	1,560,051	1,548,753
563,669	518,682	443,618	945,016	1,080,200	379,241	311,919
1,304,230	847,851	871,978	480,448	424,730	1,185,622	1,226,543
1,028,778	808,089	2,666,238	815,623	2,649,513	2,407,415	1,332,959
<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>27,193,709</u>	<u>26,050,781</u>
<u>(49,529)</u>	<u>(343,022)</u>	<u>(1,918,761)</u>	<u>(1,989,735)</u>	<u>(2,403,913)</u>	<u>(2,947,446)</u>	<u>(2,388,386)</u>
-	-	-	-	-	-	-
2,764,641	3,359,644	5,338,879	1,176,462	5,100,935	3,938,899	1,782,291
(1,664,641)	(2,456,945)	(4,276,740)	(411,581)	(1,614,427)	(1,410,920)	(1,792,973)
-	-	3,005,000	-	-	4,505,000	-
-	-	-	-	-	(4,424,955)	-
-	-	-	-	-	72,108	-
<u>1,100,000</u>	<u>902,699</u>	<u>4,067,139</u>	<u>764,881</u>	<u>3,486,508</u>	<u>2,680,132</u>	<u>(10,682)</u>
<u>48,971</u>	<u>(36,283)</u>	<u>(196)</u>	<u>(15,414)</u>	<u>18,599</u>	<u>53,175</u>	<u>(38,165)</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>	<u>\$ (214,139)</u>	<u>\$ (2,437,233)</u>
8.17%	5.46%	5.68%	6.11%	6.44%	6.74%	5.38%

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

Roll	Fiscal Year	Total Tax Levy	Collection of Current Year's Taxes During Fiscal Year	Percent of Current Levy Collected During Fiscal Year	Delinquent Tax Collections	Total Collections
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
2012	2012-13	7,544,315	7,368,232	97.67	110,036	7,478,268
2013	2013-14	7,498,327	7,309,230	97.48	119,430	7,428,660

Source:
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>
97.19%	\$ 49,041	0.63%
96.66	52,363	0.68
97.97	53,058	0.67
97.08	56,786	0.71
97.58	67,925	0.87
98.63	86,464	1.11
97.70	110,655	1.45
97.93	156,004	2.07
99.12	190,166	2.52
99.07	186,382	2.49

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

Table 6

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
City of Paris										
M & O	\$ 0.57977	\$ 0.56650	\$ 0.49294	\$ 0.46526	\$ 0.43113	\$ 0.42439	\$ 0.41713	\$ 0.41000	\$ 0.41487	\$ 0.39129
I & S	0.11248	0.12575	0.09931	0.09474	0.08887	0.09561	0.10287	0.11000	0.09620	0.11066
Total	<u>\$ 0.69225</u>	<u>\$ 0.69225</u>	<u>\$ 0.59225</u>	<u>\$ 0.56000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.52000</u>	<u>\$ 0.51107</u>	<u>\$ 0.50195</u>
Lamar County										
M & O	\$ 0.38060	\$ 0.41320	\$ 0.42140	\$ 0.42340	\$ 0.41430	\$ 0.40360	\$ 0.39420	\$ 0.39990	\$ 0.41850	\$ 0.41850
I & S	0.03070	0.02220	0.02150	0.01950	0.01860	0.01900	0.01890	0.01930	0.02020	0.01930
Total	<u>\$ 0.41130</u>	<u>\$ 0.43540</u>	<u>\$ 0.44290</u>	<u>\$ 0.44290</u>	<u>\$ 0.43290</u>	<u>\$ 0.42260</u>	<u>\$ 0.41310</u>	<u>\$ 0.41920</u>	<u>\$ 0.43870</u>	<u>\$ 0.42510</u>
Paris ISD										
M & O	\$ 1.50000	\$ 1.50000	\$ 1.37000	\$ 1.04000	\$ 1.04000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000	\$ 1.17000
I & S	0.09200	0.08200	0.08200	0.40500	0.40500	0.15500	0.25500	0.25500	0.28500	0.28500
Total	<u>\$ 1.59200</u>	<u>\$ 1.58200</u>	<u>\$ 1.45200</u>	<u>\$ 1.44500</u>	<u>\$ 1.44500</u>	<u>\$ 1.32500</u>	<u>\$ 1.42500</u>	<u>\$ 1.42500</u>	<u>\$ 1.45500</u>	<u>\$ 1.45500</u>
Chisum ISD										
M & O	\$ 1.48000	\$ 1.50000	\$ 1.37000	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.16800	0.16800	0.16400	0.15570	0.20000	0.18000	0.16000	0.16000	0.16000	0.14500
Total	<u>\$ 1.64800</u>	<u>\$ 1.66800</u>	<u>\$ 1.53400</u>	<u>\$ 1.19575</u>	<u>\$ 1.24000</u>	<u>\$ 1.22000</u>	<u>\$ 1.20000</u>	<u>\$ 1.20000</u>	<u>\$ 1.20000</u>	<u>\$ 1.18500</u>
North Lamar ISD										
M & O	\$ 1.45840	\$ 1.45910	\$ 1.33370	\$ 1.04005	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000	\$ 1.04000
I & S	0.13060	0.08620	0.08630	0.12811	0.11811	0.10811	0.09650	0.08650	0.08150	0.07110
Total	<u>\$ 1.58900</u>	<u>\$ 1.54530</u>	<u>\$ 1.42000</u>	<u>\$ 1.16816</u>	<u>\$ 1.15811</u>	<u>\$ 1.14811</u>	<u>\$ 1.13650</u>	<u>\$ 1.12650</u>	<u>\$ 1.12150</u>	<u>\$ 1.11110</u>
Paris Junior College										
M & O	\$ 0.19220	\$ 0.19220	\$ 0.19220	\$ 0.19800	\$ 0.18740	\$ 0.18500	\$ 0.18974	\$ 0.19000	\$ 0.18700	\$ 0.18660
I & S	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 0.19220</u>	<u>\$ 0.19220</u>	<u>\$ 0.19220</u>	<u>\$ 0.19800</u>	<u>\$ 0.18740</u>	<u>\$ 0.18500</u>	<u>\$ 0.18974</u>	<u>\$ 0.19000</u>	<u>\$ 0.18700</u>	<u>\$ 0.18660</u>

