

**OFFICIAL STATEMENT**  
**Dated: October 24, 2022**

*In the opinion of Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

**\$26,795,000**  
**CITY OF PARIS, TEXAS**  
**(Lamar County)**  
**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2022**

**Dated Date: November 1, 2022****Due: June 15, as shown on page ii**

The \$26,795,000 City of Paris, Texas (the "City" or the "Issuer") Waterworks and Sewer System Revenue Bonds, Series 2022 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1502, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City on October 24, 2022. See "THE BONDS – Authority for Issuance".

Interest on the Bonds will accrue from November 1, 2022 (the "Dated Date") as shown above and will be payable on June 15, 2023, and on each December 15 and June 15 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with any additional parity bonds which may be issued in the future (the "Additional Bonds" and, together with the Bonds, the "Bonds Similarly Secured"), secured by a lien on and pledge of the Pledged Revenues (defined herein), consisting primarily of the Net Revenues (defined herein) of the City's Waterworks and Sewer System (the "System"). **The City has neither covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security for Payment").

The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used (i) for the acquisition, construction, installation and equipment of additions, improvements and extensions to the System and (ii) to pay the costs associated with the issuance of the Bonds. (See "PLAN OF FINANCING - Use of Bond Proceeds" herein.)

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer"). (See "BOND INSURANCE" herein.)



**STATED MATURITY SCHEDULE**  
**(On Page ii)**

*The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser of the Bonds shown below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe, LLP, Austin, Texas. (See "OTHER PERTINENT INFORMATION - Legal Opinion" herein). It is expected that the Bonds will be available for delivery through DTC on or about November 9, 2022.*

**STATED MATURITY SCHEDULE**  
**(Due June 15)**  
**Base CUSIP – 700059 <sup>(a)</sup>**

**\$12,830,000 Serial Bonds**

Stated Maturity June 15	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix <sup>(a)</sup>
2024	\$ 375,000	5.000	3.520	LG1
2025	400,000	5.000	3.600	LH9
2026	510,000	5.000	3.690	LJ5
2027	535,000	5.000	3.740	LK2
2028	565,000	5.000	3.860	LL0
2029	590,000	5.250	3.930	LM8
2030	625,000	5.250	4.000	LN6
2031	655,000	4.000	4.080	LP1
2032	680,000	5.000	4.190 <sup>(b)</sup>	LQ9
2033	715,000	5.000	4.300 <sup>(b)</sup>	LR7
2034	750,000	5.000	4.470 <sup>(b)</sup>	LS5
2035	790,000	5.000	4.600 <sup>(b)</sup>	LT3
2036	830,000	5.000	4.650 <sup>(b)</sup>	LU0
2037	870,000	5.000	4.720 <sup>(b)</sup>	LV8
2038	915,000	5.000	4.810 <sup>(b)</sup>	LW6
2039	960,000	5.000	4.900 <sup>(b)</sup>	LX4
2040	1,005,000	5.000	4.960 <sup>(b)</sup>	LY2
2041	1,060,000	5.000	5.010	LZ9

**\$13,965,000 Term Bonds**

\$13,965,000 5.000% Term Bonds due June 15, 2051 and priced to yield 5.240% 700059MA3<sup>(a)</sup>

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after June 15, 2032, on June 15, 2031, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds maturing on June 15, 2051 will also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions" herein.)

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<sup>(b)</sup> Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on June 15, 2031, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.

**CITY OF PARIS, TEXAS**  
**135 SE 1<sup>st</sup> St.**  
**Paris, Texas 75460-5803**  
**(903) 784-9202**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>First Elected May</u>	<u>Term Expires May</u>	<u>Occupation / Employer</u>
Paula Portugal	Mayor	2017	2023	Retired Educator
Reginald Hughes	Mayor Pro Tem	2020	2024	Retired Military
Mihir Pankaj	Council Member	2021	2023	Business Owner
Shatara Moore	Council Member	2022	2024	Business Owner
Gary Savage	Council Member	2020	2024	Bi-vocational Minister
Linda Knox	Council Member	2017	2023	Educator
Clayton Pilgrim	Council Member	2018	2024	Realtor

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>	<u>Years in Municipal Government</u>
Grayson Path	City Manager	2 years	9 years
Gene Anderson	Director of Finance	37 years	45 years
Janice Ellis	City Clerk	18 years	23 years
Stephanie Harris	City Attorney	11 years	11 Years

**CONSULTANTS AND ADVISORS**

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	McClanahan and Holmes, LLP Paris, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

***For Additional Information Please Contact:***

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(210) 832-9760 (Phone)

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Senior Managing Director  
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## **USE OF INFORMATION IN THE OFFICIAL STATEMENT**

This Official Statement, which includes the cover page, schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE CITY, THE UNDERWRITER OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR AGM WITH RESPECT TO ITS MUNICIPAL BOND INSURANCE POLICY AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND AGM, RESPECTIVELY.

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix F— Specimen Municipal Bond Insurance Policy".

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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*The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.*

## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.*

<b>The Issuer</b>	The City of Paris, Texas (the “City” or “Issuer”) is located in Lamar County (the “County”) and is the County seat and principal commercial center of the County. The City operates under a Council/Manager form of government, with the City Council comprised of seven members including the Mayor. All seven Council members are elected by district for two-year staggered terms. The City’s current estimated population is 24,476. (See Appendix B - “General Information Regarding the City of Paris and Lamar County, Texas” herein.)
<b>The Bonds</b>	The Bonds are issued pursuant to the Constitution and general laws of the State, particularly Chapter 1502, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on October 24, 2022 (see “The Bonds - Authority for Issuance of the Bonds”).
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with any additional parity bonds which may be issued in the future (the “Additional Bonds” and, together with the Bonds, the “Bonds Similarly Secured”), secured by a lien on and pledge of the Pledged Revenues (defined herein), consisting primarily of the Net Revenues (defined herein) of the City’s Waterworks and Sewer System (the “System”). <b>The City has neither covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation.</b> (see “THE BONDS – Security for Payment”).
<b>Redemption Provision</b>	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after June 15, 2032 on June 15, 2031 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. Additionally, the Bonds maturing on June 15, 2051 will also be subject to mandatory sinking fund redemption. (See “THE BONDS - Redemption Provisions” herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, including the alternative minimum tax on certain corporations. (See “TAX MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
<b>Use of Bond Proceeds</b>	Proceeds from the sale of the Bonds will be used (i) for the acquisition, construction, installation and equipment of additions, improvements and extensions to the System and (ii) to pay the costs associated with the issuance of the Bonds. (See “PLAN OF FINANCING - Use of Bond Proceeds” herein.)
<b>Bond Insurance</b>	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner in which the Bonds may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Rating</b>	Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “A3” to the Bonds. S&P Global Ratings, Inc. (“S&P”) and Moody’s are expected to assign insured ratings of “AA” and “A1”, respectively to the Bonds with the understanding that, concurrently with the delivery of the Bonds, a municipal bond insurance policy will be issued by AGM. (See “OTHER PERTINENT INFORMATION - Rating” herein.)
<b>Issuance of Additional Debt</b>	The City does not anticipate the issuance of additional revenue debt within the next twelve months.
<b>Payment Record</b>	The City has never defaulted on the payment of either its tax-supported or revenue debt.
<b>Delivery</b>	When issued, anticipated on or about November 9, 2022.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Paris, Texas (the "City" or the "Issuer") of its \$26,795,000 Waterworks and Sewer System Revenue Bonds, Series 2022 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates as a home-rule municipality under the statutes and the Constitution of the State. The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1502, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on October 24, 2022 (the "Ordinance").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

### Infectious Disease Outbreak – COVID -19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on January 5, 2021. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. In addition, certain local officials, including the County Judge of Coryell County, have also declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Due to a previous spike in COVID-19 cases, prior executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. The Governor has since issued a number of these including, for example, the issuance on October 7, 2020 of Executive Order GA-32, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, local government operations, youth camps, recreational programs, schools, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-32 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Most of the federal and state actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. Stock values and crude oil prices, in the United States and globally, have seen significant declines attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries. Such adverse economic conditions, if they continue, may reduce or negatively affect economic conditions in the City.

The full extent of the ongoing impact of COVID-19 on the City's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's operations and maintenance expenses payable from ad valorem taxes.

The City collects a sales and use tax on all taxable transactions within the City's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

## **PLAN OF FINANCING**

### **Use of Bond Proceeds**

Proceeds from the sale of the Bonds will be used (i) for the acquisition, construction, installation and equipment of additions, improvements and extensions to the City's Waterworks and Sewer System (the "System") and (ii) to pay the costs associated with the issuance of the Bonds. (See "PLAN OF FINANCING - Use of Bond Proceeds" herein.)

### **Sources and Uses of Funds**

#### **Sources of Funds**

Par Amount	\$26,795,000.00
Accrued Interest	29,694.17
Net Original Issue Discount	<u>(115,207.30)</u>
<b>Total Sources</b>	<b>\$26,709,486.87</b>

#### **Uses of Funds**

Deposit to the Project Fund	\$26,200,000.00
Interest & Sinking Fund	29,694.17
Cost of Issuance (includes Bond Insurance premium)	302,871.45
Underwriter's Discount	<u>176,921.25</u>
<b>Total Uses</b>	<b>\$26,709,486.87</b>

## **THE BONDS**

### **General**

The Bonds are dated November 1, 2022 (the "Dated Date"). The Bonds are stated to mature on June 15 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on June 15, 2023, and on each December 15 and June 15 thereafter (each, an "Interest Payment Date") until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date



for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

### **Authority for Issuance**

The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1502, Texas Local Government Code, the City's Home Rule Charter, and the Ordinance.

### **Security for Payment**

The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with any additional parity bonds which may be issued in the future (the "Additional Bonds" and, together with the Bonds, the "Bonds Similarly Secured"), secured by a lien on and pledge of the Pledged Revenues, consisting primarily of the Net Revenues of the System. The Bonds are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties constituting the System. **The Bonds are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

### **Rate Covenant**

In the Ordinance, the City covenants to fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues equal to the greater than the amounts sufficient: (i) (1) to pay all current Maintenance and Operating Expenses, and (2) to produce Net Revenues for each Fiscal Year at least equal to 1.10 times the Annual Debt Service Requirements of all then outstanding Bonds Similarly Secured; **or** (ii) to pay the sum of: (1) all current Maintenance and Operating Expenses, (2) the Annual Debt Service Requirements of all then outstanding Bonds Similarly Secured and Subordinate Lien Obligations, (3) required deposits to a reserve fund for any Bonds Similarly Secured and Subordinate Lien Obligations then outstanding, and (4) amounts required to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Fiscal Year.

### **Reserve Fund**

In addition, under certain circumstances, the City will be required to maintain a Reserve Fund as additional security for the Bonds. Upon initial delivery of the Bonds, the City will not be required to fund the Reserve Fund (see "THE BONDS - Reserve Fund" and "APPENDIX E - Selected Provisions of the Revenue Bond Ordinance").

### **Pledged Revenues**

In the Ordinance, the City irrevocably pledges the Pledged Revenues to the payment and security for all Bonds Similarly Secured, which currently consists of only the Bonds. In the Ordinance:

"Gross Revenues" means all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System, including the interest income from investment or deposit of money in any fund created by the Ordinance or maintained by the City in connection with the System.

"Maintenance and Operating Expenses" means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining "Net Revenues." Depreciation shall never be considered as a Maintenance and Operating Expense. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or treatment of sewage or other materials, goods or services for the System to the extent authorized by law and the provisions of such contract.

"Net Revenues" means the Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

"Pledged Revenues" means (i) the Net Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Bonds Similarly Secured, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

## **Flow of Funds**

In the Ordinance, the City covenants, agrees and establishes that all Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received. The City additionally covenants that all Gross Revenues deposited and credited to the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: To the payment of all necessary and reasonable Maintenance and Operating Expenses, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Annual Debt Service Requirements on the Bonds Similarly Secured as the same becomes due and payable.

Third: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of the Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured.

Fourth: To make payment, including payment of amounts required for reserve fund requirements, of all Subordinate Lien Obligations.

Any Pledged Revenues remaining in the System Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

## **Additional Bonds**

In the Ordinance, the City reserves the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver Additional Bonds, in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Bonds Similarly Secured, Subordinate Lien Obligations or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Bonds, if and when authorized, issued and delivered in accordance with the Ordinance, shall be secured by and made payable equally and ratably on a parity with all other Bonds Similarly Secured at the time outstanding and unpaid, from a first lien on and pledge of the Pledged Revenues granted in the Ordinance.

The Bond Fund shall secure and be used to pay all Bonds Similarly Secured. Each ordinance under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of the Ordinance and the provisions of any other ordinance or ordinances authorizing Additional Bonds to be deposited to the credit of the Bond Fund, the City shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due.

Additional Bonds shall be issued only in accordance with the Ordinance, but notwithstanding any provisions of the Ordinance to the contrary, no installment, series or issue of Additional Bonds shall be issued or delivered unless:

- (i) The Designated Financial Officer shall have executed a certificate stating (A) (i) that, to the best of such person's knowledge and belief, the City is not then in default as to any covenant or requirement contained in any ordinance authorizing the issuance of outstanding Bonds Similarly Secured, and (ii) payments into all special funds or accounts created and established for the payment and security of all outstanding Bonds Similarly Secured have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such default or deficiency; and
- (ii) The Designated Financial Officer shall have executed a certificate stating that based on the books and records of the City, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional Bonds, the Net Earnings are at least equal to 1.25 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the Bonds Similarly Secured to be outstanding after the issuance of the then proposed Additional Bonds.

In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the date the ordinance authorizing the issuance of the Additional Bonds is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

See "APPENDIX E - Selected Provisions of the Revenue Bond Ordinance" for more details on the City's right to issue Additional Bonds.

## Inferior Lien Obligations

In the Ordinance, the City reserves the right to issue obligations payable from a lien on Net Revenues that is junior and subordinate in all respects to the liens, pledges, covenants, and agreements securing the Bonds.

## Redemption Provisions

### *Optional Redemption*

The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after June 15, 2032, on June 15, 2031, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

### *Mandatory Sinking Fund Redemption*

In addition, the Bonds maturing on June 15, 2051 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. The Term Bonds are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

<b>Term Bond June 15, 2051</b>	
<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
June 15, 2042	\$1,110,000
June 15, 2043	1,165,000
June 15, 2044	1,225,000
June 15, 2045	1,285,000
June 15, 2046	1,350,000
June 15, 2047	1,415,000
June 15, 2048	1,490,000
June 15, 2049	1,560,000
June 15, 2050	1,640,000
June 15, 2051*	1,725,000

\* Stated Maturity

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

## Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds the Issuer has called for redemption will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

#### **DTC Notices**

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds the Issuer has called for redemption will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

#### **Payment Record**

The City has never defaulted on the payment of either its tax-supported or revenue debt.

#### **Legality**

The Bonds are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

#### **Defeasance**

The Ordinance provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the City to take any action amending the terms of the Bonds are extinguished.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Current Interest Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Amendments**

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Bonds aggregating in original principal amount a majority of outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

### **Default and Remedies**

The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Bonds, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke"), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the City's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people' and protecting such municipalities

"via the State's immunity is not an efficient way to ensure efficient allocation of State resources." While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provisions are subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on June 15, 2023, and on each December 15 and June 15 thereafter until maturity or prior redemption of the Bonds, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Bond will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Bond on any Interest Payment Date means the last business day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

## **Future Registration**

The Bonds are initially to be issued utilizing DTC's Book-Entry-Only System. In the event such Book-Entry-Only System should be discontinued, printed Bond certificates will be issued to the owners of the Bonds and thereafter, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

## **Limitation on Transfer or Exchange of Bonds**

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

## **Replacement Bonds**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### *Capitalization of AGM*

At June 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,779 million.
- The contingency reserve of AGM was approximately \$905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,114 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.



## *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

### **BOND INSURANCE GENERAL RISKS**

#### **General**

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the Pledged Revenues as further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The enhanced long-term rating on the Bonds is dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in "OTHER PERTINENT INFORMATION – Ratings" herein.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

#### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including the Insurer. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims-paying ability Insurer, particularly over the life of the investment.

### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One

fully registered bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Bonds and

will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Underwriter believe to be reliable, but none of the City, the Financial Advisor, or the Underwriter take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

### **THE SYSTEM**

The City's waterworks and sewer systems (the "System") are described below.

#### **Water Supply**

The City's water supply consists entirely of surface water supply from two lakes near the City. The City owns Lake Gibbons and Lake Crook on Pine Creek located five to seven miles north and northwest of the City. Lake Gibbons is used only for recreation, but Lake Crook built in 1922 is still used for water supply. Lake Crook is adjacent to the water treatment plant and has a surface area of 1,060 acres at over-flow with an estimated storage capacity of 9,260 acre-feet. Under an agreement entered into with the Army Corps of Engineers on January 14, 1965, and amended on June 15, 1978, the City acquired the conservation storage right to utilize 100 percent of the storage space in the project known as Lake Pat Mayse on Sanders Creek.

In December of 2010 under Supplemental Agreement No. 2, the City paid a lump sum of \$3,461,432 to the United States of America constituting payment in full of the remaining amount due for water supply storage space in Pat Mayse Lake. Thus, the City of Paris has the right to utilize 100 percent of the usable conservation storage space between elevations 451.0 feet and 415.0 feet above National Geodetic Vertical Datum estimated to contain 113,684 acre-feet of water.

With regard to ongoing operational costs, the City is obligated to pay 23.659% of the operations and maintenance costs and 10.526 % of the major repair, rehabilitation, and replacement costs of the project. The City's portion of these costs presently ranges from \$85,000 to \$125,000 per year.

#### **Water Treatment**

Water filtration capacity is provided by one water treatment plant with a present capacity of 36 million gallons per day nominal capacity. Present average daily use is 11.7 million gallons.