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

Roll	Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
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
2012	2012-13	931,939,433	1,424,800,859	559,431,805	628,115,774
2013	2013-14	1,033,357,277	1,438,785,698	469,901,615	654,358,864

Sources:
 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		
\$ 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
561,543,395	1,491,371,238	2,052,916,633	72.65	0.52000
589,885,670	1,503,258,892	2,093,144,562	71.82	0.50195

City of Paris, Texas
Principal Property Taxpayers
September 30, 2014 and 2005
Unaudited

Taxpayer	Type of Business	2014		
		Taxable Assessed Value	Rank	Percentage of Total Freeze Adjusted Taxable Assessed Value
Lamar Power Partners	Electric Utility	\$ 211,904,940	1	14.89%
Kimberly-Clark Corporation - A	Disposable Diapers	109,106,414	2	7.67
Campbell Soup Company - A	Food Manufacturer	47,098,030	3	3.31
Campbell Soup Company - B	Warehouse	30,879,360	4	2.17
Essent PRMC, LP	Hospital	26,808,398	5	1.88
Paris Generation, LP	Electric Utility	21,979,800	6	1.54
Oncor Electric Delivery	Electric Utility	21,770,280	7	1.53
Silgan Can Company	Can Manufacturer	16,518,540	8	1.16
Alpha Lake Limited	Shopping Center	10,596,530	9	0.75
Kimberly-Clark Corporation - B	Warehouse	10,203,030	10	0.71
Sarah Lee Bakery Group	Bakery	-	-	-
Tenaska III	Utility	-	-	-
CFS Air, LLC	Aviation	-	-	-
Flex-O-Lite, Incorporated	Reflective Glass Bead	-	-	-
SW Bell	Communication	-	-	-
Totals		\$ 506,865,322		35.61%

Source:
Lamar County Appraisal District

Table 8

2005		
<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
\$ 12,715,070	8	1.14%
125,213,000	1	11.29
40,367,860	3	3.64
8,141,570	10	0.73
42,357,980	2	3.82
-	-	-
20,101,880	6	1.81
22,317,770	4	2.01
-	-	-
-	-	-
12,818,210	7	1.15
20,708,170	5	1.86
-	-	-
-	-	-
8,574,480	9	0.77
<u>\$ 313,315,990</u>		<u>28.22%</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>
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
2012-13	25,082	1,491,371,238	9,485,800	2,318,294	7,167,506	0.48	282.89
2013-14	25,171	1,503,258,892	8,310,000	1,432,199	6,877,801	0.46	273.24

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
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	-	-
2013	9,485,800	-	-	43,239,200	-	-
2014	8,310,000	-	-	40,795,000	-	-

Notes:

- (1) Information not available
- (2) See Table 14 for personal income and population data

Table 10

	Total Primary Government	Percentage of Personal Income (2)	Per Capita
\$	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	1.91	1,080
	27,895,125	1.76	1,030
	23,085,000	1.39	911
	18,515,000	1.06	733
	52,725,000	2.92	2,081
	49,105,000	(1)	1,951

City of Paris, Texas
Direct and Overlapping
Governmental Activities Debt
September 30, 2014
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	\$ 3,914,264	62.75%	\$ 2,456,201
Paris Independent School District	51,180,000	49.30	25,231,740
Chisum Independent School District	7,865,000	47.75	3,755,538
North Lamar Independent School District	<u>2,080,000</u>	32.67	<u>679,536</u>
Subtotal Overlapping Debt	65,039,264		32,123,014
City of Paris	<u>8,310,000</u>	100.00	<u>8,310,000</u>
Total Direct and Overlapping Debt	<u>\$ 73,349,264</u>		<u>\$ 40,433,014</u>
 Per Capita Direct and Overlapping Funded Debt	 <u>\$ 2,914</u>		 <u>\$ 1,606</u>

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

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

City of Paris, Texas
Legal Debt Margin Information
September 30, 2014
Unaudited

Table 12

The maximum tax rate permitted by Article XI, Section 5 of the State of Texas constitution is \$2.50 per \$100 of assessed valuation. Consequently, no legal debt margin can be calculated. The state attorney general has traditionally allowed up to \$1.50 per \$100 valuation to be applied to debt service. The City levied a tax rate of \$.50195 per \$100 valuation for the fiscal year ended September 30, 2014.

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***	
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	-	-	-	N/A
2011-12	13,916,163	7,445,178	6,470,985	-	-	-	N/A
2012-13	13,963,624	7,578,446	6,385,178	-	-	-	N/A
2013-14	13,964,534	7,342,744	6,621,790	-	-	-	N/A

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

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

City of Paris
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
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	31,832	39.7	13,428	9.7
2011	50,074	1,657,062,000	33,092	39.9	12,865	8.5
2012	49,811	1,750,363,000	35,140	39.0	12,671	7.9
2013	49,426	1,804,479,000	36,509	37.1	12,377	7.6

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

Sources:

Paris Independent School District - 3,547
 North Lamar Independent School District - 2,830
 Chisum Independent School District - 914
 Paris Junior College - 5,086
 Chamber of Commerce
 Bureau of Economic Analysis

City of Paris, Texas
Principal Employers
Fiscal Years End 2014 and 2005
Unaudited

Table 15

Taxpayer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Campbell Soup Company	840	1	8.23%	800	3	7.26%
Kimberly-Clark Corporation	730	2	7.15	900	2	8.17
Paris Regional Medical Center	700	3	6.86	900	1	8.17
Turner Industries	600	4	5.88	352	5	3.19
RK Hall Construction LTD	430	5	4.21	178	8 (3)	1.61
Huhtamaki	180	6	1.76	168	9 (2)	1.52
We Pack Logistics, Inc.	150	7	1.47	150	10	1.36
J. Skinner Baking Company	130	8	1.27	800	4 (1)	7.26
Silgan Can Company	87	9	0.85	112	12	1.01
HWH/We Build	75	10	0.73	73	14	0.66
TCIM	-	-	-	250	7	2.27
Paris Industries	-	-	-	275	6	2.50
Totals	3,922		38.41%	4,958		44.98%

Source:

Chamber of Commerce
U.S. Department of Labor

Additional Information:

Public Employers:

Paris ISD	630
North Lamar ISD	469
City of Paris	326
Paris Junior College	240
Lamar County	182
Total	1,847

Notes:

- (1) 800 as Sara Lee
- (2) 168 as Paris Packaging
- (3) 178 as Buster Paving Co.

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			
	2005	2006	2007	2008
FACILITIES:				
Airports:				
Number of Airports	1	1	1	1
Fire Protection:				
Number of Stations	4	4	4	3
Number of Fire Hydrants	1,082	1,078	1,093	1,112
Number of Employees (certified)	48	48	48	48
Employees Per 1,000 Population	1.81	1.80	1.80	1.79
Libraries:				
Number of Libraries	1	1	1	1
Number of Volumes	102,801	106,955	109,789	106,607
Circularization of Materials	210,956	195,944	187,547	162,278
Circulation Per Capita	7.96	7.36	7.02	6.07
Library Cards in Force	15,551	21,164	23,285	12,011
Police Protection:				
Number of Stations	1	1	1	1
Number of Employees (certified)	62	62	63	62
Employees Per 1,000 Population	2.34	2.33	2.35	2.31
Parks and Recreation:				
Park Acres Developed	87	87	87	87
Park Acres Undeveloped	221	221	221	221
City Parks	24	24	24	24
Streets:				
Paved Lanes - Miles	199	199	171	172
Unpaved Streets - Miles	10	10	3	3
WATER AND SEWER UTILITY:				
Average Daily Water Consumption - Gallons	10,619,268	12,435,000	10,335,000	10,678,976
Maximum Day's Water Consumption - Gallons	18,603,000	19,557,000	16,842,000	18,360,000
Annual Water Consumption - Gallons	3,876,033,000	4,538,690,000	3,774,782,000	3,912,548,000
Water Mains - Miles	208	208	183	184
Water Connections - Metered	9,865	9,803	9,979	9,888
Sewer Mains - Miles	195	195	189	190
Area Miles	42.89	42.89	39.18	39.18
Number of Full-Time Employees	352	316	319	321

Table 16

Fiscal Year						
2009	2010	2011	2012	2013	2014	
1	1	1	1	1	1	1
3	3	3	3	3	3	3
1,173	1,189	1,222	1,217	1,240	1,262	
48	51	51	51	51	51	
1.77	1.88	2.01	2.01	2.01	2.03	
1	1	1	1	1	1	1
97,243	98,895	90,524	85,357	82,878	82,832	
162,957	159,966	144,830	136,286	127,053	127,002	
6.04	5.90	5.71	5.37	5.01	5.06	
12,011	15,941	13,461	14,563	14,896	16,519	
1	1	1	1	1	1	1
61	62	62	62	62	60	
2.26	2.28	2.44	2.44	2.44	2.39	
87	87	87	87	87	87	
221	221	221	221	221	221	
24	25	24	24	24	24	
160	171	160	160	160	160	
3	3	3	3	3	3	
10,185,500	10,069,000	11,687,000	11,560,000	11,400,000	11,472,271	
20,394,000	21,311,000	21,900,000	21,010,000	20,764,000	17,201,000	
3,624,429,000	3,675,218,000	4,611,321,000	4,234,583,000	4,177,171,000	4,187,379,000	
184	183	183	183	183	183	
9,905	10,076	9,834	9,966	9,816	9,819	
190	197	188	188	188	189	
39.18	39.18	39.18	39.18	39.18	39.18	
322	322	324	325	325	326.5	