#### **Water Storage and Distribution**

Storage facilities are composed of one 0.5-million-gallon elevated storage tank, one 1.0-million-gallon ground storage tank with two booster pump stations, three storage tanks with a combined capacity of 8.0 million gallons and one 2.0-million-gallon storage tank at the water treatment plant. Total storage of 11.5 million gallons is equal to about 29.75 hours of supply based on the average daily consumption for the past 12 months. Distribution facilities include one booster station with automatic switch control panels and approximately 220 miles of water lines of all types and sizes, with attendant valves, hydrants and meters to approximately 10,000 connections (taps) to the system.

#### **Sewer Facilities**

Sewer treatment is provided by one wastewater treatment plant with a permitted capacity of 7.25 million gallons per day and 17.34 million gallons per day peak capacity. Present average daily flow is approximately 4.4 million gallons. Peak flows are controlled by use of flow equalization basins. Peak flows using this method have been controlled to approximately 7.2 million gallons per day.

The sewer collection system is composed of approximately 183 miles of collection lines with approximately 10,000 connections (taps) onto the system and 16 pumping stations. All pumping stations are equipped with a state-of-the-art computerized alarm and data acquisition system. The master pumping stations is considered part of the treatment plant and has alarms that connect directly to the plant.

## INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. Authority to manage the City's investment program is derived from the City's charter and reconfirmed by the adoption of the Investment Policy by the City Council. Management responsibility for the investment program is delegated to the Director of Finance. Both State law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; and, (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination

date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or with a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

*(Remainder of this page, intentionally left blank)*

## Current Investments

State law does not require the Issuer to periodically mark its investments to market price, and the Issuer does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the Issuer's audited financial statements. Given the nature of its investments, the Issuer does not believe that the market value of its investments differs materially from book value.

As of August 31, 2022, (unaudited), the Issuer's investable funds were invested as shown below.

<b><u>FUND AND INVESTMENT TYPE</u></b>	<b><u>Amount</u></b>	<b><u>Percentage (%) of Portfolio</u></b>
<b><u>Depository Bank Consolidated Cash Account</u></b>	\$ 32,221,475	37.77%
<b><u>General Fund Account</u></b>		
US T-Bill	7,944,429	9.31%
Federal National Mortgage Association	1,724	0.00%
<b><u>Tax &amp; Rev CO 2021 Construction Fund</u></b>		
US T-Bill	33,800,000	39.62%
US T-Note	3,400,000	3.99%
<b><u>GO 2017 Construction Fund</u></b>		
US T-Bill	989,226	1.16%
<b><u>Water Contract Fund</u></b>		
Federal National Mortgage Association	781,159	0.92%
Freddie Mac	46,981	0.06%
<b><u>Water and Sewer Contingency Fund</u></b>		
Federal National Mortgage Association	1,250,785	1.47%
<b><u>Water and Sewer Revenue Bonds Reserve Fund</u></b>		
Freddie Mac	3,364,447	3.94%
Federal National Mortgage Association	1,255,013	1.47%
<b><u>Community Development Fund</u></b>		
Government National Mortgage Association	-	0.00%
<b><u>PEG Fund</u></b>		
Federal National Mortgage Association	102,501	0.12%
Freddie Mac	45,361	0.05%
<b><u>Library Trust Funds</u></b>		
Bank Certificate of Deposit	97,962	0.11%
<b>Total</b>	<b>\$ 85,301,063</b>	<b>100.00%</b>

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. Of the amounts listed above for each Fund and Investment Type, only those funds maintained in the General Fund Account are unrestricted as to use and available to the City for its spending needs. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## EMPLOYEE BENEFITS

The City maintains a non-traditional defined benefit retirement plan for all full-time employees except for firefighters and a single-employer, defined benefit plan for firefighters. In September 2022 the City fully funded the firefighters pension plan and froze the pension plan preventing any new hires from joining the pension plan. All firefighters were moved to the Texas Municipal Retirement System (TMRS) effective October 1, 2022. This action resulted in better benefits for firefighters at less cost for the City.

### Texas Municipal Retirement System

**Plan Description:** The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general

administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at [www.tmrs.org](http://www.tmrs.org).

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

For more Information see 2021 Annual Comprehensive Financial Report, Note IV, F. beginning on page 42.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds (see Appendix C - Form of Legal Opinion of Bond Counsel).

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.



## **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The information provided to the MSRB will be available to the public free of charge via the electronic EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The City will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 2A, 9, 10, 11, 12 and 13 in Appendix A (such information being the "Annual Operating Report"). The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The City's current fiscal year end is September 30. Accordingly, the City must provide the Annual Operating Report by the last day of March in each year, and audited Financial Statements for the preceding fiscal year (or unaudited Financial Statements if the audited Financial Statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

### **Notice of Certain Events**

The City will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Ordinance make provision for a bond

trustee, credit enhancement (although an application has been made for municipal bond insurance policy) or liquidity enhancement.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

### **Availability of Information from MSRB**

All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. To make such information available to the public free of charge, the MSRB has established the EMMA system, which may be accessed over the internet at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of such Bonds. If the City amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

### **Compliance with Prior Agreements**

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Bonds for Sale**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

## **Litigation**

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

## **Future Debt Issuance**

The City does not anticipate the issuance of additional revenue debt within the next twelve months.

## **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

## **Legal Opinions**

The City will furnish the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the City to like effect, a form of which opinion is attached to this Official Statement as APPENDIX C. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished to the Underwriter. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions and subcaptions "PLAN OF FINANCING - Use of Bond Proceeds", "THE BONDS" (excluding the information under the subcaptions "DTC Notices", "Payment Record" and "Default and Remedies"), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaptions "Availability of Information from MSRB" and "Compliance with Prior Agreements"), "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER PERTINENT INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER PERTINENT INFORMATION - Legal Opinions" (except for the last sentence of the first paragraph thereof), and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

## **Rating**

Moody's Investors Services, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. S&P Global Ratings, Inc. ("S&P") and Moody's are expected to assign insured ratings of "AA" and "A1", respectively to the Bonds with the understanding that, concurrently with the delivery of the Bonds, a municipal bond insurance policy will be issued by AGM. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn.

entirely by Moody's, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

### **Underwriting**

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page ii of this Official Statement, less an underwriting discount of \$176,921.25, plus accrued interest from the Dated Date to the date of initial delivery. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in late 2022 or early 2023 pending regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

### **Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### **Concluding Statement**

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

This Official Statement has been approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF PARIS, TEXAS

Paula Portugal  
Mayor  
City of Paris, Texas

ATTEST:

Janice Ellis  
City Clerk  
City of Paris, Texas

## **APPENDIX A**

### **FINANCIAL INFORMATION OF THE ISSUER**

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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**WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS**
**TABLE 2A**

Fiscal Year September 30	Current Total Debt Service	The Bonds Principal	Interest	Total	Combined Debt Service
2023	\$ -	\$ -	\$ 831,437	\$ 831,437	\$ 831,437
2024	-	375,000	1,336,238	1,711,238	1,711,238
2025	-	400,000	1,317,488	1,717,488	1,717,488
2026	-	510,000	1,297,488	1,807,488	1,807,488
2027	-	535,000	1,271,988	1,806,988	1,806,988
2028	-	565,000	1,245,238	1,810,238	1,810,238
2029	-	590,000	1,216,988	1,806,988	1,806,988
2030	-	625,000	1,186,013	1,811,013	1,811,013
2031	-	655,000	1,153,200	1,808,200	1,808,200
2032	-	680,000	1,127,000	1,807,000	1,807,000
2033	-	715,000	1,093,000	1,808,000	1,808,000
2034	-	750,000	1,057,250	1,807,250	1,807,250
2035	-	790,000	1,019,750	1,809,750	1,809,750
2036	-	830,000	980,250	1,810,250	1,810,250
2037	-	870,000	938,750	1,808,750	1,808,750
2038	-	915,000	895,250	1,810,250	1,810,250
2039	-	960,000	849,500	1,809,500	1,809,500
2040	-	1,005,000	801,500	1,806,500	1,806,500
2041	-	1,060,000	751,250	1,811,250	1,811,250
2042	-	1,110,000	698,250	1,808,250	1,808,250
2043	-	1,165,000	642,750	1,807,750	1,807,750
2044	-	1,225,000	584,500	1,809,500	1,809,500
2045	-	1,285,000	523,250	1,808,250	1,808,250
2046	-	1,350,000	459,000	1,809,000	1,809,000
2047	-	1,415,000	391,500	1,806,500	1,806,500
2048	-	1,490,000	320,750	1,810,750	1,810,750
2049	-	1,560,000	246,250	1,806,250	1,806,250
2050	-	1,640,000	168,250	1,808,250	1,808,250
2051	-	1,725,000	86,250	1,811,250	1,811,250
	\$ -	\$ 26,795,000	\$ 24,490,324	\$ 51,285,324	\$ 51,285,324

## CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 9

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Operating Revenues <sup>(a)</sup></b>					
<b>Total Revenues</b>	\$ 16,567,528	\$ 15,043,788	\$ 14,452,703	\$ 14,168,934	\$ 14,236,117
<b>Expenses <sup>(b)</sup></b>	<u>10,308,035</u>	<u>9,602,622</u>	<u>10,147,099</u>	<u>9,886,456</u>	<u>9,867,173</u>
<b>Net Revenue Available for Debt Service</b>	<u>\$ 6,259,493</u>	<u>\$ 5,441,166</u>	<u>\$ 4,305,604</u>	<u>\$ 4,282,478</u>	<u>\$ 4,368,944</u>
Annual Revenue Bond Debt Service Requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all debt paid from System Revenues	\$ 3,842,897	\$ 3,845,397	\$ 3,848,957	\$ 3,714,257	\$ 3,244,870
Coverage of Annual Requirements on all debt Paid from System Revenues <sup>(c)</sup>	1.63 x	1.41 x	1.12 x	1.15 x	1.35 x
Customer Count:					
Water	9,762	9,810	9,679	9,698	9,766
Sewer	9,175	9,221	9,189	9,208	9,180

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

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

<sup>(c)</sup> Includes self-supporting obligations.

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



**Current Rates**  
(Rates Effective July 1, 2022)

**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	\$13.69 for first 200 Cubic Feet	\$5.04 / 100 Cubic Feet
1" and Larger	\$66.81 for first 1,000 Cubic Feet	\$5.04 / 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	\$16.36 for first 200 Cubic Feet	\$4.94 / 100 Cubic Feet
1" - 2"	\$65.54 for first 1,000 Cubic Feet	\$4.03 / 100 Cubic Feet
3"	\$235.24 for first 3,000 Cubic Feet	\$4.03 / 100 Cubic Feet
4"	\$4,034.82 for first 100,000 Cubic Feet	\$4.03 / 100 Cubic Feet
6"	\$6,052.22 for first 150,000 Cubic Feet	\$4.03 / 100 Cubic Feet
8" and Larger	\$8,069.63 for first 200,000 Cubic Feet	\$4.03 / 100 Cubic Feet

**Old Rates**  
(Rates Effective July 1, 2021)

**Residential Class**

Meter Size (Inches)	Base Cost (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$13.13 for first 200 Cubic Feet	\$4.83 / 100 Cubic Feet
1" and Larger	\$64.09 for first 1,000 Cubic Feet	\$4.83 / 100 Cubic Feet

**Commercial Industrial Class**

Meter Size (Inches)	Base Cost (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
5/8" - 3/4"	\$15.69 for first 200 Cubic Feet	\$4.74 / 100 Cubic Feet
1" - 2"	\$62.87 for first 1,000 Cubic Feet	\$3.87 / 100 Cubic Feet
Larger than 2"	\$225.65 for first 2,000 Cubic Feet	\$3.87 / 100 Cubic Feet

**Commercial Industrial Class (Meters Greater Than Three Inches)**

Meter Size (Inches)	Base Cost (Per Cubic Foot)	Service in Excess of Base (For Each Additional 100 Cubic Feet)
4"	\$3,674.83 for first 100,000 Cubic Feet	\$3.67 / 100 Cubic Feet
6"	\$5,512.24 for first 150,000 Cubic Feet	\$3.67 / 100 Cubic Feet
8" and Larger	\$7,349.65 for first 200,000 Cubic Feet	\$3.67 / 100 Cubic Feet

**WATER SOURCE**

The City relies on surface water from Lake Pat Mayse and Lake Crook as their source of water. Studies indicate that the City of Paris will on be using 64.72% of their available water supply by 2060.

**PRINCIPAL WATER CUSTOMERS 2020-2021 (UNAUDITED)**

## TABLE 11

(October 1, 2020 to September 30, 2021)

Name of Customer	Average Monthly Consumption (Gals.)	Average Monthly Bill
Lamar Power Partners*	18,213,121	\$ 28,147
Campbell Soup Company	15,133,416	110,584
Lamar County Water Supply	4,629,829	73,548
Daisy Farms*	2,468,709	15,764
Paris Generation	1,823,998	22,855
Kimberly Clark	763,512	28,546
The James Skinner Baking Co.	290,375	11,030
Paris Regional Medical Center	194,842	8,168
Lamar Co Human Resources	95,823	3,602
Paris Housing Authority	188,596	7,204
Total	43,802,221	\$ 309,448 <sup>(a)</sup>
Total Water Sales as of September 30, 2021 (unaudited)	\$ 8,545,677	

<sup>(a)</sup> Principal Water Customers represent approximately 43.45% of total annual water sales.

\* Includes raw water rates

**Current Rates <sup>(1)</sup>***(Residential Rates Effective April 1, 2022)***Residential Class**

<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
3/4" or Less	\$17.87 for first 200 Cubic Feet	\$8.83 / 100 Cubic Feet
1" and Larger	\$88.25 for first 1,000 Cubic Feet	\$8.83 / 100 Cubic Feet

**Commercial Industrial Class**

<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
3/4" or Less	\$23.78 for first 200 Cubic Feet	\$9.16 / 100 Cubic Feet
1" - 2"	\$91.57 for first 1,000 Cubic Feet	\$9.16 / 100 Cubic Feet
Larger than 2"	\$183.17 for first 2,000 Cubic Feet	\$9.16 / 100 Cubic Feet

**Old Rates***(Residential Rates Effective October 1, 2021)***Residential Class**

<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
3/4" or Less	\$16.47 for first 200 Cubic Feet	\$8.14 / 100 Cubic Feet
1" and Larger	\$81.34 for first 1,000 Cubic Feet	\$8.14 / 100 Cubic Feet

**Commercial Industrial Class**

<b>Meter Size (Inches)</b>	<b>Base Cost (Per Cubic Foot)</b>	<b>Service in Excess of Base (For Each Additional 100 Cubic Feet)</b>
3/4" or Less	\$21.92 for first 200 Cubic Feet	\$8.44 / 100 Cubic Feet
1" - 2"	\$84.40 for first 1,000 Cubic Feet	\$8.44 / 100 Cubic Feet
Larger than 2"	\$168.82 for first 2,000 Cubic Feet	\$8.44 / 100 Cubic Feet

<sup>(1)</sup> On October 24, 2022 the City Council approved a new Rate Ordinance that will raise rates effective on January 1, 2023. In addition the Ordinance approved rate increases that will occur (unless subsequent action is taken by the City Council) every April and October beginning April 1, 2023 through April 1, 2026.

The January 1, 2023 rates will increase the base rate for 3/4" meter to \$20.49 and the 1" or greater to \$101.17. The volumetric rate will increase to \$10.01 and \$10.50, respectively.

**PRINCIPAL SEWER CUSTOMERS - 2020-2021 (UNAUDITED)****TABLE 13***(October 1, 2020 to September 30, 2021)*

<b><u>Name of Customer</u></b>	<b><u>Average Monthly Consumption (Gals.)</u></b>	<b><u>Average Monthly Bill</u></b>
City of Toco	487,917	\$ 4,609
Kimberly Clark	403,728	30,099
The James Skinner Baking Co <sup>(b)</sup>	290,375	12,205
Paris Housing Authority	188,596	14,071
Paris Regional Medical Center	151,399	11,347
Lamar County Human Resources	95,823	7,158
Paris Junior College	87,036	6,773
Spanish Oaks	82,331	6,103
Regency Apartments	72,687	5,383
Wash Masters	66,969	4,973
<b>Total</b>	<b>1,926,861</b>	<b>\$ 102,721 <sup>(a)</sup></b>
Total Sewer Charges as of September 30, 2021 (unaudited)	<b>\$ 6,351,476</b>	

<sup>(a)</sup> Principal Sewer Customers represent approximately 20.10% of total annual sewer charges.

<sup>(b)</sup> J. Skinner Baking, LLC ceased operations unexpectedly on September 23, 2022. The company is the third largest user of the waste water plant providing \$146,460 in revenue to the City last year. The City's rate consultants have developed an adjusted sewer rate schedule which is intended to offset 100% of this loss from Skinner. The City Council is scheduled to approve the revised rate schedule at its regular meeting on October 24, 2022.

## **APPENDIX B**

### **GENERAL INFORMATION REGARDING THE CITY OF PARIS AND LAMAR COUNTY, TEXAS**

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## GENERAL INFORMATION REGARDING THE CITY OF PARIS AND LAMAR COUNTY, TEXAS

### Location

The City of Paris, Texas (the "City"), located approximately 105 miles northeast of Dallas, is the county seat and commercial center of Lamar County (the "County"). It is in the center of an eleven-county area and is the hub of retail trade, manufacturing, farming, medical care, and other economic segments in this part of Texas. The City's location on U.S. Highways 271 and 82, Texas State Highways 19 and 24, and Interstate Highway 30 (only 38 miles away) makes it conveniently accessible to all parts of the State as well as the Southwest market.



### Government

The City was incorporated in 1839 with the current charter adopted in November of 1948. The City operates under a Council/Manager form of government, with seven (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 two-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. The City Manager executes the laws and administers the government of the City.