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

Function:	Fiscal Year			
	2005	2006	2007	2008
Public Safety				
Police				
Stations	1	1	1	1
Patrol Units	11	11	11	10
Fire Stations	4	4	4	4
Sanitation				
Collection Trucks	-	13	8	8
Highways and Streets				
Streets (miles)	209	209	174	174
Streetlights	2,160	2,198	2,212	2,224
Traffic Signals*	-	-	-	-
Culture and Recreation				
Park Acreage	308	308	308	308
Swimming Pools - Municipal	1	1	1	1
Tennis Courts	-	14	14	14
Community Centers	1	1	1	1
Water				
Water Mains (miles)	208	208	183	184
Fire Hydrants	1,082	1,082	1,093	1,112
Maximum Daily Capacity (thousands of gallons)	36,000	36,000	36,000	36,000
Sewer				
Sanitary Sewers (miles)	195	195	189	190
Maximum Daily Treatment Capacity (thousands of gallons)	7,250	7,250	7,250	7,250

Source: Various City Departments

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

Table 17

Fiscal Year						
2009	2010	2011	2012	2013	2014	
1	1	1	1	1	1	1
10	10	10	10	10	10	10
3	3	3	3	3	3	3
8	8	8	7	6	6	6
160	174	174	163	163	163	163
2,217	2,216	2,220	2,220	2,223	2,225	2,225
-	-	-	-	-	-	-
308	308	286	286	286	286	286
1	1	1	1	1	1	1
14	14	14	14	14	14	14
1	1	1	1	1	1	1
184	184	183	183	183	183	183
1,173	1,189	1,222	1,217	1,240	1,262	1,262
36,000	36,000	36,000	36,000	36,000	36,000	36,000
190	190	189	189	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>
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
2013	15	9,653,725	24	2,171,613	11,825,338
2014	10	5,336,150	16	1,924,218	7,260,368

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

	Fiscal Year			
	2005	2006	2007	2008
Function:				
Manager	2.0	1.0	1.0	2.0
Attorney	5.0	3.0	3.0	3.0
Court Clerk	4.0	3.0	3.0	3.0
City Clerk	2.0	2.0	2.0	3.0
Finance	5.5	5.5	5.5	5.5
Police*	86.0	82.0	87.0	85.0
Fire	58.0	49.0	52.0	52.0
Community Development	8.5	7.5	6.5	6.5
Engineering	7.5	6.5	6.5	6.5
Public Works	3.0	2.5	2.5	2.5
Parks & ROW	12.0	9.0	9.0	9.5
Sanitation	17.5	16.5	12.5	12.5
Streets	21.0	15.0	15.0	15.0
Traffic & Lighting	2.5	2.0	2.0	2.0
Garage	4.0	4.0	6.0	6.0
EMS	26.0	26.0	26.0	26.0
Airport	1.0	1.0	2.0	1.0
Library	10.5	10.5	10.5	11.5
Warehouse	2.0	2.0	1.0	2.0
Water Billing	9.0	7.0	7.0	7.5
Water Treatment Plant	16.5	15.5	15.5	15.5
Water Distribution	12.5	11.5	11.5	11.0
Waste Water Collection	7.5	7.5	7.5	7.5
Waste Water Treatment Plant	25.5	23.5	21.5	22.5
Lift Stations	3.0	3.0	3.0	3.0
Information Technology	-	-	1.0	1.0
Totals	352.0	316.0	320.0	322.5

* Includes related grant employees.
 Seasonal employees not included.

Table 19

Fiscal Year					
2009	2010	2011	2012	2013	2014
2.0	2.0	2.0	3.0	3.0	3.0
4.0	4.0	4.0	4.0	4.0	4.0
3.0	4.0	4.0	4.0	4.0	4.0
3.0	3.0	3.0	3.0	3.0	2.0
5.5	5.5	6.0	5.0	5.0	5.0
84.0	84.0	84.5	85.5	85.5	83.0
52.0	52.0	52.0	52.0	52.0	57.0
5.5	5.5	7.0	7.5	7.5	5.5
6.5	6.5	6.5	6.5	6.5	7.5
3.0	3.0	3.0	3.0	3.0	3.0
9.5	9.5	9.0	10.0	10.0	10.0
12.0	12.0	12.0	12.0	12.0	12.0
15.0	15.0	15.0	15.0	15.0	15.0
2.0	2.0	2.0	2.0	2.0	2.0
6.0	6.0	5.5	5.5	5.5	5.5
26.0	26.0	26.0	26.0	26.0	26.0
0.0	0.0	0.0	0.0	0.0	0.0
11.5	10.5	10.5	10.5	10.5	10.5
2.0	2.0	2.0	2.0	2.0	2.0
8.0	8.0	8.0	8.0	8.0	8.0
15.5	15.5	15.5	15.5	15.5	15.5
11.5	11.5	11.5	10.5	10.5	11.0
7.5	7.5	7.5	7.5	7.5	7.5
22.5	22.5	22.5	22.5	22.5	22.5
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
<u>322.5</u>	<u>322.5</u>	<u>324.0</u>	<u>325.5</u>	<u>325.5</u>	<u>326.5</u>

CONTINUING DISCLOSURE INFORMATION

(Unaudited)

CONTINUING DISCLOSURE INFORMATION
CITY OF PARIS, TEXAS

ASSESSED VALUATION

TABLE 1

2014-2015 Actual Market Value of Taxable Property (100% of Actual)		\$ 2,257,801,945
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 44,943,985	
Disabled and Deceased Veteran Exemptions	6,036,649	
Productivity Loss	20,638,320	
Partially Exempt Property	521,420	
Freeport	115,052,946	
Pollution Control/Solar	45,575,963	
Abatement Loss	190,473,730	
Tax Cap Loss (10%)	1,375,900	
Historical/Other	776,782	
Totally Exempt Property	302,039,162	
		727,434,857
2013-2014 Net Taxable Assessed Valuation		1,530,367,088
Frozen Taxable Value and Transfer Adjustment		108,151,971 ^(a)
Freeze Adjusted Net Taxable Assessed Valuation		\$ 1,422,215,117

^(a) The City adopted the tax freeze for persons 65 years of age or older on November 4, 2008. The 2008 tax year values were used as the "Base Values" and the first freeze loss occurred in the 2009 tax year.

Source: Lamar County Appraisal District

GENERAL OBLIGATION BONDED DEBT PRINCIPAL

TABLE 2

General Obligation Debt Principal Outstanding: (As of September 30, 2013)		
General Obligation Refunding Bonds, Series 2010		\$ 7,245,000
Combination Tax and Revenue Certificates of Obligation, Series 2010		2,685,000
General Obligation Refunding Bonds, Series 2012		3,375,000
Combination Tax and Revenue Certificates of Obligation, Series 2013 (TWDB)		2,750,000
General Obligation Bonds, Series 2013		33,050,000
Total Gross General Obligation Debt Principal Outstanding		49,105,000
Less: Self-Supporting General Obligation Debt Principal		
General Obligation Refunding Bonds, Series 2010		4,790,000
General Obligation Refunding Bonds, Series 2012 (Aprox. 52% WS of DS related to 2003 GO Ref issue)		205,000
Combination Tax and Revenue Certificates of Obligation, Series 2013 (TWDB) (100% WS)		2,750,000
General Obligation Bonds, Series 2013 (100% WS)		33,050,000
Total Self-Supporting General Obligation Debt Outstanding Following the Issuance of the Bonds		40,795,000
Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Bonds		\$ 8,310,000
General Obligation Interest and Sinking Fund Balance as of September 30, 2014		\$ 2,294,286
Ratio of Gross General Obligation Debt Principal to 2014-2015 Freeze Adjusted Net Taxable Assessed Valuation		3.45%
Ratio of Net General Obligation Debt Principal to 2014-2015 Freeze Adjusted Net Taxable Assessed Valuation		0.58%
2014-2015 Freeze Adjusted Net Taxable Assessed Valuation		\$ 1,422,215,117
Population: 1980 - 25,498; 1990 - 24,699; 2000 - 25,898	Current (Estimate) -	25,082
Per Capita 2014-2015 Freeze Adjusted Net Taxable Assessed Valuation		\$ 56,703
Per Capita Gross General Obligation Debt Principal		\$ 1,958
Per Capita Net General Obligation Debt Principal		\$ 331

CLASSIFICATION OF ASSESSED VALUATION^(a)