### Population

<b>Census Report</b>	<b>City of Paris</b>	<b>Lamar County</b>
Current Estimate	24,934	50,249
2020	24,476	50,088
2010	25,171	49,793
2000	25,898	48,499
1990	24,699	43,949
1980	25,498	42,156

Sources: United States Bureau of the Census, and the City.

### Major Employers in the City of Paris – 2021

<b><u>Employer</u></b>	<b><u>Principal Line of Business/Product</u></b>	<b><u>Estimated Number of Employees (2021)</u></b>
Paris Regional Medical Center	Hospital / Health Care Services	900
Campbell Soup Company	Soups / Juices / Sauces Production	700
Kimberly-Clark Corporation	Disposable Diapers	692
The Results Company	Telemarketing	419
We Pack Logistics Inc.	Contract Packaging/Warehousing	382
J Skinner Baking Company	Food Production	267
Huhtamaki	Wholesaler	208
RK Hall Construction LTD	General Contractor	200
Delco Trailers	Trailer Manufacturer	140
Silgan Can Company	Metal Food Packaging	90

Source: Issuer's 2021 Annual Comprehensive Financial Report (ACFR)

## Total Value of Residential and Commercial Building Construction

<u>Fiscal Year</u>	<b>Residential Construction</b>		<b>Commercial Construction</b>		<b>Totals</b>	
	<u>AV Dollar Amount of Property</u>	<u>No. of Units</u>	<u>AV Dollar Amount of Property</u>	<u>No. of Units</u>	<u>AV Dollar Amount of Property</u>	<u>No. of Units</u>
2021 <sup>(a)</sup>	\$1,908,787	17	\$7,995,151	8	\$ 9,903,938	25
2020	5,366,500	36	15,636,180	21	21,002,680	57
2019	3,744,359	25	64,446,766	15	68,191,125	40
2018	4,101,770	31	39,273,020	33	43,374,790	64
2017	3,914,081	21	12,653,657	18	16,567,738	39
2016	3,252,018	44	7,838,210	59	11,090,228	103
2015	823,430	10	61,243,705	14	62,067,135	24
2014	1,924,218	16	5,336,150	10	7,260,368	26
2013	2,171,613	24	9,653,725	15	11,825,338	39
2012	760,000	10	7,836,610	13	8,596,610	23

<sup>(a)</sup> Current Fiscal Year figures are as of September 30, 2021 (Unaudited).

Source: City of Paris

## Labor Force Statistics

	<b>City of Paris</b>		<b>Lamar County</b>	
	<u>April 2022</u>	<u>April 2021</u>	<u>April 2022</u>	<u>April 2021</u>
Civilian Labor Force	11,486	11,807	23,931	24,493
Total Employed	11,004	11,068	23,016	23,149
Total Unemployed	482	739	915	1,344
% Unemployed	4.2%	6.3%	3.8%	5.5%
% Unemployed (Texas)	4.3%	5.7%	4.3%	5.7%
% Unemployed (US)	3.6%	5.3%	3.6%	5.3%

Source: Texas Workforce Commission, Labor Market Information.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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## **Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

### **CITY OF PARIS, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2022**

**IN THE AGGREGATE PRINCIPAL AMOUNT OF \$26,795,000**

---

**AS BOND COUNSEL FOR THE CITY OF PARIS, TEXAS** (the “Issuer”) in connection with the issuance of the above-described Bonds (the “Bonds”), we have examined into the legality and validity of the Bonds, which bear interest from the date and mature and are subject to redemption on the date, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the “Ordinance”).

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds will constitute valid and legally binding special obligations of the Issuer, and that the principal of and interest on the Bonds, together with other outstanding revenue bonds of the Issuer, are payable from and secured by a lien on and pledge of Net Revenues of the Issuer’s combined Waterworks and Sewer System. The Issuer has reserved the right, subject to the covenants and conditions stated in the Ordinance, to issue additional revenue obligations payable from and secured by a lien on and pledge of the net revenues of the System on a parity with the Bonds. The holders of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

**IT IS FURTHER OUR OPINION** that, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the

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Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation’s adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the



exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the sufficiency of the pledged revenues of the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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**APPENDIX D**

**ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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**ANNUAL COMPREHENSIVE FINANCIAL  
REPORT  
FOR**

**CITY OF PARIS, TEXAS**

**Fiscal Year Ended September 30, 2021**



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

**CITY OF PARIS, TEXAS**  
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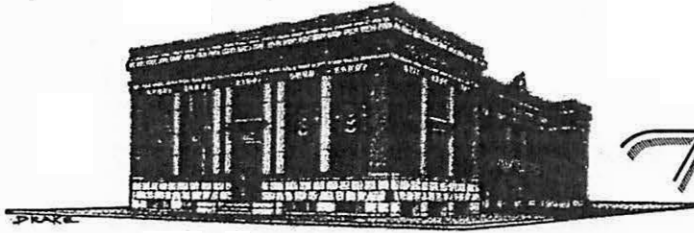
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## INTRODUCTORY SECTION



# *The* CITY OF PARIS

March 22, 2022

Mayor Paula Portugal  
and Members of the City Council  
City of Paris, Texas

Dear Mayor and Council Members:

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Paris, Texas, for the fiscal year ended September 30, 2021.

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

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

## **THE ANNUAL COMPREHENSIVE FINANCIAL REPORT**

The Annual Comprehensive Financial Report of the City of Paris, Texas, for the fiscal year ended September 30, 2021, 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).

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 2020 census is 24,476, a decrease of 2.76% from the 2010 census of 25,171.

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 2020 census is 50,088, an increase of 0.59% over the 2010 census of 49,793.

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 154 bed general acute-care hospital.

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

Educational facilities of the City are provided by 3 independent school districts. Each of the districts is accredited by the Texas Education Agency. Higher education needs in the County are provided at Paris Junior College located in the City. Total enrollment of these entities is 11,561.

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, Veterans Memorial, and the Lamar County Historical Society Museum.

Also, the City has one 18-hole golf course, one public swimming pool, 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 2021-22 reflect a 15.80% increase over the 2020-21 values. Building permits for new residential and commercial construction were valued at \$9,903,938 for fiscal year 2020-21. This activity should be reflected in next year's taxable values.

Sales taxes for 2020-21 increased from the prior year by 11.52%. Current rebates are 0.14% below the 2020-21 rebates through February 2022.

Hotel occupancy taxes were up 36.97% compared to 2019-20 taxes as COVID-19 seemed to be in the rearview mirror of most travelers. First quarter 2021-22 collections were 1.24% above the same period in 2020-21.

Franchise fees for 2020-21 were down 9.78% compared to the previous year.

The City of Paris, Paris Economic Development Corporation, and the Lamar County Chamber of Commerce have been actively recruiting new business to the area as well as supporting already existing businesses. PEDC has several active incentive commitments in regard to its recruitment of new industry and support of existing industry. There are currently incentives totaling \$1,222,000 involving American Spiral Weld, Huhtamaki, and Metro Gate. In addition, TxDOT announced that it would build a new district headquarters in the Gene Stallings Business Park.

General Fund receipts equaled 115.01% of budget. This surplus of revenues was caused primarily by Emergency Medical Service revenue, Federal funding related to COVID-19 & economic stimulus, and sales taxes. General Fund expenditures were 106.47% of budget. This variance is mainly due to COVID-19 related expenditures for Public Safety and Public Health. For the 2021-22 fiscal year, the City Council adopted a tax rate of .45373 cents per \$100 of value. This rate is \$0.02705 cents lower than the previous year but does allow maintaining all services at their current levels and funds all required interest and sinking funds. Taxable property value increased 2.55%.

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

The City continues to exercise its 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 debt issued in 2016, 2017, 2018, 2020, and 2021.

## **Major Initiatives**

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 were 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 was not necessary to raise utility rates to fund the new debt. Likewise a \$9,750,000 bond election for street construction and repair was approved in 2017 and those projects have been completed. In May of 2021, the City issued \$43,855,000 in Combination Tax and Surplus Revenue Certificates of Obligation to fund Phase One construction of a new wastewater treatment plant. These bonds will be paid for out of utility system revenue. Also, it is the City's intent to use the Federal American Rescue Plan funding to install water transmission lines around Loop 286 to aid in industrial recruitment as well as providing a second water line connection to certain areas of town.

The City also continues to expand its effort in law enforcement related area. Programs in this effort include the Auto Theft Task Force and Justice Assistance Grant for needed equipment.

From a development standpoint, the City has taken several steps. Reentry into the State of Texas Main Street Program has channeled additional funds for revitalization of existing structures and businesses. The City continues to work closely with the Paris Economic Development Corporation to attract new business to Paris and to support existing businesses as well. Working with the Chamber of Commerce, the City is effectively using the civic center to attract people and business to Paris. City officials are also closely working with Keep Paris Beautiful, Inc. to promote and improve the City. The Historic Preservation Committee is working with local property owners to maintain the historical character of the City. The City also implemented a new incentive program to encourage residential housing construction. The City, PEDC, and the Chamber of Commerce are currently working to develop a common branding strategy to emphasize our unity in economic development and other areas.

## **Other Financial Information**

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

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

Between 30 days and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget for the next fiscal year are heard. The budget is legally enacted by the City Council through passage of an ordinance not later than the 27<sup>th</sup> day of the last month prior to the

beginning of the fiscal year. Generally, appropriations are legally adopted at the department level. Budgetary controls are maintained at the major category of expenditure level within each operating division. All anticipated expenditures are budgeted for control purposes. Capital project funds are appropriated on a project by project basis. Expenditures and/or expenses are directly monitored by the City Council.

### Internal Controls

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

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

### Debt

The following schedule outlines the outstanding City debt as of 09-30-21:

Issue	Tax Supported	Revenue Supported	Fund Maturity	Moody's Investors Rating Insured
2012 G.O. Refunding Bonds	\$ 405,000	\$ -	12-15-21	Aa3
2013 C.O. (TWDB)	-	1,710,000	12-15-32	N/A
2013 G.O. Bonds	-	27,065,000	12-15-32	Aa3
2016 G.O. Bonds	-	6,900,000	12-15-36	Aa3
2017 G.O. Bonds	8,200,000	-	06-15-37	Aa3
2018 G.O. Bonds	95,000	900,000	06-15-38	Aa3
2020 Tax and Rev. C.O.	1,365,000	-	06-15-30	N/A
2020 G.O. Refunding Bonds	1,765,000	-	12-15-29	Aa3
2020 Tax Notes	955,000	-	06-15-26	N/A
2021 Tax and Rev. C.O.	-	43,855,000	12-15-50	Aa3
Capital Lease-Firetrucks	792,453	-	01-28-26	N/A
SuRRMA Loan	283,307	-	06-29-25	N/A
Total	<u>\$ 13,860,760</u>	<u>\$ 80,430,000</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.

## Acknowledgments

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

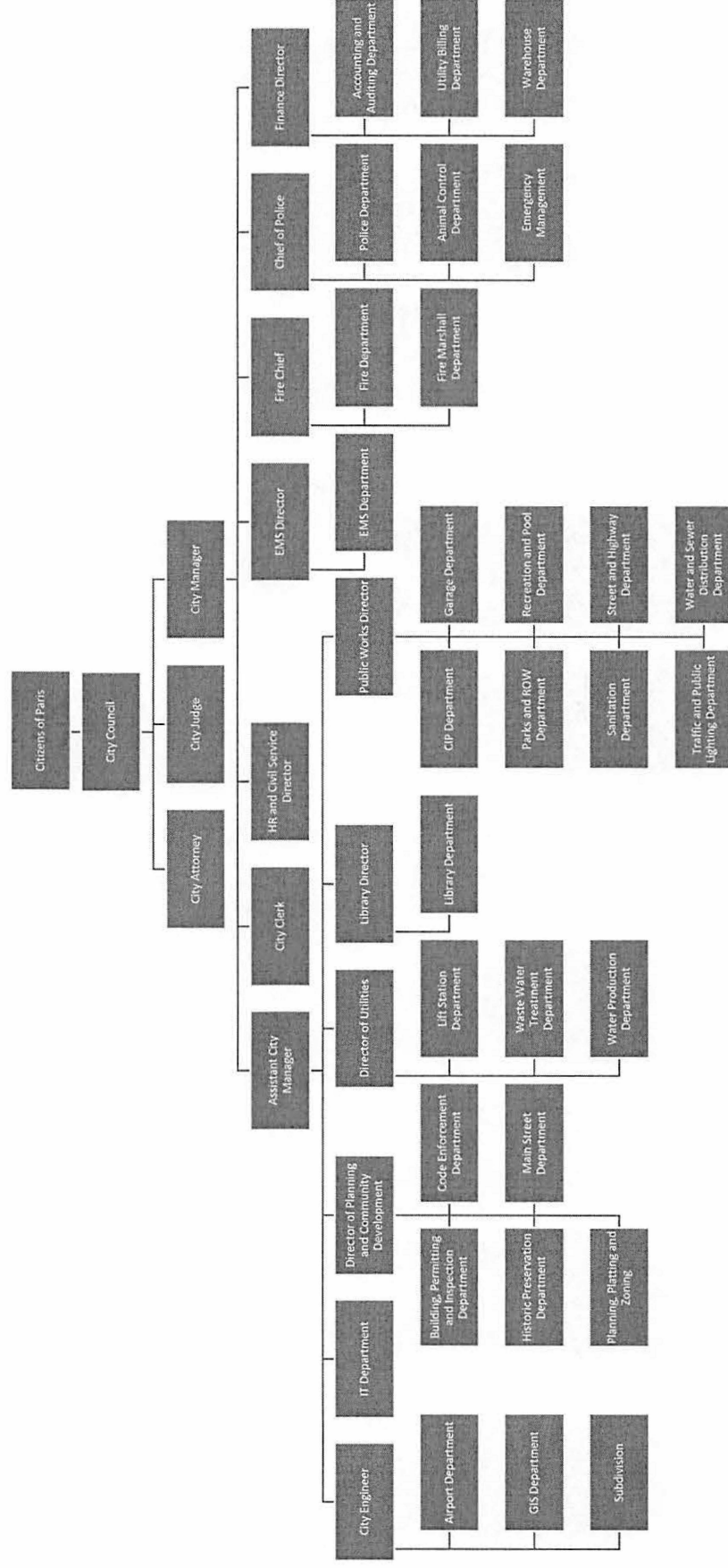
Respectfully submitted,

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

W. E. Anderson  
Director of Finance



# CITY OF PARIS ORGANIZATIONAL CHART



## List of Elected and Appointed Officials

### Elected Officials

Paula Portugal – Mayor  
Reginald Hughes – Mayor Pro-Tem  
Renae Stone  
Gary Savage  
Mihir Pankaj  
Linda Knox  
Clayton Pilgrim

### Appointed Officials

Grayson Path – City Manager  
Gene Anderson, CPA – Finance Director  
Janice Ellis – City Clerk  
Stephanie Harris – City Attorney  
Tom E. Hunt, III – Presiding Municipal Court Judge  
Michael Smith – Public Works Director  
Richard Salter – Police Chief  
Tim Deghelder – Library Director  
Sandy Collard – Human Resources  
Russell Thrasher – Emergency Medical Services  
Andrew Mack – Planning and Development  
Doug Harris – Utilities Director  
Thomas McMonigle – Fire Chief

## FINANCIAL SECTION

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

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
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TEFFANY A. KAVANAUGH, CPA  
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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Paris, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information including the budgetary comparison of the City of Paris, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component

Honorable Mayor and City Council  
City of Paris, Texas

unit, each major fund, and the aggregate remaining fund information of the City of Paris, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paris, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section, statistical section, and continuing disclosure information have 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.

***McClanahan and Holmes, LLP***  
Certified Public Accountants

Paris, Texas  
March 22, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Paris (the City), we offer readers of the City of Paris, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Paris for the fiscal year ended September 30, 2021. 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 dropped its tax rate from 0.51608 to 0.48078 per \$100 of valuation for fiscal year 2020-21.
- For the upcoming 2021-22 fiscal year, the City lowered its tax rate to 0.45373 per \$100 of valuation.
- City-wide revenues this year exceeded City-wide expenses by \$5,144,346 whereas in the previous year revenues exceeded expenses by \$5,978,761. The underlying cause the lower surplus was a decrease in operating grant revenue.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$20,596,761 or 75.41%, of total general fund expenditures. The prior year unassigned fund balance was \$15,990,260 or 58.60%, of general fund expenditures.
- At the end of the fiscal year, the net position of the proprietary funds was \$45,212,203 compared to \$43,803,809 the prior year.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

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

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

The government-wide financial statements can be found at Statement 1 and 2.

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

The basic governmental fund financial statements can be found beginning with Statement 3 and continuing through Statement 6 of this report.

### **Proprietary Funds**

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

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

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

## **Notes to the Financial Statements**

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

## Other Information

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

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

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Paris, assets exceeded liabilities by \$85,879,855 at the close of the most recent fiscal year. This compares to \$81,147,425 for the previous year. This was a 5.83% increase in net position.

By far, the largest portion of the City of Paris' net position (\$57,940,885 or 68.00%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Paris uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Paris' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Paris Net Position						
	Governmental Activities		Business-Type Activities		Total	Total
	2020	2021	2020	2021	2020	2021
<b>Assets</b>						
Current and Other Assets	\$ 27,049,806	\$30,225,091	\$ 18,991,923	\$ 67,149,358	\$ 46,041,729	\$ 97,374,449
Capital Assets	41,127,102	40,391,518	66,921,032	67,853,908	108,048,134	108,245,426
<b>Total Assets</b>	<b>68,176,908</b>	<b>70,616,609</b>	<b>85,912,955</b>	<b>135,003,266</b>	<b>154,089,863</b>	<b>205,619,875</b>
<b>Deferred Outflows</b>						
Related to Asset Retirement Obligation	-	-	-	2,804,300	-	2,804,300
Related to Pension	958,653	1,651,067	171,157	163,384	1,129,810	1,814,451
Related to OPEB	334,164	456,770	31,764	47,281	365,928	504,051
<b>Total Deferred Outflows</b>	<b>1,292,817</b>	<b>2,107,837</b>	<b>202,921</b>	<b>3,014,965</b>	<b>1,495,738</b>	<b>5,122,802</b>
<b>Long-Term Liabilities</b>						
Outstanding	28,688,849	27,898,649	40,079,561	86,894,194	68,768,410	114,792,843
Other Liabilities	1,505,509	1,291,784	1,828,907	5,519,745	3,334,416	6,811,529
<b>Total Liabilities</b>	<b>30,194,358</b>	<b>29,190,433</b>	<b>41,908,468</b>	<b>92,413,939</b>	<b>72,102,826</b>	<b>121,604,372</b>
<b>Deferred Inflows</b>						
Related to Pensions	1,688,602	2,650,876	390,412	378,487	2,079,014	3,029,363
Related to OPEB	243,149	215,485	13,187	13,602	256,336	229,087
<b>Total Deferred Inflows</b>	<b>1,931,751</b>	<b>2,866,361</b>	<b>403,599</b>	<b>392,089</b>	<b>2,335,350</b>	<b>3,258,450</b>
<b>Net Position</b>						
Net Investment in Capital Assets	21,907,532	26,703,929	28,880,579	31,236,956	50,788,111	57,940,885
Restricted	7,857,800	7,357,621	-	-	7,857,800	7,357,621
Unrestricted	7,578,284	6,606,102	14,923,230	13,975,247	22,501,514	20,581,349
<b>Total Net Position</b>	<b>\$ 37,343,616</b>	<b>\$ 40,667,652</b>	<b>\$ 43,803,809</b>	<b>\$ 45,212,203</b>	<b>\$ 81,147,425</b>	<b>\$ 85,879,855</b>



An additional portion of the City of Paris' net assets (\$7,357,621 or 8.57%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets (\$18,408,275 or 21.43%) 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.

Statement 1 reflects the relevant deferred outflows and inflows for the fiscal year. Outflows are intended to account for the anticipated future liabilities for pension payments as well as contributions toward the cost of retiree health care and other post-employment benefits. Inflows anticipate future contributions to the pension plan and retiree health care and other post-employment benefits as well as certain asset retirement obligations.

### Governmental Activities

Governmental activities increased the City of Paris' net position by \$3,673,152 or 9.91% during the current fiscal year. Total general and program revenues were down \$1,054,281(3.11%). This decrease was due to a significant drop in program revenues specifically, operating grants. This drop is not surprising given the previous year was unusually high with such activities.

	General Revenues & Program Revenues		
	2020	2021	Increase (Decrease)
Property Taxes	\$ 9,338,087	\$ 9,561,394	\$ 223,307
Sales Taxes	8,245,939	9,196,157	950,218
Franchise Taxes	4,714,021	4,253,182	(460,839)
Hotel Occupancy Tax	872,418	1,192,873	320,455
Unrestricted Investment Earnings	197,203	41,704	(155,499)
Miscellaneous	714,470	546,391	(168,079)
Gain (Loss) on Sale of Capital Asset	25,246	125,176	99,930
Program Revenues	9,804,062	7,940,288	(1,863,774)
	<u>\$ 33,911,446</u>	<u>\$ 32,857,165</u>	<u>\$ (1,054,281)</u>

The following table provides a summary of the City's operations for the years ending 2020 and 2021 for both governmental and business-type activities.

City of Paris  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 7,327,433	\$ 7,331,549	\$15,043,788	\$16,567,528	\$22,371,221	\$23,899,077
Operating Grants and Contributions	2,151,740	369,289	-	-	2,151,740	369,289
Capital Grants and Contributions	324,889	239,450	-	-	324,889	239,450
General Revenues						
Property Taxes	9,338,087	9,561,394	-	-	9,338,087	9,561,394
Sales Taxes	8,245,939	9,196,157	-	-	8,245,939	9,196,157
Franchise Taxes	4,714,021	4,253,182	-	-	4,714,021	4,253,182
Hotel Occupancy Tax	872,418	1,192,873	-	-	872,418	1,192,873
Unrestricted Investment Earnings	197,203	41,704	427,723	(51,563)	624,926	(9,859)
Other	739,716	671,567	-	19,321	739,716	690,888
<b>Total Revenues</b>	<b>33,911,446</b>	<b>32,857,165</b>	<b>15,471,511</b>	<b>16,535,286</b>	<b>49,382,957</b>	<b>49,392,451</b>
<b>Expenses</b>						
General Government	4,409,428	5,481,353	-	-	4,409,428	5,481,353
Public Safety	12,727,703	11,874,360	-	-	12,727,703	11,874,360
Public Works	6,699,707	6,452,355	-	-	6,699,707	6,452,355
Health	4,267,819	3,962,596	-	-	4,267,819	3,962,596
Culture and Recreation	846,669	762,080	-	-	846,669	762,080
Other	-	-	-	-	-	-
Cox Field	311,796	374,649	-	-	311,796	374,649
Interest on Long-Term Debt	115,000	99,169	-	-	115,000	99,169
Water and Sewer	-	-	14,026,074	15,241,543	14,026,074	15,241,543
<b>Total Expenses</b>	<b>29,378,122</b>	<b>29,006,562</b>	<b>14,026,074</b>	<b>15,241,543</b>	<b>43,404,196</b>	<b>44,248,105</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>4,533,324</b>	<b>3,850,603</b>	<b>1,445,437</b>	<b>1,293,743</b>	<b>5,978,761</b>	<b>5,144,346</b>
<b>Transfers/Special Items</b>	<b>(146,679)</b>	<b>(177,451)</b>	<b>146,679</b>	<b>177,451</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>4,386,645</b>	<b>3,673,152</b>	<b>1,592,116</b>	<b>1,471,194</b>	<b>5,978,761</b>	<b>5,144,346</b>
<b>Net Position, Beginning</b>	<b>31,677,862</b>	<b>37,046,560</b>	<b>42,253,191</b>	<b>43,803,809</b>	<b>73,931,053</b>	<b>80,850,369</b>
<b>Prior Period Adjustment</b>	<b>982,053</b>	<b>(52,060)</b>	<b>(41,498)</b>	<b>(62,800)</b>	<b>940,555</b>	<b>(114,860)</b>
<b>Net Position, Ending</b>	<b>\$ 37,046,560</b>	<b>\$40,667,652</b>	<b>\$43,803,809</b>	<b>\$45,212,203</b>	<b>\$80,850,369</b>	<b>\$85,879,855</b>

### Business-Type Activities

Business-type activities increased the City of Paris' net position by \$1,471,194. This increase was caused by a rate increase, transfers, and a prior period adjustment.

### Financial Analysis of the Government's Funds

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

### Governmental Funds

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

	Governmental Funds	
	2020	2021
Total Assets	<u>\$ 27,049,807</u>	<u>\$ 30,225,090</u>
Total Liabilities	<u>1,228,455</u>	<u>1,190,557</u>
Deferred Inflows of Resources	<u>764,853</u>	<u>813,024</u>
Fund Balances		
Nonspendable:		
Inventory	500,495	181,620
Permanent Fund Principal	98,400	98,543
Restricted For:		
Debt Service	1,766,863	1,928,672
Capital Projects	3,839,984	3,631,092
Notes	-	-
Law Enforcement	1,493,902	672,627
Public Education	655,520	707,090
Community Development	415,120	107,574
Assigned:		
Library	75,801	76,935
Community Development	220,154	220,595
Unassigned:		
General Fund	<u>15,990,260</u>	<u>20,596,761</u>
Total Fund Balances	<u>25,056,499</u>	<u>28,221,509</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 27,049,807</u>	<u>\$ 30,225,090</u>

As of the end of the current fiscal year, the City of Paris' governmental funds reported combined ending fund balances of \$28,221,509. Approximately 72.98% of this total amount (\$20,596,761) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is non-spendable, restricted, or assigned to 1) Permanent Fund Principal (\$98,543), 2) pay debt service (\$1,928,672), 3) inventories (\$181,620), 4) law enforcement (\$672,627), 5) library (\$76,935), 6), Public Education (\$707,090), 7) capital projects (\$3,631,092) and 8) Community Development (\$107,574).

	Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	
	2020	2021
Revenues	\$ 34,259,642	\$ 32,751,652
Expenditures	33,382,864	32,306,405
Deficiency of Revenues		
Under Expenditures	876,778	445,247
Total Other Financing Sources (Uses)	1,291,321	2,771,823
Net Change in Fund Balances	2,168,099	3,217,070
Increase (Decrease) in Inventory	-	-
Fund Balances - Beginning	21,948,406	25,056,499
Prior Period Adjustment	939,994	(52,060)
Fund Balances - Ending	\$ 25,056,499	\$ 28,221,509

### 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 \$20,596,761 (\$15,990,260 the previous year), while total fund balance reached \$21,489,282 (\$17,150,077 the previous year). The increase in the fund balance of the general fund was primarily due to increased cash position and receivables. 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 63.75% of total general fund expenditures, while total fund balance represents 87.36% of that same amount.

During the year, the City also made budgeted transfers from the Water and Sewer Fund to the General Fund for administrative support and payment of franchise fees. Transfers were made from the Water and Sewer Fund to the Debt Service Fund to make debt service payments.

Other governmental funds (nonmajor) include the Permanent and Expendable Library Funds, Special Revenue Fund, Grant Fund, and the Community Development Fund. Only the General Fund had unassigned fund balance at the end of the year.

### Budget Analysis

The City of Paris adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided as Statement 6 in this report to demonstrate compliance with this budget.

The final appropriation of the general fund was overspent by \$1,729,835 (\$4,055,949 overspent the previous year). This 6.47% variance is mainly due to bad debt charge offs in the EMS and Police (Municipal Court) Departments. General Fund revenues were over budget by 15.01% or \$4,014,955 (\$4,491,429 last year). Higher than expected sales tax collections and increased billings by EMS and Municipal Court account for most of the increase.

## Capital Projects Fund

The Capital Projects Fund is funded by the General Fund and/or the Proprietary Fund on an as needed basis or by debt issue authorized by the City Council. As Proprietary Fund projects are completed in the Capital Projects Fund, they are transferred back to the Proprietary Fund. The fund balance in the Capital Projects Fund was \$3,627,281 (\$3,836,182 last year). This reduction was due to relatively minor expenditures of existing cash on hand for various projects with the only offsetting revenue being interest income. 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 \$1,928,372 (\$1,766,863 the previous year), all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$161,809 (\$39,798 increase the previous year). The government enacted a dedicated property tax for debt service at the beginning of the current fiscal year. This tax produced revenues of \$1,541,384 in the current fiscal year (\$1,892,804 the previous year).

## Proprietary Fund

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$11,802,173 (\$14,923,230 the previous year). Factors concerning the finances of this fund have already been addressed in the discussion of the City of Paris' business-type activities.

## Capital Asset and Debt Administration

### Capital Assets

The City of Paris' investment in capital assets for its governmental and business-type activities as of September 30, 2021 amounts to \$108,245,426 (\$108,048,134 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	
	2020	2021	2020	2021	2020	2021
Land	\$ 5,950,108	\$ 5,950,108	\$ 339,620	\$ 339,620	\$ 6,289,728	\$ 6,289,728
Buildings and System Improvements Other than Buildings	10,496,986	10,048,032	28,270,660	25,794,430	38,767,646	35,842,462
Machinery, Furniture, and Equipment	2,664,467	2,363,745	-	-	2,664,467	2,363,745
Infrastructure	3,784,517	4,608,507	1,114,401	1,324,682	4,898,918	5,933,189
Construction in Progress	11,566,617	17,157,762	-	-	11,566,617	17,157,762
Water Rights-Net	6,664,407	263,364	33,953,797	37,188,254	40,618,204	37,451,618
	-	-	3,242,554	3,206,922	3,242,554	3,206,922
Total	<u>\$ 41,127,102</u>	<u>\$ 40,391,518</u>	<u>\$ 66,921,032</u>	<u>\$ 67,853,908</u>	<u>\$ 108,048,134</u>	<u>\$ 108,245,426</u>

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

### Long-Term Debt

The City has two capital leases with \$792,453 in principal outstanding at year end. The City of Paris also has total debt outstanding in the amount of \$94,290,860 (includes the two capital leases). Of this amount, \$13,860,860 comprises debt being paid for by property tax or hotel tax revenues, and \$80,430,000 represents bonds being paid for by water and sewer revenues.

Issue	Tax Supported	Revenue Supported	Final Maturity	Moody's Investors Rating
2012 G.O. Refunding Bonds	\$ 405,000	\$ -	12-15-2021	Aa3
2013 C.O.s (TWDV)	-	1,710,000	06-15-2032	N/A
2013 G.O. Bonds	-	27,065,000	12-15-2032	Aa3
2016 G.O. Bonds	-	6,900,000	12-15-2036	Aa3
2017 G.O. Bonds	8,200,000	-	06-15-2037	Aa3
2018 G.O. Bonds	95,000	900,000	09-30-2028	Aa3
2020 Tax and Rev C.O.s	1,365,000	-	06-15-2030	N/A
2020 G.O. Refunding Bonds	1,765,000	-	12-15-2029	Aa3
2020 Tax Notes	955,000	-	06-15-2026	N/A
2021 Tax & Rev. C.O.s	-	43,855,000	12-15-2050	Aa3
SuRRMA Loan	283,307	-	06-29-2025	N/A
Capital Leases – Firetrucks	792,453	-	01-28-2026	N/A
	<u>\$ 13,860,760</u>	<u>\$ 80,430,000</u>		

Paris' bond debt increased by \$41,119,834 during the fiscal year. This was due to the \$43,855,000 Tax & Revenue COs issued in 2021 for the purpose of building a new waste water plant. 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 \$0.48078 per \$100 valuation for the 2020-21 fiscal year. This rate was broken down into \$0.39788 per \$100 valuation for operations and \$0.08290 per \$100 valuation for debt service. Using the traditional allowance of the state attorney general as a guide, the City of Paris is utilizing only 5.53% of its debt capacity.

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

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

- Sales tax revenues are projected to grow 3% in the coming year.
- New construction amounted to 17 residential units and 8 commercial units.
- Local population growth is expected to be minimal.
- The tax rate is expected to drop below \$0.44 per \$100 of value as property values continue to grow.
- Franchise fees are expected to remain stable.

All of these factors were considered in preparing the City of Paris' budget for 2021-22.

**Requests for Information**

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

CITY OF PARIS, TEXAS  
Statement of Net Position  
September 30, 2021

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
<b>Assets</b>				
Cash and Cash Equivalents	\$ 15,509,252	\$ 8,415,336	\$ 23,924,588	\$ 2,254,028
Investments	8,106,025	3,543,244	11,649,269	2,114,248
Receivables (Net of Allowance for Uncollectibles)	4,843,430	2,776,172	7,619,602	310,796
Inventories	181,620	356,270	537,890	-
Prepaid Assets	71,922	-	71,922	5,683
Net Pension Asset	-	208,823	208,823	-
<b>Restricted Assets</b>				
Cash and Cash Equivalents	888,648	9,848,928	10,737,576	-
Investments	220,954	42,000,585	42,221,539	-
Due from Other Governments	403,240	-	403,240	-
Land Development Costs	-	-	-	1,986,740
Water Rights (Net of Accumulated Amortization)	-	3,206,922	3,206,922	-
<b>Capital Assets Not Being Depreciated</b>				
Land	5,950,108	339,620	6,289,728	-
Construction in Progress	263,364	37,188,254	37,451,618	-
<b>Capital Assets (Net of Accumulated Depreciation)</b>				
Buildings and System Improvements Other Than Buildings	10,048,032	25,794,430	35,842,462	-
Machinery and Equipment	2,363,745	-	2,363,745	-
Infrastructure	4,608,507	1,324,682	5,933,189	2,643
	17,157,762	-	17,157,762	-
<b>Total Assets</b>	<b>70,616,609</b>	<b>135,003,266</b>	<b>205,619,875</b>	<b>6,674,138</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows Related to Asset Retirement Obligation	-	2,804,300	2,804,300	-
Deferred Outflows Related to Pensions	1,651,067	163,384	1,814,451	-
Deferred Outflows Related to OPEB	456,770	47,281	504,051	-
<b>Total Deferred Outflows of Resources</b>	<b>2,107,837</b>	<b>3,014,965</b>	<b>5,122,802</b>	<b>-</b>

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



CITY OF PARIS, TEXAS  
Statement of Net Position  
September 30, 2021

Statement 1  
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development
<b>Liabilities</b>				
Accounts Payable and Other Current Liabilities	1,190,558	472,274	1,662,832	7,110
Accrued Interest Payable	101,226	922,743	1,023,969	9,326
Unearned Revenue	-	3,078,369	3,078,369	-
Customers' Deposits	-	1,046,359	1,046,359	-
Intergovernmental Payable	-	-	-	18,789
Noncurrent Liabilities				
Due Within One Year	1,689,200	2,367,277	4,056,477	104,446
Due in More Than One Year	13,311,254	84,299,502	97,610,756	1,117,308
Net Pension Liability	10,028,352	-	10,028,352	-
Net OPEB Liability	2,869,843	227,415	3,097,258	-
Total Liabilities	29,190,433	92,413,939	121,604,372	1,256,979
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pensions	2,650,876	378,487	3,029,363	-
Deferred Inflows Related to OPEB	215,485	13,602	229,087	-
Total Deferred Inflows of Resources	2,866,361	392,089	3,258,450	-
<b>Net Position</b>				
Net Investment in Capital Assets	26,703,929	31,236,956	57,940,885	2,643
Restricted for				
Construction	3,843,115	-	3,843,115	-
Debt Service	1,928,672	-	1,928,672	1,221,754
Law Enforcement	672,627	-	672,627	-
Education	707,090	-	707,090	-
Community Development	107,574	-	107,574	-
Industrial Incentives	-	-	-	1,222,000
Land Development Costs	-	-	-	1,986,740
Permanent Library Funds				
Nonexpendable	98,543	-	98,543	-
Unrestricted	6,606,102	13,975,247	20,581,349	984,022
Total Net Position	\$ 40,667,652	\$ 45,212,203	\$ 85,879,855	\$ 5,417,159