TABLE 3

Category	2014-15	% of Total	2013-2014	% of Total	2012-2013	% of Total	2011-2012	% of Total	2010-2011	% of Total
Real, Residential, Single-Family	470,196,966	20.83%	470,725,622	22.25%	470,539,375	22.65%	471,101,820	22.94%	469,721,712	22.68%
Real, Residential, Multi-Family	52,669,735	2.33	46,978,495	2.22	45,911,390	2.21	45,966,080	2.24	45,847,840	2.21
Real, Vacant Lots/Tracts	17,374,401	0.77	17,384,757	0.82	17,741,132	0.85	18,808,964	0.91	19,581,994	0.95
Real, Acreage (Land Only)	38,581,158	1.71	38,889,018	1.84	27,194,528	1.31	29,475,033	1.44	29,853,105	1.44
Farm & Ranch Improvements	413,500	0.02	408,400	0.02	11,738,730	0.57	11,493,810	0.56	10,724,540	0.52
Real, Commercial	280,408,794	12.42	261,739,779	12.37	270,251,036	13.01	265,780,179	12.94	270,048,550	13.04
Real, Industrial	475,970,232	21.08	454,066,572	21.46	338,724,928	16.30	368,041,058	17.92	355,500,600	17.16
Real & Tangible, Personal Utilities	36,804,620	1.63	35,164,790	1.66	33,072,690	1.59	32,965,970	1.61	33,939,480	1.64
Tangible Personal, Commercial	132,126,257	5.85	124,143,334	5.87	125,737,064	6.05	125,087,030	6.09	136,818,430	6.60
Tangible Personal, Industrial	434,917,430	19.26	353,289,830	16.70	430,195,120	20.71	397,984,620	19.38	414,743,350	20.02
Tangible Personal, Mobile Homes	705,510	0.03	746,110	0.03	770,490	0.04	779,260	0.04	655,050	0.03
Residential/Special, Inventory	15,346,780	0.68	14,265,560	0.67	12,629,870	0.61	11,595,220	0.56	10,373,870	0.50
Totally Exempt Property	302,286,562	13.39	298,144,038	14.09	292,987,660	14.10	274,595,760	13.37	273,654,720	13.21
Total Market Values	2,257,801,945	100.00%	2,115,946,305	100.00%	2,077,494,013	100.00%	2,053,674,804	100.00%	2,071,463,241	100.00%
Less Exemptions										
Local, Optional Over-65/Disabled	44,943,985		44,843,498		45,402,320		45,575,152		46,094,428	
Disabled and Deceased Veterans	6,036,649		5,659,793		5,755,101		5,234,324		5,490,172	
Productivity Loss	20,638,320		20,875,710		22,250,900		24,375,305		24,191,645	
Partially Exempt Property	521,420		524,970		44,824		109,081		40,192	
Freepport	115,052,946		95,061,517		93,238,379		106,826,843		99,827,221	
Pollution Control/Solar	45,575,963		46,871,705		46,362,004		45,725,145		47,952,435	
Tax Abatement Loss	190,473,730		98,174,320		77,120,210		85,671,620		90,588,100	
Tax Cap Loss (10%)	1,375,900		1,926,033		2,326,480		2,633,517		4,424,660	
Historical/Other	776,782		605,829		657,867		589,460		103,890	
Totally Exempt Property	302,039,162		298,144,038		292,964,690		274,571,620		273,631,120	
Total Exemptions	727,434,857		612,687,413		586,122,775		591,312,067		592,343,863	
Net Taxable Assessed Valuations	1,530,367,088		1,503,258,892		1,491,371,238		1,462,362,737		1,479,119,378	
Freeze Taxable^(b)	(107,905,235)		(106,958,964)		(106,157,520)		(102,659,582)		(98,658,905)	
Transfer Adjustments	(246,736)		(246,796)		25,567		181,682		-	
Freeze Adjusted Net Taxable Assessed Valuations	\$ 1,422,215,117		\$ 1,396,053,132		\$ 1,385,239,285		\$ 1,359,884,837		\$ 1,380,460,473	

^(a) Values shown in this table are Certified Values as of July in the years noted. Values may change during the tax year due to various supplements and protests.

Valuations reported on a different date may not match those shown on this table.

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

Source: Lamar County Appraisal District

Name	Type of Property	2014 Net Taxable Assessed Valuation	% of Total 2014 Assessed Valuation
Lamar Power Partners LP	Electric Utility	\$ 211,904,940	14.90%
Kimberly Clark Corporation - A	Disposable Diaper Manufacturing	109,106,414	7.67
Campbell Soup - A	Food Manufacturing	47,098,030	3.31
Campbell Soup - B	Food Manufacturing Warehouse	30,879,360	2.17
Essent PRMC LP - A	Health Care Services/Hospital	26,808,398	1.88
Paris Generation LP	Utility	21,979,800	1.55
Oncor Electric Deliverg	Utility	21,770,280	1.53
Silgan Can Company	Can Manufacturing	16,518,540	1.16
Alpha Lake LTD	Shopping Center	10,596,530	0.75
Kimberly Clark Corporation - B	Warehouse	10,203,030	0.72
Total		<u>\$ 506,865,322</u>	<u>35.64%</u>
Based on a 2014 Freeze Adjusted Net Taxable Assessed Valuation of		<u>\$ 1,422,215,117</u>	

Source: Lamar County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS

TABLE 5

Tax Year	Net Taxable Assessed Valuation(a)	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
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	7,544,315	97.67	99.22	9-30-13
2013	1,493,839,431	0.50195	7,498,327	97.48	100.03	9-30-14

Note: "Total" tax collection percentages in this table include delinquent tax collections.

(a) 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 2004 through 2007 are as shown in the City's Comprehensive Annual Financial Report. Valuations for tax years 2008-2013 represent Freeze Adjusted Net Taxable Valuations.

Source: Lamar County Appraisal District, the City's 2012 Comprehensive Annual Financial Report, and additional information from the City

TAX RATE DISTRIBUTION

TABLE 6

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
General Fund	\$ 0.40635	\$0.39129	\$0.41487	\$0.41000	\$0.41713	\$0.42439
I & S Fund	0.09560	0.11066	0.09620	0.11000	0.10287	0.09561
TOTAL	<u>\$ 0.50195</u>	<u>\$0.50195</u>	<u>\$0.51107</u>	<u>\$0.52000</u>	<u>\$0.52000</u>	<u>\$0.52000</u>

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

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

<u>Fiscal Year</u>	<u>Total Collected</u>	<u>1.00% City</u>	<u>0.25% Prop Tax Red</u>	<u>City Collections as % of Ad Valorem Tax Levy</u>	<u>(\$ Equivalent of Ad Valorem Tax Rate</u>	<u>0.25% EDC</u>
2003-04	\$ 5,845,759	\$ 3,897,173	\$ 974,293	65.21%	\$0.45	\$ 974,293
2004-05	6,061,801	4,041,201	1,010,300	65.08	0.45	1,010,300
2005-06	6,560,842	4,373,894	1,093,474	71.28	0.49	1,093,474
2006-07	6,625,043	4,416,695	1,104,174	69.57	0.41	1,104,174
2007-08	7,003,321	4,668,881	1,167,220	73.39	0.41	1,167,220
2008-09	7,666,064	5,110,710	1,277,677	81.51	0.42	1,277,677
2009-10	7,018,117	4,678,745	1,169,686	75.00	0.39	1,169,686
2010-11	7,192,220	4,794,814	1,198,703	78.33	0.41	1,198,703
2011-12	7,254,781	4,836,521	1,209,130	80.15	0.42	1,209,130
2012-13	7,536,242	5,024,162	1,256,040	83.10	0.42	1,256,040
2013-14	7,659,299	5,106,199	1,276,550	85.12	0.42	1,276,550