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

CITY OF PARIS, TEXAS  
Statement of Activities  
Year Ended September 30, 2021

Statement 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Economic Development
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental Activities								
General Government	\$ 5,481,353	\$ 237,376	\$ 129,115	\$ 39,340	\$ (5,075,522)	\$ (5,075,522)	\$ -	
Public Safety	11,874,360	530,151	171,174	10,000	(11,163,035)	(11,163,035)	-	
Public Works	6,452,355	1,493,826	-	157,571	(4,800,958)	(4,800,958)	-	
Health	3,962,596	4,818,960	-	-	856,364	856,364	-	
Culture and Recreation	762,080	80,657	-	-	(681,423)	(681,423)	-	
Cox Field Airport	374,649	170,579	69,000	32,539	(102,531)	(102,531)	-	
Interest on Long-Term Debt	99,169	-	-	-	(99,169)	(99,169)	-	
Total Governmental Activities	29,006,562	7,331,549	369,289	239,450	(21,066,274)	(21,066,274)	-	
Business-Type Activities								
Water and Sewer	15,241,543	16,567,528	-	-	-	1,325,985	-	
Total Business-Type Activities	15,241,543	16,567,528	-	-	-	1,325,985	-	
Total Primary Government	\$ 44,248,105	\$ 23,899,077	\$ 369,289	\$ 239,450	(21,066,274)	(19,740,289)	-	
Component Unit								
Economic Development	\$ 1,226,472	\$ -	\$ -	\$ -	-	-	(1,226,472)	
General Revenues								
Property Taxes					9,561,394	9,561,394	-	
Sales Taxes					9,196,157	9,196,157	1,839,227	
Franchise Taxes					4,253,182	4,253,182	-	
Hotel Occupancy Taxes					1,192,873	1,192,873	-	
Unrestricted Investment Earnings					41,704	(51,563)	4,017	
Miscellaneous					546,391	546,391	-	
Gain (Loss) on Disposal of Assets					125,176	19,321	(1,649)	
Transfers					(177,451)	177,451	-	
Total General Revenues and Transfers					24,739,426	24,884,635	1,841,595	
Changes in Net Position					3,673,152	5,144,346	615,123	
Net Position - Beginning					37,046,560	80,850,369	4,802,036	
Prior Period Adjustment					(52,060)	(114,860)	-	
Net Position - Ending					\$ 40,667,652	\$ 85,879,855	\$ 5,417,159	

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

CITY OF PARIS, TEXAS  
Balance Sheet - Governmental Funds  
September 30, 2021

Statement 3

	General	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 9,781,751	\$ 1,911,557	\$ 3,627,281	\$ 1,077,310	\$ 16,397,899
Investments	8,228,931	-	-	98,048	8,326,979
Receivables (Net of Allowance for Uncollectibles)	4,741,112	101,402	-	916	4,843,430
Inventories	181,620	-	-	-	181,620
Prepaid Items	71,922	-	-	-	71,922
Due from Other Governments	403,240	-	-	-	403,240
<b>Total Assets</b>	<b>\$ 23,408,576</b>	<b>\$ 2,012,959</b>	<b>\$ 3,627,281</b>	<b>\$ 1,176,274</b>	<b>\$ 30,225,090</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 1,190,557	\$ -	\$ -	\$ -	\$ 1,190,557
<b>Total Liabilities</b>	<b>1,190,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,190,557</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	702,264	84,287	-	-	786,551
Unavailable Revenue - Other	26,473	-	-	-	26,473
<b>Total Deferred Inflows of Resources</b>	<b>728,737</b>	<b>84,287</b>	<b>-</b>	<b>-</b>	<b>813,024</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventory	181,620	-	-	-	181,620
Permanent Library Funds	-	-	-	98,543	98,543
<b>Restricted for</b>					
Debt Service	-	1,928,672	-	-	1,928,672
Capital Projects	3,811	-	3,627,281	-	3,631,092
Notes	-	-	-	-	-
Law Enforcement	-	-	-	672,627	672,627
Public Education	707,090	-	-	-	707,090
Community Development	-	-	-	107,574	107,574
<b>Assigned</b>					
Library	-	-	-	76,935	76,935
Community Development	-	-	-	220,595	220,595
Unassigned: General Fund	20,596,761	-	-	-	20,596,761
<b>Total Fund Balances</b>	<b>21,489,282</b>	<b>1,928,672</b>	<b>3,627,281</b>	<b>1,176,274</b>	<b>28,221,509</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 23,408,576</b>	<b>\$ 2,012,959</b>	<b>\$ 3,627,281</b>	<b>\$ 1,176,274</b>	<b>\$ 30,225,090</b>

Fund Balances - Total Governmental Funds (above)	\$ 28,221,509
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)	40,391,518
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or not reflected in the funds.	813,024
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(15,101,680)
Included in noncurrent liabilities is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$10,028,352, a Deferred Outflow of Resources in the amount of \$1,651,067, and a Deferred Inflow of Resources in the amount of \$2,650,876. This amounted to a decrease in Net Position of \$11,028,161.	(11,028,161)
Included in noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$2,869,843, a Deferred Outflow of Resources in the amount of \$456,770, and a Deferred Inflow of Resources in the amount of \$215,485. This amounted to a decrease in Net Position of \$2,628,558.	(2,628,558)
<b>Net Position of Governmental Activities</b>	<b>\$ 40,667,652</b>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2021

Statement 4

	General	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
<b>Taxes</b>					
Property	\$ 7,971,838	\$ 1,541,384	\$ -	\$ -	\$ 9,513,222
Sales	9,196,157	-	-	-	9,196,157
Franchise	4,253,182	-	-	-	4,253,182
Hotel Occupancy	881,259	265,041	-	46,573	1,192,873
Licenses and Permits	211,668	-	-	-	211,668
Fines and Fees	615,721	-	-	48,152	663,873
Use of Money and Property	198,965	4,777	7,144	1,398	212,284
Sanitation	1,470,237	-	-	-	1,470,237
Health	4,806,996	-	-	-	4,806,996
Intergovernmental	706,574	-	-	-	706,574
Other	442,020	-	18,000	64,566	524,586
<b>Total Revenues</b>	<b>30,754,617</b>	<b>1,811,202</b>	<b>25,144</b>	<b>160,689</b>	<b>32,751,652</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	1,613,946	-	-	45,318	1,659,264
Public Safety	11,367,228	-	-	6,911	11,374,139
Public Works	4,991,668	-	-	-	4,991,668
Health	5,199,358	-	-	1,470	5,200,828
Culture and Recreation	677,612	-	-	1,879	679,491
Cox Field	242,809	-	-	-	242,809
Other	1,838,073	-	-	-	1,838,073
<b>Debt Service</b>					
Principal	158,073	3,157,193	-	-	3,315,266
Interest	28,617	360,552	-	-	389,169
<b>Capital Outlay</b>					
General Government	252,387	-	61,540	-	313,927
Public Safety	870,874	-	-	35,390	906,264
Public Works	941,371	-	172,505	-	1,113,876
Health	216,631	-	-	-	216,631
Cox Field	65,000	-	-	-	65,000
<b>Total Expenditures</b>	<b>28,463,647</b>	<b>3,517,745</b>	<b>234,045</b>	<b>90,968</b>	<b>32,306,405</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,290,970</b>	<b>(1,706,543)</b>	<b>(208,901)</b>	<b>69,721</b>	<b>445,247</b>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2021

Statement 4  
(Continued)

	General	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
GO Refunding Bonds Issued	-	1,765,000	-	-	1,765,000
GO Refunding Bonds Issue Costs	-	(45,492)	-	-	(45,492)
Tax Notes Issued	-	1,115,000	-	-	1,115,000
Tax Notes Issue Costs	-	(36,500)	-	-	(36,500)
Proceeds from Sale of Capital Assets	151,266	-	-	-	151,266
Transfers In	2,751,240	148,844	-	458,248	3,358,332
Transfers Out	(802,211)	(1,078,500)	-	(1,655,072)	(3,535,783)
Total Other Financing Sources (Uses)	2,100,295	1,868,352	-	(1,196,824)	2,771,823
Net Changes in Fund Balances	4,391,265	161,809	(208,901)	(1,127,103)	3,217,070
Fund Balances - Beginning	17,150,077	1,766,863	3,836,182	2,303,377	25,056,499
Prior Period Adjustment	(52,060)	-	-	-	(52,060)
Fund Balances - Ending	<u>\$ 21,489,282</u>	<u>\$ 1,928,672</u>	<u>\$ 3,627,281</u>	<u>\$ 1,176,274</u>	<u>\$ 28,221,509</u>

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

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, 2021

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)	\$ 3,217,070
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(641,661)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(93,924)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	48,171
Accrued interest expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	25,828
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(44,360)
The net change in inventory is a direct adjustment to fund balance in the funds.	
Pension expenses are not reported as expenditures in governmental funds and contributions after the measurement date are deferred.	913,949
OPEB expenses are not reported as expenditures in governmental funds and contributions after the measurement date are deferred.	(112,713)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	360,792
Change in net position of governmental activities (Statement 2).	<u>\$ 3,673,152</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, 2021

Statement 6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 7,689,000	\$ 7,689,000	\$ 7,971,838	\$ 282,838
Sales Taxes	7,363,000	7,363,000	9,196,157	1,833,157
Franchise Taxes	4,238,100	4,238,100	4,253,182	15,082
Hotel Occupancy Taxes	675,000	675,000	881,259	206,259
Licenses and Permits	193,950	193,950	211,668	17,718
Fines and Fees	434,500	434,500	615,721	181,221
Investment Earnings	350,510	350,510	198,965	(151,545)
Sanitation	1,474,250	1,474,250	1,470,237	(4,013)
Health	2,874,000	2,874,000	4,806,996	1,932,996
Intergovernmental Revenues	1,252,802	1,252,802	706,574	(546,228)
Other	194,550	194,550	442,020	247,470
<b>Total Revenues</b>	<b>26,739,662</b>	<b>26,739,662</b>	<b>30,754,617</b>	<b>4,014,955</b>
<b>EXPENDITURES</b>				
General Government				
Council	180,250	210,250	303,662	(93,412)
Manager	388,961	388,961	391,211	(2,250)
Attorney	350,106	350,106	375,252	(25,146)
Municipal Court	236,171	236,171	225,552	10,619
Clerk	152,255	152,255	149,776	2,479
Finance	450,421	450,421	420,880	29,541
<b>Total General Government</b>	<b>1,758,164</b>	<b>1,788,164</b>	<b>1,866,333</b>	<b>(78,169)</b>
Public Safety				
Police	6,981,635	6,581,635	6,885,517	(303,882)
Fire	5,317,088	5,232,088	5,539,275	(307,187)
<b>Total Public Safety</b>	<b>12,298,723</b>	<b>11,813,723</b>	<b>12,424,792</b>	<b>(611,069)</b>
Public Works				
Community Development	1,470,920	1,295,920	610,778	685,142
Engineering	413,554	413,554	365,211	48,343
Public Works	223,673	238,673	238,731	(58)
Parks and Recreation	1,205,650	1,080,650	1,233,703	(153,053)
Sanitation	1,165,350	1,165,350	1,158,445	6,905
Streets and Highways	1,519,574	1,519,574	1,459,577	59,997
Traffic and Public Lighting	497,353	497,353	511,325	(13,972)
Garage	360,021	360,021	355,269	4,752
<b>Total Public Works</b>	<b>6,856,095</b>	<b>6,571,095</b>	<b>5,933,039</b>	<b>638,056</b>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended September 30, 2021

Statement 6  
(Continued)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES (Continued)				
Health	3,045,929	3,415,929	5,415,989	(2,000,060)
Culture and Recreation				
Paris Band	23,050	23,050	17,456	5,594
Library Services	727,331	727,331	660,156	67,175
Total Culture and Recreation	750,381	750,381	677,612	72,769
Other				
Cox Field Airport	323,850	368,850	307,809	61,041
Other	1,700,670	2,025,670	1,838,073	187,597
Total Other	2,024,520	2,394,520	2,145,882	248,638
Total Expenditures	26,733,812	26,733,812	28,463,647	(1,729,835)
Excess (Deficiency) of Revenues Over Expenditures	5,850	5,850	2,290,970	2,285,120
Other Financing Sources (Uses)				
Transfers In	-	-	2,751,240	2,751,240
Transfers Out	-	-	(802,211)	(802,211)
Proceeds from Sale of Assets	-	-	151,266	151,266
Total Other Financing Sources (Uses)	-	-	2,100,295	2,100,295
Net Changes in Fund Balance	5,850	5,850	4,391,265	4,385,415
Fund Balance - Beginning	17,150,077	17,150,077	17,150,077	-
Prior Period Adjustment	-	-	(52,060)	(52,060)
Fund Balance - Ending	\$ 17,155,927	\$ 17,155,927	\$ 21,489,282	\$ 4,333,355

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, 2021

Statement 7

	<u>Water and Sewer Enterprise Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 8,415,336
Restricted Cash and Cash Equivalents	<u>9,848,928</u>
Total Cash and Cash Equivalents	18,264,264
Accounts Receivable, Net	2,743,463
Accrued Interest Receivable	32,709
Inventories	<u>356,270</u>
Total Current Assets	<u>21,396,706</u>
Noncurrent Assets	
Investments	
Construction	39,065,965
Reserve and Contingency	2,934,620
Unrestricted	<u>3,543,244</u>
Total Investments	<u>45,543,829</u>
Water Rights (Net of Accumulated Amortization)	<u>3,206,922</u>
Capital Assets	
Land	339,620
Construction in Progress	37,188,254
Plant, Pumps, and Motors	32,280,368
Distribution System	47,011,375
Collection System	28,300,115
Maintenance Equipment and Vehicles	4,560,328
Furniture and Equipment	2,054,372
Less Accumulated Depreciation	<u>(87,087,446)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>64,646,986</u>
Net Pension Asset	<u>208,823</u>
Total Noncurrent Assets	<u>113,606,560</u>
Total Assets	<u>135,003,266</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources - Asset Retirement Obligation	2,804,300
Deferred Outflows of Resources - Pensions	163,384
Deferred Outflows of Resources - OPEB	<u>47,281</u>
Total Deferred Outflows	<u>3,014,965</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, 2021

Statement 7  
(Continued)

	<u>Water and Sewer Enterprise Fund</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable and Accrued Liabilities	472,274
Accrued Interest Payable	922,743
Customers' Deposits	1,046,359
Bonds Payable - Current Portion	2,345,000
Accrued Compensated Absences - Current Portion	22,277
Unearned Revenue	3,078,369
Total Current Liabilities	<u>7,887,022</u>
Noncurrent Liabilities	
Bonds Payable - Noncurrent Portion	37,343,006
Tax Notes Payable - Noncurrent Portion	43,855,000
Accrued Compensated Absences - Noncurrent Portion	200,496
Asset Retirement Obligation	2,901,000
Net OPEB Liabilities	227,415
Total Noncurrent Liabilities	<u>84,526,917</u>
Total Liabilities	<u>92,413,939</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	378,487
Deferred Inflows Related to OPEB	13,602
Total Deferred Inflows	<u>392,089</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	31,236,956
Unrestricted	<u>13,975,247</u>
Total Net Position	<u><u>\$ 45,212,203</u></u>

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

CITY OF PARIS, TEXAS  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended September 30, 2021

Statement 8

	<u>Water and Sewer Enterprise Fund</u>
Operating Revenues	
Charges for Sales and Services	
Water Sales and Taps	\$ 8,616,650
Sewer Charges and Taps	7,194,829
Sanitation Billing Fees	64,117
Service Charges	183,085
Industrial Surcharges	73,154
Miscellaneous	435,693
Total Operating Revenues	<u>16,567,528</u>
Operating Expenses	
Personnel	3,023,205
Supplies	1,270,174
Contractual	3,607,507
Maintenance	969,731
Sundry Charges	721,515
Bad Debt Expense	20,478
Other	695,425
Depreciation	2,910,029
Amortization of Water Rights	35,632
Amortization of Asset Retirement Obligation	96,700
Total Operating Expenses	<u>13,350,396</u>
Operating Income	<u>3,217,132</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	181,241
Net Increase (Decrease) in the Fair Value of Investments	(232,804)
Gain/(Loss) on Sale of Capital Assets	19,321
Interest Expense	(1,891,147)
Net Nonoperating Revenues (Expenses)	<u>(1,923,389)</u>
Income Before Contributions, Other Revenue, and Transfers	<u>1,293,743</u>
Capital Contributions, Other Revenue, and Transfers	
Transfers In	306,693
Transfers Out	(129,242)
Total Capital Contributions, Other Revenue, and Transfers	<u>177,451</u>
Changes in Net Position	1,471,194
Total Net Position - Beginning	43,803,809
Prior Period Adjustment	<u>(62,800)</u>
Total Net Position - Beginning, as Restated	<u>43,741,009</u>
Total Net Position - Ending	<u><u>\$ 45,212,203</u></u>

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

CITY OF PARIS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2021

Statement 9

	<u>Water and Sewer Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 16,278,467
Other Receipts	3,078,369
Payments to Suppliers, Contractors, and Service Providers	(7,303,474)
Payments to Employees for Salaries and Benefits	<u>(3,194,080)</u>
Net Cash Provided by Operating Activities	<u>8,859,282</u>
Cash Flows from Noncapital Financing Activities	
Transfers In	306,693
Transfers Out	<u>(129,242)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>177,451</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds Received from Sale of Capital Assets	19,321
Acquisition and Construction of Capital Assets	(3,878,537)
Proceeds from Long-Term Debt	46,280,887
Principal Paid on Capital Debt	(2,300,000)
Interest Paid on Capital Debt	<u>(1,540,032)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>38,581,639</u>
Cash Flows from Investing Activities	
Interest on Investments	152,498
Purchases of Investment Securities	(42,131,208)
Maturities of Investments	<u>1,888,279</u>
Net Cash (Used) by Investing Activities	<u>(40,090,431)</u>
Net Increase in Cash and Cash Equivalents	7,527,941
Cash and Cash Equivalents - Beginning	<u>10,736,323</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 18,264,264</u></u>

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

CITY OF PARIS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2021

Statement 9  
(Continued)

	<u>Water and Sewer Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income	<u>\$ 3,217,132</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by (Used in) Operating Activities	
Depreciation	2,910,029
Amortization of Water Rights	35,632
Amortization of Asset Retirement Obligation	96,700
Decrease (Increase) in Accounts Receivable	(284,056)
Decrease (Increase) in Inventory	(99,083)
Decrease (Increase) in Net Pension Asset	(208,823)
Decrease (Increase) in Deferred Outflows of Resources	(2,908,744)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	75,708
Increase (Decrease) in Customers' Deposits	15,473
Increase (Decrease) in Unearned Revenue	3,078,369
Increase (Decrease) in Accrued Compensated Absences	11,730
Increase (Decrease) in Asset Retirement Obligation	2,901,000
Increase (Decrease) in Net Pension Liabilities	(4,054)
Increase (Decrease) in Net OPEB Liabilities	33,779
Increase (Decrease) in Deferred Inflows of Resources	<u>(11,510)</u>
Total Adjustments	<u>5,642,150</u>
Net Cash Provided by Operating Activities	<u><u>\$ 8,859,282</u></u>

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements  
September 30, 2021

**I. Summary of Significant Accounting Policies**

**A. Description of Government-Wide Financial Statements**

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

**B. Reporting Entity**

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

**Discretely Presented Component Unit:** The Paris Economic Development Corporation (PEDC) is a governmental nonprofit corporation established July 19, 1993, funded by a quarter percent sales tax. PEDC was organized exclusively for the purpose of benefiting and accomplishing public purposes of the City 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. PEDC is fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component unit does not qualify for blending because the component services directly benefit the community rather than the City itself. Complete financial statements for PEDC may be obtained at its administrative office at 1125 Bonham Street, Paris, Texas 75460.

**C. Basis of Presentation - Government-Wide Financial Statements**

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

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

**D. Basis of Presentation – Fund Financial Statements**

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (e.g., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (e.g., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Interfund services provided and used are not eliminated in the process of consolidation.

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund, proprietary funds, and library trust fund. The budget for the capital projects fund is legally adopted for specific projects and may exceed one year. Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual, informal budget as a financial plan for all proprietary funds. The library trust fund includes nonbudgeted



CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

F. Budgetary Information (Continued)

1. Budgetary Basis of Accounting (Continued)

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.

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

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

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

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2021, 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, 2021, the City Council approved a transfer of \$785,000 from various departments to other departmental line items. Expenditures exceeded appropriations in the following departments: Council \$93,412, Manager \$2,250, Attorney \$25,146, Police \$303,882, Fire \$307,187, Public Works \$58, Parks and Recreation \$153,053, Traffic and Public Lighting \$13,972, Health \$2,000,060.

G. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. Investments

Investments are reported in the accompanying balance sheet at fair value with changes in fair value being reported as part of investment income. PEDC holds investments in two external investment pools, Texas Class and Lone Star Investments. Both investment pools carry investments at amortized cost, which

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

2. Investments (Continued)

approximates fair value. Investments are priced daily and compared to the carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pools will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005. Participation in external investment pools was voluntary.

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.

In accordance with generally accepted accounting principles, inputs to valuation techniques used to measure fair value are prioritized according to a fair value hierarchy, as follows:

Level I – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level II – Fair values are based on generally indirect information such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III – Fair values are based on inputs other than quoted prices included within Level I that are unobservable and include the City's own assumptions about pricing.

This fair value hierarchy gives the highest priority to Level I inputs and the lowest priority to Level III inputs. The City's investments are classified in Level II of the hierarchy.

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 \$10,000 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.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the date of donation. Infrastructure acquired prior to the implementation of GASB 34 are included in the financial statements.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as an expense during the period incurred.

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

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

6. Capital Leases

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred outflow of resources related to pensions and OPEB. See footnote IV. F. for further information. The City also reports a deferred outflow of resources related to an asset retirement obligation. See footnote IV. O. for further information.

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Equity (Continued)

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

9. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

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

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

H. Revenues and Expenditures/ Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Property Taxes

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

3. Compensated Absences

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2021.

Statement No.		Adoption Required
87	<i>Leases</i>	September 30, 2022
91	<i>Conduit Debt Obligations</i>	September 30, 2023
96	<i>Subscription-Based Information Technology Arrangements</i>	September 30, 2023

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

**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 \$40,391,518 are as follows:

Land	\$ 5,950,108
Construction in Progress	263,364
Buildings	20,556,584
Less: Accumulated Depreciation – Buildings	(10,508,552)
Improvements Other Than Buildings	6,601,672
Less: Accumulated Depreciation – Improvements Other Than Buildings	(4,237,927)
Machinery and Equipment	23,102,816
Less: Accumulated Depreciation – Machinery and Equipment	(18,494,309)
Infrastructure	52,733,342
Less: Accumulated Depreciation – Infrastructure	<u>(35,575,580)</u>
Net Adjustment to Increase Fund Balance – Total Governmental Funds	
to Arrive at Net Position – Governmental Activities	<u>\$ 40,391,518</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 \$15,101,680 difference are as follows:

Bonds Payable	\$ 11,830,000
Plus: Premiums on Bonds Payable (to be Amortized	
Over the Life of the Debt)	110,136
Tax Notes Payable	955,000
Capital Lease	792,453
Accrued Interest	101,226
Compensated Absences	1,162,865
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>\$ 15,101,680</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(641,661) difference are as follows:

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

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

Capital Outlay	\$ 2,206,683
Depreciation Expense	<u>(2,848,344)</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net Position	
Of Governmental Activities	<u>\$ (641,661)</u>

Another element of that reconciliation states that "the net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position." The details of this \$93,924 difference are as follows:

In the statement of activities, only the gain on the sale of assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (118,924)
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Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental fund because they are not financial resources.	<u>25,000</u>
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Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ (93,924)</u>
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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 \$360,792 difference are as follows:

Issuance of Debt	\$ (2,880,000)
Amortization of Premium	12,719
Principal Repayments	<u>3,228,073</u>
Net Adjustment to Increase Net Changes in Fund Balances -	
Total Governmental Funds to Arrive at Changes in Net Position	
of Governmental Activities	<u>\$ 360,792</u>

III. Stewardship, Compliance, and Accountability

Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended September 30, 2021.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

IV. Detailed Notes on All Activities and Funds

A. Cash and Cash Equivalents

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Collateral agreements must be approved prior to deposit of funds as provided by law.

At September 30, 2021, the City had deposits with a carrying amount of \$34,660,384, and the bank's balances were \$36,299,426. 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.

B. Investments

As of September 30, 2021, the City had the following investments:

Type of Security	Fair Value	Credit Rating	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
Primary Government				
Federal Home Loan Mortgage Corporation	\$ 594,828	AA+	6.92	
Federal National Mortgage Association	3,112,419	AA+	5.83	
Certificates of Deposit	97,962	Not Rated	.58	
U.S. Treasury Bills OID	10,999,310		.23	
U.S. Treasury Notes	39,066,289		1.81	
Paris Economic Development Corporation				
Texas Class Investment Pool	2,114,248	AAAm		89
Totals	<u>\$ 55,985,056</u>			

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, fair value of the position of LOGIC is the same as the net asset value of LOGIC shares. LOGIC issues an annual report that can be obtained upon request. The accounts remain open at September 30, 2021. However, the City had a zero balance at year end.

The City invested in Texas Cooperative Liquid Assets Security System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants. Texas CLASS uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the net asset value of Texas CLASS shares. Texas CLASS issues a publicly available annual report that can be obtained at [www.texasclass.com](http://www.texasclass.com).

Interest rate risk is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. The City's investment portfolio is designed with the objective of attaining an acceptable rate of return throughout budgetary and economic cycles and commensurate with the City's investment risk constraints and the cash flow characteristics



CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

B. Investments (Continued)

of the portfolio. The City's investment strategy is active. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the Average Fed Funds rate. No other formal policy related to interest rate risk is included in the City's adopted investment policy.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The City and PEDC reduce the risk of issuer default by limiting investments to those instruments allowed by the Public Funds Investment Act, Chapter 2256, Texas Government Code.

Concentration credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. PEDC's investment balance consists of only externally pooled accounts.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the City's deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized with applicable State law.

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce in value as a result of changes in currency exchange rates. At September 30, 2021, the City was not exposed to foreign currency risk.

C. Accounts Receivable and Payable

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

	General	Debt Service	Nonmajor Governmental Funds	Enterprise
Receivables:				
Interest	\$ 55	\$ -	\$ -	\$ 32,709
Property Taxes	1,170,441	135,203	-	-
Sales Tax	1,553,607	-	-	-
Franchise	551,425	-	-	-
Accounts	202,111	-	916	2,902,585
Street Assessments	26,473	-	-	-
Fines	2,373,924	-	-	-
EMS	3,506,355	-	-	-
Gross Receivables	9,384,391	135,203	916	2,935,294
Less: Allowance for Uncollectibles	(4,643,279)	(33,801)	-	(159,122)
Net Total Receivables	<u>\$ 4,741,112</u>	<u>\$ 101,402</u>	<u>\$ 916</u>	<u>\$ 2,776,172</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

C. Accounts Receivable and Payable (Continued)

Net receivable balances not expected to be collected within one year are Property Taxes - \$708,496, Fines - \$48,133, EMS - \$419,523, and Street Assessments - \$26,473.

At year end, PEDC had a receivable for sales tax of \$310,796. The balance is expected to be collected within one year.

Accounts payable at September 30, 2021, were as follows:

	<u>Accounts</u>	<u>Wages</u>	<u>Totals</u>
Governmental Activities			
General Fund	\$ 636,079	\$ 554,479	\$ 1,190,558
Total – Governmental Activities	<u>\$ 636,079</u>	<u>\$ 554,479</u>	<u>\$ 1,190,558</u>
Business-Type Activities			
Water and Sewer Fund	\$ 365,229	\$ 107,045	\$ 472,274
Total – Business Type Activities	<u>\$ 365,229</u>	<u>\$ 107,045</u>	<u>\$ 472,274</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

D. Capital Assets

Capital assets activity for the year ended September 30, 2021, follows:

	Balance 9/30/20	Additions	Retirements	Balance 9/30/21
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 5,950,108	\$ -	\$ -	\$ 5,950,108
Construction in Progress	6,664,407	258,089	6,659,132	263,364
Total Capital Assets, Not Being Depreciated	12,614,515	258,089	6,659,132	6,213,472
<b>Capital Assets, Being Depreciated</b>				
Buildings	20,525,627	30,957	-	20,556,584
Improvements Other Than Buildings	6,601,672	-	-	6,601,672
Machinery and Equipment	22,317,003	1,882,320	1,096,507	23,102,816
Infrastructure	46,013,893	6,719,449	-	52,733,342
Total Capital Assets, Being Depreciated	95,458,195	8,632,726	1,096,507	102,994,414
<b>Less Accumulated Depreciation for</b>				
Buildings	10,028,641	479,911	-	10,508,552
Improvements Other Than Buildings	3,937,205	300,722	-	4,237,927
Machinery and Equipment	18,532,486	939,406	977,583	18,494,309
Infrastructure	34,447,275	1,128,305	-	35,575,580
Total Accumulated Depreciation	66,945,607	2,848,344	977,583	68,816,368
Total Capital Assets, Being Depreciated, Net	28,512,588	5,784,382	118,924	34,178,046
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 41,127,103</b>	<b>\$ 6,042,471</b>	<b>\$ 6,778,056</b>	<b>\$40,391,518</b>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

D. Capital Assets (Continued)

	Balance 9/30/20	Additions	Retirements	Balance 9/30/21
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 339,620	\$ -	\$ -	\$ 339,620
Construction in Progress	33,953,797	3,234,457	-	37,188,254
Total Capital Assets, Not Being Depreciated	34,293,417	3,234,457	-	37,527,874
Capital Assets, Being Depreciated				
Plant, Pumps, and Motors	32,127,793	152,575	-	32,280,368
Distribution System	47,011,375	-	-	47,011,375
Collection System	28,300,115	-	-	28,300,115
Maintenance Equipment and Vehicles	4,421,499	491,505	352,676	4,560,328
Furniture and Equipment	2,054,372	-	-	2,054,372
Total Capital Assets, Being Depreciated	113,915,154	644,080	352,676	114,206,558
Less Accumulated Depreciation for				
Plant, Pumps, and Motors	26,385,521	650,877	-	27,036,398
Distribution System	31,596,141	1,417,771	-	33,013,912
Collection System	21,186,961	560,157	-	21,747,118
Maintenance Equipment and Vehicles	3,741,887	221,382	352,676	3,610,593
Furniture and Equipment	1,619,583	59,842	-	1,679,425
Total Accumulated Depreciation	84,530,093	2,910,029	352,676	87,087,446
Total Capital Assets, Being Depreciated, Net	29,385,061	(2,265,949)	-	27,119,112
Business-Type Activities, Capital Assets, Net	63,678,478	968,508	-	64,646,986
Intangible Asset – Water Rights	4,113,119	-	-	4,113,119
Less Accumulated Amortization	870,565	35,632	-	906,197
Total Intangible Asset - Water Rights, Net	3,242,554	(35,632)	-	3,206,922
Business-Type Activities, Capital and Intangible Assets, Net	\$66,921,032	\$ 932,876	\$ -	\$67,853,908

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

D. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 115,512
Public Safety	671,392
Public Works, Including Depreciation of General Infrastructure Assets	1,596,215
Health	212,787
Culture and Recreation	120,598
Cox Field Airport	<u>131,840</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,848,344</u>
Business-Type Activities	
Water and Sewer	<u>\$ 2,910,029</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 2,910,029</u>

E. Deferred Compensation Plan

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

F. Employee Retirement Systems and Plans

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

1. Texas Municipal Retirement System

Plan Description

The City of Paris participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. The plan financial statements are prepared using the accrual basis of accounting. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's retirement benefits are calculated based the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. Employees may choose to receive their retirement benefit in one of seven payments options. Employees may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments calculated using the retiree life only option, but this lump sum cannot exceed 75% of the member's contributions and interest.

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit is granted when joining TMRS. It includes a monteartry credit equal to the accumulated value of the percentage of prior service credit selected by the City (from 10% to 100%), multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by that city before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City. Current service credit is a monetary credit for service performed by an employee and is based on a percent (100%, 150%, or 200%) of the employee's total contributions and interest credits (commonly referred to as the City's Matching Ratio). The City designates the rate of their employee contributions (5%, 6%, or 7% of gross compensation) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. A change in the City's matching ratio is applied prospectively. Updated service credit is an optional monetary credit that the City may grant annually or on an ad hoc or repeating basis, and it may increase an employee's monthly retirement benefit. In calculating the updated service credit, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although the updated service credit may increase the employee's retirement benefit, the updated service credit does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

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

	<u>Plan Year 2020</u>
Employee Deposits Rate	6%
Matching Ratio (City to Employee)	2 to 1
A Member is Vested After	5 Years
Service Retirement Eligibility (Expressed As Age/Years of Service)	60/5, 0/20
Updated Service Credit	0%
Annuity Increase to (Retirees)	0% of CPI

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Employees Covered by Benefit Terms

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	236
Inactive Employees Entitled to but not yet Receiving Benefits	157
Active employees	<u>234</u>
Total	<u><u>627</u></u>

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.18% and 6.78% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$809,036 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. For calculating the actuarial liability and the retirement contribution rates, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100%. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0	1.25
Non-Core Fixed Income	20.0	4.14
Real Return	10.0	3.85
Real Estate	10.0	4.00
Absolute Return	10.0	3.48
Private Equity	10.0	7.75
Total	<u>100.0%</u>	



CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Discount Rate

A single discount rate of 6.75% was used to measure the Total Pension Liability as of December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows the city's fiduciary net position and future contributions were sufficient to finance the future benefit payments of current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. The projection of cash flows used to determine the single discount rate for the city assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the city will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals.

Net Pension Liability and Changes in the Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 12/31/2019	\$ 65,630,277	\$65,605,580	\$ 24,697
Changes for the year:			
Service Cost	1,184,350	-	1,184,350
Interest	4,344,087	-	4,344,087
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(321,817)	-	(321,817)
Changes of Assumptions	-	-	-
Contributions – Employer	-	852,067	(852,067)
Contributions – Employee	-	712,034	(712,034)
Net Investment Income	-	4,972,797	(4,972,797)
Benefit Payments, Including Refunds of Employee Contributions	(3,731,229)	(3,731,229)	-
Administrative Expense	-	(32,223)	32,223
Other Changes	-	(1,257)	1,257
Net Changes	1,475,391	2,772,189	(1,296,798)
Balance at 12/31/2020	\$ 67,105,668	\$68,377,769	\$ (1,272,101)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

1. Texas Municipal Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's Net Pension Liability (Asset)	\$6,842,820	\$(1,272,101)	\$(8,051,758)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$(513,056).