Source: State Comptroller of Public Accounts Website

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

Fiscal Year Ended September 30,

	2014	2013	2012	2011	2010
Operating Revenues^(a)					
Water Sales and Taps	\$ 7,997,176	\$ 8,069,584	\$ 8,013,691	\$ 8,336,146	\$ 8,072,440
Sewer Charges and Taps	5,432,655	5,516,901	5,256,682	4,951,015	4,968,912
Service Charges	159,205	158,329	163,469	164,094	162,454
Industrial Surcharges	30,250	24,450	65,152	94,369	210,511
Miscellaneous	185,593	160,254	277,194	175,217	166,440
Investment Earnings	83,206	(42,124)	63,722	162,374	103,220
Total Revenues	13,888,085	13,887,394	13,839,910	13,883,215	13,683,977
Expenses^(b)	7,342,744	7,578,446	7,445,178	7,201,866	6,732,799
Net Revenue Available for Debt Service	\$ 6,545,341	\$ 6,308,948	\$ 6,394,732	\$ 6,681,349	\$ 6,951,178
Annual Revenue Bond Requirements	\$ -	\$ -	\$ -	\$ -	\$ 1,088,669
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	6.39 x
Annual Requirements on All Bonds Paid from System Revenues	\$ 4,049,311	\$ 3,329,112	\$ 3,817,033	\$ 3,805,992	\$ 1,624,011
Coverage of Annual Requirements on All Bonds Paid from System Revenues	1.62 x	1.90 x	1.68 x	1.76 x	4.28 x
Customer Count:					
Water	9,794	9,823	9,966	9,834	9,942
Sewer	9,274	9,341	9,483	9,455	9,450
^(a) Does not include Sanitation Billing Fees of:	\$ 76,449	\$ 76,230	\$ 76,253	\$ 77,296	\$ 69,729
^(b) Excludes depreciation					

WATER RATES

TABLE 9

(Rates Effective October 1, 2014)

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"	\$10.78 for first 200 Cubic Feet	\$3.65 / 100 Cubic Feet
1" and Larger	\$52.57 for first 1,000 Cubic Feet	\$3.65 / 100 Cubic Feet
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"	\$12.89 for first 200 Cubic Feet	\$3.58 / 100 Cubic Feet
1" - 2"	\$51.56 for first 1,000 Cubic Feet	\$2.93 / 100 Cubic Feet
Larger than 1"	\$185.10 for first 3,000 Cubic Feet	\$2.93 / 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"	\$3,041.49 for first 100,000 Cubic Feet	\$2.93 / 100 Cubic Feet
6"	\$4,560.52 for first 150,000 Cubic Feet	\$2.93 / 100 Cubic Feet
8" and Larger	\$6,081.84 for first 200,000 Cubic Feet	\$2.93 / 100 Cubic Feet

Source: The City of Paris, Texas current Water and Sewer Rates Ordinance

PRINCIPAL WATER CUSTOMERS - 2013-2014

TABLE 10

(October 1, 2013 through September 30, 2014)

Name of Customer	Product	2013-2014 Average Monthly Consumption (Cu Ft.)	2013-2014 Average Monthly Bill
Lamar Power Partners ^(a)	Electric Utility	14,730,661	\$ 24,310
Campbell Soup Company	Soups/Juices/Sauces	13,144,455	114,712
Lamar County Water Supply	Water	11,292,842	123,059
Daisy Farms	Dairy Farm	2,453,773	22,028
Paris Generation	Electric Utility	1,418,772	22,758
Kimberly Clark	Disposable Diapers	900,774	23,351
Paris Regional Medical Center	Medical Care	3,621,108	10,674
Paris Housing Authority	Housing	205,833	5,426
North Lamar ISD	Public Education	203,361	4,873
Paris Junior College	Higher Education	144,849	4,171
Paris Independent School District	Public Education	100,214	5,052
	Totals	\$ 48,216,642	\$ 360,414

^(a) Includes raw water consumption

SEWER RATES

TABLE 11

(Rates Effective October 1, 2014)

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

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

Source: The City of Paris, Texas current Water and Sewer Rates Ordinance

PRINCIPAL SEWER CUSTOMERS - 2013-2014

TABLE 12

(October 1, 2013 through September 30, 2014)

Name of Customer	Product	2013-2014 Average Monthly Consumption (Cu.Ft.)	2013-2014 Average Monthly Bill
Kimberly Clark	Disposable Diapers	411,078	\$ 20,443
Paris Regional Medical Center	Medical Care	287,720	14,726
Paris Housing Authority	Multifamily Housing	205,833	10,293
Paris Junior College	Higher Education	119,903	6,174
Skinner Baking Company	Food	86,875	4,441
Paris Independent School District	Public Education	84,100	4,384
Lamar County	County Government	82,126	4,110
Lamar County Human Resources	Social Services	81,813	4,072
Campbell Soup	Food	80,752	4,025
State Highway Department	State Government	73,142	3,679
Totals		1,513,342	\$ 76,347

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*.

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

Honorable Mayor and City Council
City of Paris, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Paris, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Paris, Texas, and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Paris, Texas, 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 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 January 30, 2015.

Purpose of this Report

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

McClanahan and Hallem, LLP
Certified Public Accountants

Paris, Texas
January 30, 2015

City of Paris, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2014

ENVIRONMENTAL PROTECTION AGENCY

Finding:

Condition: During our test work, we noted that the Davis-Bacon Poster (WH-132) and wage rates were not posted at the job site.

Recommendation: We recommended that the City implement controls to ensure that all necessary posters and payroll wage rates are posted at the work site.

Current Status: The recommendation was implemented and the Davis-Bacon Poster and related wage rates were posted at the work site.

City of Paris, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material Weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? yes no

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

City of Paris, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2014

Section III – Federal Award Findings and Questioned Costs

None

City of Paris, Texas
Corrective Action Plan
Year Ended September 30, 2014

None

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Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance required by OMB Circular A-133

Honorable Mayor and City Council
City of Paris, Texas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Paris, Texas, (the City) 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 major federal programs of the City of Paris, Texas, for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs of the City of Paris, Texas, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Paris, Texas, complied, in all material respects, with the 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, 2014.

Report on Internal on Control over Compliance

Management of the City of Paris, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McClanahan and Hedden, LLP
Certified Public Accountants

Paris, Texas
January 30, 2015

City of Paris, Texas
Notes on Accounting Policies for Federal Awards
Year Ended September 30, 2014

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. Federal awards included a loan from the U.S. Environmental Protection Agency passed through the Texas Water Development Board. The loan was originally awarded during the 2012-13 fiscal year for \$2,900,000. The loan was drawn from during 2012-13 and 2013-14.

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>\$ 6,089</u>

City of Paris, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

<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	2014-045066-01	\$ 144,740
Total U.S. Department of Agriculture			<u>144,740</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	713272	10,985
Passed Through Texas Department of Housing and Community Affairs: Home Investment Partnerships Program	14.239	1001776	54,114
Total U.S. Department of Housing and Urban Development			<u>65,099</u>
<u>U.S. Department of the Interior</u>			
Passed Through the Texas Historical Commission Historic Preservation Fund Grants-In-Aid	15.904	TX-13-026	24,000
Total U.S. Department of the Interior			<u>24,000</u>
<u>U.S. Department of Justice</u>			
Direct Program: ARRA-Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0311	112,175
Total U.S. Department of Justice			<u>112,175</u>
<u>U.S. Department of Transportation</u>			
Passed Through Texas Department of Transportation: Highway Planning and Construction	20.205	STP-2011(501)SRTS	375,407
Total U.S. Department of Transportation			<u>375,407</u>
<u>U.S. Environmental Protection Agency</u>			
Passed Through Texas Water Development Board: Drinking Water State Revolving Fund	66.468	62525	1,467,797
Total U.S. Environmental Protection Agency			<u>1,467,797</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Department of State Health Services: Inmunization Cooperative Agreements	93.268	2013-041471	51,948
Medical Assistance Program	93.778	140425362	242,064
Preventative Health and Health Services Block Grant	93.991	2013-041953	77,884
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	39,271
Total U.S. Department of Health and Human Services			<u>411,167</u>

City of Paris, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2014

<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 Homeland Security</u>			
Passed Through the Texas Department of Public Safety:			
Homeland Security Grant Program	97.067	12-SR-55080-01	50,696
Homeland Security Grant Program	97.067	13-GA-55080-03	8,814
Homeland Security Grant Program	97.067	13-SR-55080-02	6,000
Total U.S. Department of Homeland Security			<u>65,510</u>
 Total Expenditures of Federal Awards			 <u>\$ 2,665,895</u>

See Notes to the Schedule of Expenditures of Federal Awards.

City of Paris, Texas
Home Investment Partnerships Program
Schedule of Revenues and Expenditures
Year Ended September 30, 2014

Federal Financial Assistance
Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Texas Department of Transportation
CFDA Number: 20.205
Project Number: STP-201(501)SRTS
Contract Period: 01/06/11 - 01/04/13

	<u>Award Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues:					
Federal	<u>\$ 570,451</u>	<u>\$ 61,230</u>	<u>\$ -</u>	<u>\$ 61,230</u>	<u>\$ 509,221</u>
Total Revenues	<u>570,451</u>	<u>61,230</u>	<u>-</u>	<u>61,230</u>	<u>509,221</u>
Expenditures:					
Construction	398,451	-	324,910	324,910	73,541
Engineering	<u>172,000</u>	<u>62,558</u>	<u>50,497</u>	<u>113,055</u>	<u>58,945</u>
Total Expenditures	<u>570,451</u>	<u>62,558</u>	<u>375,407</u>	<u>437,965</u>	<u>132,486</u>
Excess (Deficiency) Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (1,328)</u>	<u>\$(375,407)</u>	<u>\$(376,735)</u>	<u>\$ 376,735</u>