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience (Net of Current Year Amortization)	\$ -	\$ 366,155
Changes in Actuarial Assumptions	-	48,455
Differences Between Projected and Actual Investment Earnings (Net of Current Year Amortization)	-	1,856,729
Contributions Subsequent to the Measurement Date	600,218	-
Total	<u>\$ 600,218</u>	<u>\$ 2,271,339</u>

\$600,218 reported as deferred outflows of resources, related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions, will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2022	\$ (931,772)
2023	(70,589)
2024	(1,160,094)
2025	(108,884)
Thereafter	-
	<u>\$ (2,271,339)</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund

Plan Description

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

Eligibility

The plan covers current and former firefighters of the City of Paris, Texas, as well as certain beneficiaries. The City of Paris contributes 14% 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 plan at a rate of 16% 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 make contributions to the plan.

The fund was established August 28, 1941, and was most recently amended effective August 31, 2019.

Contributions

The City's annual required contribution to the plan for fiscal year 2021 was based on a payroll of \$3,009,497 and amounted to \$421,330. Covered employees made contributions of \$481,520.

Employees Covered by Benefit Terms

At the December 31, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	8
Active employees	48
Total	<u>96</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Service Retirement Disability and Death Benefits

A member is eligible for service retirement upon the earlier of (a) the completion of 20 years of service and attainment of age 55 or (b) the date as of which the sum of the member's age and service equals 80 provided the member has completed 20 years of service. A member who retires under the service retirement provisions of the fund will 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. In lieu of the normal form of benefit, a member may elect at the time of his/her retirement to receive a modified monthly amount payable under one of several optional forms of payment. An active member will qualify for a disability benefit if he/she becomes disabled for either physical or mental reasons. If a member dies while in active service, his/her widow(er) will receive an immediate monthly benefit, payable for his/her lifetime.

Actuarial Methods and Assumptions

The actuarial valuation date used to determine the total pension liability for the year ended September 30, 2021, and the most current available information required for disclosure under GASB Statement No. 67 is based on an actuarial valuation as of December 31, 2020. The actuarial cost method used in the December 31, 2020, valuation is the entry age service actuarial cost method. This method is also referred to as the entry age actuarial cost method under the terminology developed by the Joint Committee on Pension Terminology. There has been no change in the actuarial cost method since the last actuarial valuation.

The assumed rate of return was developed using both the plan's historical rates of return and expected future rates of return. Rate of return experience studies have been performed in connection with the plan's valuations.

The demographic assumptions were chosen based on expected future rates of retirement, mortality, disability, and termination. Mortality was taken from published studies and was updated to reflect expected future improvement. Retirement and salary increase rates were developed based on the plan's own experience. Disability and termination rates were based on published rates, adjusted as necessary, to conform to the plan's own experience.

Both economic and demographic assumptions were further tested through the calculation of the plan's aggregate experience with respect to both demographic decrements and economic assumptions.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

Net Pension Liability and Changes in the Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 12/31/2019	\$ 15,392,226	\$ 4,497,794	\$ 10,894,432
Changes for the year:			
Service Cost	263,769	-	263,769
Interest	1,098,206	-	1,098,206
Experience	-	-	-
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	125,175	-	125,175
Changes of Assumptions	-	-	-
Contributions – Employer	-	388,839	(388,839)
Contributions – Employee	-	444,388	(444,388)
Net Investment Income	-	482,463	(482,463)
Benefit Payments, Including Refunds of Employee Contributions	(1,016,641)	(1,016,641)	-
Administrative Expense	-	(25,739)	25,739
Other Changes	-	-	-
Net Changes	470,509	273,310	197,199
Balance at 12/31/2020	\$ 15,862,735	\$ 4,771,104	\$ 11,091,631

The following presents the net pension liability of the Paris Firefighters' Relief and Retirement Fund, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Net Pension Liability	\$12,795,460	\$11,091,631	\$9,661,244

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$612,942.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

F. Employee Retirement Systems and Plans (Continued)

2. Firefighters' Relief and Retirement Fund (Continued)

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

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience	\$ -	\$ 506,147
Changes in Actuarial Assumptions	886,854	-
Difference Between Projected and Actual Investment Earnings	-	251,877
Contributions Subsequent to the Measurement Date	327,379	-
Total	<u>\$ 1,214,233</u>	<u>\$ 758,024</u>

\$327,379 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions, will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2022	\$ (48,586)
2023	48,105
2024	(81,760)
2025	(18,716)
2026	58,579
Thereafter	171,208
Total	<u>\$ 128,830</u>

G. Other Post Employment Benefit (OPEB) Obligations

1. Supplemental Death Benefits Fund

Plan Description

The City also participates in the single-employer defined benefit program, which operates like a group-term life insurance plan, operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). SDBF covers both active and retiree participants with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

1. Supplemental Death Benefits Fund (Continued)

Benefits

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). The death benefit for retirees is considered an "other post-employment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>234</u>
Total	<u><u>458</u></u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF 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.

Employees of the City were not required to contribute to the OPEB plan during the fiscal year. The contribution rates for the City were 0.25% and 0.36% of gross earnings in calendar year 2020 and 2021. The City's contributions to TMRS SDBF for the year ended September 30, 2021 were \$39,141 and were equal to the required contributions.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

1. Supplemental Death Benefits Fund (Continued)

Changes in the OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2019	\$ 1,179,707
Changes for the year:	
Service Cost	42,722
Interest	32,883
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(34,781)
Changes of Assumptions	175,630
Contributions – Employer	-
Contributions – Employees	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(10,681)
Administrative Expense	-
Other Changes	-
Net Changes	205,773
Balance at 12/31/20	\$ 1,385,480

The following presents the total SDBF OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total SDBF OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate 1.00%	Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
Net Pension Liability	\$1,677,266	\$1,385,480	\$1,157,846

Supplemental Death Benefits Fund Net Position

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



CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

1. Supplemental Death Benefits Fund (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2021, the City recognized OPEB expense in the amount of \$133,932.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience (Net of Current Year Amortization)	\$ -	\$ 56,031
Changes in Actuarial Assumptions	256,189	26,855
Differences Between Projected and Actual Investment Earnings (Net of Current Year Amortization)	-	-
Contributions Subsequent to the Measurement Date	31,870	-
Total	<u>\$ 288,059</u>	<u>\$ 82,886</u>

\$31,870 reported as deferred outflows of resources related to SDBF OPEB resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions, will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2022	\$ 57,861
2023	43,327
2024	52,166
2025	19,949
2026	-
Thereafter	-
Total	<u>\$ 173,303</u>

2. City of Paris Retiree Health Care Plan

Plan Description

The City has in effect a single employer plan (the 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 Plan covers retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB). The Plan issues a stand-alone financial report.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

2. City of Paris Retiree Health Care Plan (Continued)

Benefits

Retiree health benefits are available to all retirees who meet the definition of a retiree as set for by City ordinance. Retirees are responsible for the full cost of their retiree health benefits. Retirees who meet certain conditions are eligible for a monthly subsidy from the City toward the purchase of health care coverage until the retiree becomes age 65. Retirees are able to remain on the City group health insurance plan until the retiree reaches age 65 or becomes eligible for Medicare coverage. Retiree premiums are 1.95 times the rates for active employees. Retiree health benefits are available to spouses and eligible dependents of retirees. All costs for dependents are paid by the retiree if they have them. The City will provide a monthly subsidy to eligible retirees who purchase medical coverage either through the City group insurance plan or from an alternate provider. The cost of coverage for the retiree will be reimbursed up to a maximum amount set by the City with the balance paid by the retiree. Effective January 1, 2020, the maximum amount of the monthly subsidy is \$565.

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by benefit terms:

Inactive Retirees or Beneficiaries Currently Receiving Benefits	11
Inactive, Nonretired Members	-
Active employees	<u>79</u>
Total	<u><u>90</u></u>

Contributions

The City's contributions are financed on a pay-as-you-go basis. For the year ended September 30, 2021, the contributions were approximately \$83,492.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

2. City of Paris Retiree Health Care Plan (Continued)

Changes in the OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2019	\$ 1,620,789
Changes for the year:	
Service Cost	45,329
Interest	44,410
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(10,649)
Changes of Assumptions	68,964
Contributions – Employer	-
Contributions – Employees	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(57,093)
Administrative Expense	-
Other Changes	-
Net Changes	90,961
Balance at 12/31/20	\$ 1,711,750

The following presents the total Plan OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total Plan OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate 1.00%	Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
Net OPEB Liability	\$1,805,546	\$1,711,750	\$1,620,124

The following presents the Plan's total OPEB liability, calculated using the assumed trend rates as well as what the Plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	\$1,573,968	\$1,711,750	\$1,864,530

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) Obligations (Continued)

2. City of Paris Retiree Health Care Plan (Continued)

OPEB Plan Net Position

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2021, the City recognized OPEB expense in the amount of \$83,492.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience (Net of Current Year Amortization)	\$ -	\$ 127,449
Changes in Actuarial Assumptions	152,311	18,752
Contributions Subsequent to the Measurement Date	<u>63,679</u>	<u>-</u>
Total	<u>\$ 215,990</u>	<u>\$ 146,201</u>

\$63,679 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions, will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2022	\$ 2,014
2023	2,014
2024	(4,322)
2025	2,704
2026	3,700
Thereafter	-
Total	<u>\$ 6,110</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

H. Water Sales and Commitments

1. Water Sales

The City has contracts extending for several years to sell treated and untreated water to six entities. Total water sales under these contracts to these entities during the year ended September 30, 2021, were approximately \$3,024,113.

2. Construction Commitments

The City has active construction projects as of September 30, 2021. 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	\$ 26,952,773	\$ 1,216,540
Total	<u>\$ 26,952,773</u>	<u>\$ 1,216,540</u>

3. Water Storage Commitment

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

4. Civic Center Contract Commitment

The City is a party to a contract with the Chamber of Commerce of Lamar County, Inc. whereby three-sevenths of the hotel/motel tax is to be dedicated to a fund to be used for improving, enlarging, equipping, repairing, operating, or maintaining a civic center. The contract provides that the Chamber of Commerce of Lamar County, Inc. will operate the civic center through September 30, 2021, 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.

5. Interlocal Cooperative Agreement

During the year, the City participated in an interlocal cooperative agreement with the Sulphur River Regional Mobility Authority. The City's payments are to assist in funding completion of approximately 10.4 miles of four-lane divided highway in Delta County, Texas. The City considers this a cost sharing arrangement, accordingly, debt payments are not included in long-term liabilities. Annual payments of \$100,827 include principal and interest at 3.68% beginning March 29, 2013, through March 29, 2024. The City is required to establish a sinking fund and to levy and collect property tax. The balance outstanding at September 30, 2021 is \$283,307.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

H. Water Sales and Commitments (Continued)

6. Other Commitments - PEDC

American SpiralWeld - On October 1, 2018, the Board of Directors reached an incentive agreement with American SpiralWeld Pipe Company, LLC. PEDC will invest up to \$4,700,000 in cash, land, and improvements in connection with a new manufacturing facility, job creation, and employment retention. The remaining balance is estimated to be \$1,000,000.

Huhtamaki – On September 17, 2019, the Board of Directors reached a performance agreement with Huhtamaki providing that upon the retention of jobs, PEDC will provide funds to help establish the rail spur from the north/south rail to the Huhtamaki plant. The remaining balance is estimated to be \$102,000.

Metro Gate – On January 22, 2021, the Board reached a performance agreement with Metro Gate and Manufacturing Company, Inc. PEDC will provide \$120,000 for the creation of 40 full-time employees paid out in installments over 5 years and \$40,000 for expected capital expenditures for a total of \$160,000. The remaining balance is estimated to be \$120,000.

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage from commercial insurers and participates in risk pools to limit risk of loss in these areas. The risk pools maintain adequate protection from catastrophic losses to protect their financial integrity. Aggregate protection is also maintained to ensure that the City shall at no time be assessed. The City's contributions are limited to the rates calculated under the agreement. There has been no significant reduction in insurance coverage during the year ended September 30, 2021. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

J. Capital Leases

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

Capital Lease Equipment, at Cost	\$ 617,114
Less: Accumulated Amortization	<u>348,241</u>
Capital Lease Equipment, Net	<u>\$ 268,873</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

J. Capital Leases (Continued)

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2021, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 72,353
2023	72,353
2024	72,353
2025	72,353
Total Minimum Lease Payments	289,412
Less: Amount Representing Interest	(20,539)
Present Value of Net Minimum Lease Payments	268,873
Less: Current Maturities of Capital Lease Obligation	(64,285)
Long-Term Portion of Capital Lease Obligation	<u>\$ 204,588</u>

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

Capital Lease Equipment, at Cost	\$ 975,185
Less: Accumulated Amortization	451,689
Capital Lease Equipment, Net	<u>\$ 523,496</u>

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2021, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 114,337
2023	114,337
2024	114,337
2025	114,337
2026	114,337
Total Minimum Lease Payments	571,685
Less: Amount Representing Interest	(48,189)
Present Value of Net Minimum Lease Payments	523,496
Less: Current Maturities of Capital Lease Obligation	(98,628)
Long-Term Portion of Capital Lease Obligation	<u>\$ 424,868</u>

K. Long-Term Liabilities

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

K. Long-Term Liabilities (Continued)

are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

\$4,505,000 General Obligation Refunding Bonds, Series 2012, due in annual installments varying from \$395,000 to \$405,000 with final payment due December 14, 2021. On December 18, 2012, the City issued this series bearing interest of 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.

\$9,750,000 General Obligation Bonds, Series 2017, due in annual installments varying from \$405,000 to \$635,000 with final payment due June 15, 2037. On July 17, 2017, the City issued this series bearing interest ranging from 2.125% to 3.0%. On December 15, 2027, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. The bonds were issued at a premium to provide funds to pay the costs of construction, improving, extending, expanding, upgrading and developing streets and roads, bridges and intersections including, utility relocation, landscaping, sidewalks, traffic safety and operational improvements, the purchase of any necessary right-of-way, drainage, and other related costs, and improving and equipping parks, trails and recreational facilities.

\$2,900,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, due in annual installments varying from \$150,000 to \$165,000 with final payment due June 15, 2032. Interest is payable semi-annually at rates ranging from 0.56% to 1.45%. On June 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued to provide funds to pay the costs of improving the potable water distribution system and related costs. The certificates are also secured by a pledge of net revenues of the water works and sewer system. In addition to the purchase of these bonds by the Texas Water Development Board, the City received \$500,778 in connection with a loan forgiveness program. The bonds are reported as obligations of the Enterprise Fund.

\$33,925,000 General Obligation Bonds, Series 2013, due in annual installments varying from \$1,730,000 to \$2,850,000 with final payment due December 15, 2032. Interest is payable semi-annually at rates ranging from 4.0% to 5.0%. On December 15, 2023, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued August 15, 2014, at a premium for the purpose of replacing and extending water distribution lines and sewer collection lines and making repairs necessitated by the replacement. Voters of the issuer approved the issuance of \$45,000,000 in tax bonds. The bonds are reported as obligations of the Enterprise Fund.

\$8,780,000 General Obligation Bonds, Series 2016, due in annual installments varying from \$355,000 to \$550,000 with final payment due December 15, 2036. Interest is payable semi-annually at rates ranging from 3.0% to 4.0%. On December 15, 2026, or any date thereafter, the outstanding bonds may be redeemed prior to their scheduled maturities at the City's option. These bonds were issued December 1, 2016, at a premium for the purpose of constructing and acquiring improvements and equipping the City's waterworks and sewer system and for replacing and extending water distribution lines and sewer collection lines and construction repairs to streets and drainage infrastructure necessitated by such water and sewer line construction. Voters approved the issuance of \$45,000,000 in tax bonds. The bonds are reported as obligations of the Enterprise Fund.



CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

K. Long-Term Liabilities (Continued)

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

\$1,390,000 General Obligation Bonds, Series 2018, due in annual installments varying from \$130,000 to \$220,000 with final payment due June 15, 2028. Interest is payable semi-annually at 2.59%. The principal installments of this bond are not subject to redemption prior to maturity. These bonds were issued May 1, 2018, in the amount of \$1,200,000 for the purpose of constructing and acquiring improvements and equipping the City's waterworks and sewer system and for replacing and extending water distribution lines and sewer collection lines and construction repairs to streets and drainage infrastructure necessitated by such water and sewer line construction and in the amount of \$190,000 to pay the costs of construction, improving, extending, expanding, upgrading and developing streets and roads, bridges and intersections including, utility relocation, landscaping, sidewalks, traffic safety and operational improvements, the purchase of any necessary right-of-way, drainage and other related costs. The bonds are reported as Enterprise Fund debt and General Obligation debt.

\$1,500,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020, due in annual installments varying from \$140,000 to \$165,000 with final payment due June 15, 2030. Interest is payable semi-annually at 1.95%. The certificates of this series are not subject to redemption prior to maturity. These bonds were issued February 1, 2020 for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with the renovation, repair and other improvement of the City's Love Civic Center and paying legal, fiscal and engineering fees in connection with such projects. The bonds are reported as General Obligation debt.

\$1,115,000 Tax Notes, Series 2020, due in annual installments varying from \$160,000 to \$195,000 with final payment due June 15, 2026. Interest is payable semi-annually at 1.05%. The principal installments of this note are not subject to redemption prior to maturity. The note was issued November 1, 2020 for the purpose of paying contractual obligations incurred or to be incurred for the construction of any public work, for the purchase of materials, supplies, equipment, machinery, buildings, lands and right-of-way for the City's authorized needs and purposes, and to pay costs of professional services. The note is reported as General Obligation debt.

\$1,765,000 General Obligation Refunding Bonds, Series 2020, due in annual installments varying from \$180,000 to \$210,000 with final payment due December 15, 2029. Interest is payable semi-annually at 1.24%. On December 15, 2020, the City issued this series to refund Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2010 (\$3,005,000) bearing interest ranging from 3.0% to 4.2%. The net proceeds of \$1,772,711 (after payment of various fees, outstanding principal balance, and accrued interest) were deposited in the Old Paying Agent account to refund the Refunding Bonds on the Redemption Date in accordance with the Deposit Agreement. The issuance of the bonds produced a present value debt service savings of \$188,730 and an actual debt service savings of \$201,195. The bonds are reported as General Obligation Debt.

\$43,855,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 2021, due in annual installments varying from \$620,000 to \$2,160,000 with final payment due on December 15, 2050. Interest is payable semi-annually at rates ranging from 2.0% to 5.0%. On December 15, 2030, or any date thereafter, the certificate may be redeemed prior to their scheduled maturities at the City's option. The bonds were issued on May 12, 2021, at a premium for the purpose of refurbishment of portions of the existing waste water treatment plant as needed in connection with the construction of a new waste water treatment plant. Voters approved the issuance of \$46,065,000 in tax bonds. The bonds are reported as obligations of the Enterprise Fund.

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

K. Long-Term Liabilities (Continued)

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

The ordinances require that property taxes be levied and collected at a rate sufficient to pay principal and interest as they come due. They also require that these funds be placed in special interest and sinking funds created solely for the benefit of the obligations. At September 30, 2021, the fund balances in the Interest and Sinking Funds are \$1,928,672.

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.

A summary of long-term liability transactions for the year ended September 30, 2021, follows:

	Balance September 30, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
<b>Governmental Activities</b>					
Debt Payable					
Bonds Payable	\$ 12,975,000	\$ 1,765,000	\$ 2,910,000	\$ 11,830,000	\$ 1,225,000
Tax Notes Payable	-	1,115,000	160,000	955,000	185,000
Premium	122,856	-	12,719	110,137	-
Capital Leases	950,526	-	158,073	792,453	162,913
Total Debt Payable	14,048,382	2,880,000	3,240,792	13,687,590	1,572,913
Compensated Absences	1,118,504	742,958	698,598	1,162,864	116,287
Landfill Post-Closure Care Costs	150,000	-	-	150,000	-
Governmental Activities Long-Term Liabilities	<u>\$ 15,316,886</u>	<u>\$ 3,622,958</u>	<u>\$ 3,939,390</u>	<u>\$ 15,000,454</u>	<u>\$ 1,689,200</u>
<b>Business-Type Activities</b>					
Debt Payable					
Bonds Payable	\$ 38,875,000	\$ -	\$ 2,300,000	\$ 36,575,000	\$ 2,345,000
Tax Notes Payable	-	43,855,000	-	43,855,000	-
Premium	794,492	2,425,887	107,373	3,113,006	-
Total Debt Payable	39,669,492	46,280,887	2,407,373	83,543,006	2,345,000
Compensated Absences	211,043	186,856	175,126	222,773	22,277
Business-Type Activities Long-Term Liabilities	<u>\$ 39,880,535</u>	<u>\$ 46,467,743</u>	<u>\$ 2,582,499</u>	<u>\$ 83,765,779</u>	<u>\$ 2,362,277</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

K. Long-Term Liabilities (Continued)

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

	Balance September 30, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
<b>Component Unit</b>					
Note Payables	\$ 1,557,394	\$ -	\$ 335,640	\$ 1,221,754	\$ 104,446
<b>Component Unit</b>					
Long-Term Liabilities	\$ 1,557,394	\$ -	\$ 335,640	\$ 1,221,754	\$ 104,446

For governmental activities, pension-related debt and compensated absences are liquidated by the general fund.

Advance Refunding

The City issued \$1,765,000 in general obligation bonds with an interest rate of 1.24%. The proceeds were used to advance refund \$1,740,000 of outstanding 2010 Combination Tax and Revenue Certificates of Obligation which had interest rates ranging from 3.0% to 4.2%.

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		PEDC	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,410,000	\$ 296,074	\$ 2,345,000	\$ 2,942,296	\$ 104,446	\$ 44,377
2023	935,000	269,466	3,655,000	2,645,865	108,461	40,363
2024	955,000	249,868	4,440,000	2,460,311	112,238	37,113
2025	980,000	229,759	4,650,000	2,249,651	116,284	33,593
2026	995,000	209,168	3,530,000	2,072,538	120,915	28,962
2027-2031	3,960,000	761,338	18,530,000	8,147,963	446,065	83,704
2032-2036	2,915,000	344,423	14,910,000	4,282,544	213,345	11,217
2037-2041	635,000	18,098	8,840,000	2,641,768	-	-
2042-2046	-	-	9,215,000	1,721,875	-	-
2047-2051	-	-	10,315,000	618,725	-	-
<b>Totals</b>	<b>\$12,785,000</b>	<b>\$2,378,194</b>	<b>\$80,430,000</b>	<b>\$29,783,536</b>	<b>\$1,221,754</b>	<b>\$279,329</b>

PEDC has an outstanding \$697,000, Note Payable, issued November 27, 2018, due in monthly installments of \$5,086 through May 27, 2027, bearing an interest rate of 3.75%. At September 30, 2021, the balance of the Note Payable was \$349,386.

PEDC has an outstanding \$1,000,000, Note Payable, issued March 5, 2019, due in monthly installments of \$7,316 through March 27, 2034, bearing an interest rate of 3.75%. At September 30, 2021, the balance of the Note Payable was \$872,368.

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

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

**L. Interfund Transfers**

During the year ended September 30, 2021, the City made transfers from the Water and Sewer fund to the Debt Service fund of \$99,921 to make debt service payments. The City also made a transfer from the Special Revenue fund to the General Fund related to reclassification of funds. The City also made a transfer of bond proceeds from the Debt Service fund to the General fund of \$1,078,000. Other minor transfers were made between funds making up transfers of:

	General	Debt Service	Other Governmental	Water and Sewer	Transfers Out
General	\$ -	\$ 48,923	\$ 446,595	\$306,693	\$ 802,211
Debt Service	1,078,500	-	-	-	1,078,500
Other Governmental	1,643,419	-	11,653	-	1,655,072
Water and Sewer	29,321	99,921	-	-	129,242
Transfers In	<u>\$ 2,751,240</u>	<u>\$ 148,844</u>	<u>\$ 458,248</u>	<u>\$306,693</u>	<u>\$3,665,025</u>

**M. Restricted Net Position and Restricted Asset Accounts**

In order to safeguard the financial integrity of the water and sewer system, the City Council approved a resolution establishing and maintaining funds comparable to those required by the revenue bonds refunded in 2010. At September 30, 2021, these accounts, shown as cash and investments on the Statement of Net Position – Proprietary Funds, are as follows:

Reserve Fund	\$ 8,321,837
Contingency Fund	1,929,727

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
Grants Receivable	\$ -	\$ -	\$ 403,240
Lake Crook	3,811	-	-
Contingency	1,381,976	547,751	-
Loan	35,333	-	-
Bond Reserves and Sinking Funds	5,934,968	2,386,869	-
Construction	2,988,522	39,286,919	-
Other	392,966	-	-
Total Restricted Assets	<u>\$ 10,737,576</u>	<u>\$ 42,221,539</u>	<u>\$ 403,240</u>

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

N. Related Party

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

O. Contingent Liabilities

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

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

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The U.S. Environmental Protection Agency and the Texas Commission on Environmental Quality regulates wastewater utility system closure and post closure requirements. Environmental engineers calculated the asset retirement obligation based on the estimated current cost of remediation and removal of the contamination and contaminated sludge and dirt in the wastewater treatment facilities. The estimated liability of the legally required closure costs for the wastewater utility system was estimated as of September 30, 2021 to be \$2,901,000. The estimated remaining wastewater utility system life is 30 years. The actual cost of closure and post closure may be higher due to inflation, changes in technology, or changes in wastewater utility system laws and regulations. At September 30, 2021, there were no assets restricted to pay this liability.

P. Tax Abatements

As of September 30, 2021, the City provides tax abatements through two programs-Industrial and Residential:

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

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

Tax Abatement Program  
Industrial Incentives

Amount of Taxes Abated 2020-21  
\$ 1,256,201

CITY OF PARIS, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2021

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

Q. Prior Period Adjustment

During fiscal year 2021, the City determined that an adjustment was necessary to the adjust revenue and expenses that should have been recorded in the prior fiscal year. The prior period adjustment totaled \$52,060 for governmental funds and \$62,800 for proprietary funds. The restated beginning fund balance for governmental funds and net position for proprietary funds is \$17,098,017 and \$43,741,009, respectively. The restated net position for governmental activities is \$36,994,500.

R. Subsequent Event

In December 2021, the City approved a note with Paris Economic Development Corporation in the amount in the amount of \$2,500,000. The initial interest rate is 2.14% paid monthly and will be adjusted every 36 months, never falling below 2.0%, with a maturity date of December 27, 2031.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARIS, TEXAS  
Required Supplementary Information  
Texas Municipal Retirement System -  
Schedule of Changes in Net Pension Liability and Related Ratios  
Year Ended September 30, 2021

	Plan Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service Cost	\$ 1,184,350	\$ 1,233,792	\$ 1,198,978	\$ 1,192,255	\$ 1,190,613	\$ 1,084,666
Interest	4,344,087	4,233,112	4,092,798	3,952,930	3,826,176	3,718,773
Changes in Benefit Terms	(321,817)	(260,390)	(118,708)	19,208	(211,467)	1,615,467
Differences Between Expected and Actual Experience	-	(110,977)	-	-	-	(159,282)
Changes in Assumptions	(3,731,229)	(3,122,282)	(3,101,195)	(3,090,075)	(2,766,533)	(2,741,148)
Benefit Payments, Including Refunds of Employee Contributions	1,475,391	1,973,255	2,071,873	2,074,318	2,038,789	3,518,476
Net Change in Total Pension Liability	65,630,277	63,657,022	61,585,149	59,510,831	57,472,042	53,953,566
Total Pension Liability - Beginning	\$ 67,105,668	\$ 65,630,277	\$ 63,657,022	\$ 61,585,149	\$ 59,510,831	\$ 57,472,042
Total Pension Liability - Ending						
						\$ 721,733
						667,048
						3,031,103
						(2,632,638)
						(31,651)
						(2,602)
						1,752,993
						52,993,473
						\$ 54,746,466
						\$ 53,411,162
						\$ 4,060,880
						\$ (792,900)
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 852,067	\$ 845,646	\$ 825,989	\$ 817,914	\$ 669,501	\$ 700,159
Contributions - Employee	712,034	730,054	705,973	704,087	701,189	676,545
Net Investment Income	4,972,797	8,988,070	(1,845,475)	7,698,497	3,607,913	80,774
Benefit Payments, Including Refunds of Employee Contributions	(3,731,229)	(3,122,282)	(3,101,195)	(3,090,075)	(2,766,533)	(2,741,148)
Administrative Expense	(32,223)	(50,855)	(35,702)	(39,921)	(40,766)	(49,204)
Other	(1,257)	(1,527)	(1,865)	(2,023)	(2,196)	(2,430)
Net Change in Plan Fiduciary Net Position	2,772,189	7,389,106	(3,452,275)	6,088,479	2,169,108	(1,335,304)
Plan Fiduciary Net Position - Beginning	65,605,580	58,216,474	61,668,749	55,580,270	53,411,162	54,746,466
Plan Fiduciary Net Position - Ending	\$ 68,377,769	\$ 65,605,580	\$ 58,216,474	\$ 61,668,749	\$ 55,580,270	\$ 53,411,162
City's Net Pension Liability (Asset) - Ending	\$ (1,272,101)	\$ 24,697	\$ 5,440,548	\$ (83,600)	\$ 3,930,561	\$ 4,060,880
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.90%	99.96%	91.45%	100.14%	93.40%	92.93%
Covered Payroll	\$ 11,867,235	\$ 12,167,574	\$ 11,766,222	\$ 11,734,791	\$ 11,684,128	\$ 11,203,172
City's Net Pension Liability as a Percentage of Covered Payroll	-10.72%	0.20%	46.24%	-0.71%	33.64%	36.25%
						-7.09%

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



CITY OF PARIS, TEXAS  
Required Supplementary Information  
Texas Municipal Retirement System -  
Schedule of City Pension Contributions  
Year Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Fiscal Year Contribution	\$ 809,036	\$ 852,884	\$ 834,605	\$ 825,691	\$ 801,727	\$ 733,564	\$ 704,441
Contribution in Relation to the Contractually Required Fiscal Year Contribution	(809,036)	(852,884)	(834,605)	(825,691)	(801,727)	(733,564)	(704,441)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,761,104	\$ 11,975,225	\$ 11,980,216	\$ 11,846,360	\$ 11,615,574	\$ 12,058,579	\$ 11,203,172
Contributions as a Percentage of Covered Payroll	6.88%	7.12%	6.97%	6.97%	6.90%	6.08%	6.29%

## Notes to Schedule

## Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective January, 13 months later.

## Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Other Information	Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
	There were no benefit changes during the year.

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
Paris Firefighters' Relief and Retirement Fund -  
Schedule of Changes in Net Pension Liability and Related Ratios  
Year Ended September 30, 2021

	Plan Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service Cost	\$ 263,769	\$ 244,258	\$ 263,477	\$ 254,567	\$ 258,484	\$ 247,353
Interest	1,098,206	1,081,834	1,109,567	1,094,074	1,109,262	1,092,874
Changes in Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	125,175	-	(650,764)	-	(65,973)	-
Changes in Assumptions	-	-	562,256	-	616,266	-
Benefit Payments, Including Refunds of Employee Contributions	(1,016,641)	(1,222,906)	(1,052,502)	(1,249,430)	(1,136,379)	(1,156,654)
Net Change in Total Pension Liability	470,509	103,186	232,034	99,211	781,660	183,573
Total Pension Liability - Beginning	15,392,226	15,289,040	15,057,006	14,957,795	14,175,471	13,991,898
Total Pension Liability - Ending	<u>\$ 15,862,735</u>	<u>\$ 15,392,226</u>	<u>\$ 15,289,040</u>	<u>\$ 15,057,006</u>	<u>\$ 14,957,131</u>	<u>\$ 14,175,471</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 388,839	\$ 393,136	\$ 336,951	\$ 326,396	\$ 317,902	\$ 310,483
Contributions - Employee	444,388	449,298	411,944	407,996	397,475	388,212
Net Investment Income	482,463	758,981	(302,649)	578,324	377,387	(121,104)
Benefit Payments, Including Refunds of Employee Contributions	(1,016,641)	(1,222,906)	(1,052,502)	(1,249,430)	(1,136,379)	(1,156,654)
Administrative Expense	(25,739)	(33,025)	(31,444)	(37,553)	(70,404)	(6,500)
Other	-	-	-	5	2,121	-
Net Change in Plan Fiduciary Net Position	273,310	345,484	(637,700)	25,738	(111,898)	(585,563)
Plan Fiduciary Net Position - Beginning	4,497,794	4,152,310	4,790,010	4,764,272	4,876,170	5,461,733
Plan Fiduciary Net Position - Ending	<u>\$ 4,771,104</u>	<u>\$ 4,497,794</u>	<u>\$ 4,152,310</u>	<u>\$ 4,790,010</u>	<u>\$ 4,764,272</u>	<u>\$ 4,876,170</u>
City's Net Pension Liability (Asset) - Ending	\$ 11,091,631	\$ 10,894,432	\$ 11,136,730	\$ 10,266,996	\$ 10,192,859	\$ 9,299,301
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.10%	29.20%	27.16%	31.81%	31.85%	34.40%
Covered Payroll	\$ 2,777,425	\$ 2,808,113	\$ 2,712,961	\$ 2,717,229	\$ 2,785,912	\$ 2,511,047
City's Net Pension Liability as a Percentage of Covered Payroll	399.30%	388.00%	410.50%	377.85%	365.87%	370.34%
						\$ 8,530,165
						\$ 281,896
						352,370
						245,555
						(1,200,964)
						(84,445)
						5,315
						(400,273)
						5,862,006
						\$ 5,461,733
						\$ 2,368,370
						39.03%
						\$ 2,511,047
						\$ 2,368,370
						360.17%

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
Paris Firefighters' Relief and Retirement Fund  
Schedule of City Contributions  
Year Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Fiscal Year Contribution	\$ 388,839	\$ 393,157	\$ 336,951	\$ 326,067	\$ 320,851	\$ 332,665	\$ 301,329
Contribution in Relation to the Contractually Required Fiscal Year Contribution	(388,839)	(393,157)	(336,951)	(326,067)	(320,851)	(332,665)	(301,329)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,777,425	\$ 2,817,872	\$ 2,713,093	\$ 2,717,229	\$ 2,795,465	\$ 2,772,967	\$ 2,511,047
Contributions as a Percentage of Covered Payroll	14.00%	13.95%	12.42%	12.00%	11.48%	12.00%	12.00%

## Notes to Schedule

Valuation Date

December 31, 2020

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	33.6 years
Asset Valuation Method	The fair value of assets plus 20% of the unrecognized (gains)/losses from each of the past four years. The resulting value is further limited to be no less than 80% and no greater than 120% of the fair value of assets.
Salary Increases	3.50%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Active members are assumed to retire 2 years after they have either (a) both attained the age of 55 and completed at least 20 years of service or (b) satisfied the rule of 80. Active members who have already met the requirements for service retirement are assumed to retire one year after the valuation date. Benefits for vested terminated members are assumed to retire one year after the valuation date.
Mortality	Employee and healthy annuitant rates from the Pub-2010 Public Safety Below Median Mortality Table, generationally projected using the ultimate rates of the MP-2018 improvement scales.
Other Information	There were no benefit changes during the year.

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
Texas Municipal Retirement System -  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Year Ended September 30, 2021

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 42,722	\$ 26,769	\$ 30,592	\$ 26,990
Interest	32,883	37,003	33,951	33,850
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(34,781)	(40,603)	(13,049)	-
Changes in Assumptions	175,630	178,024	(67,751)	76,984
Benefit Payments, Including Refunds of Employee Contributions	(10,681)	(10,951)	(9,413)	(9,388)
Net Change in Total OPEB Liability	205,773	190,242	(25,670)	128,436
Total OPEB Liability - Beginning	1,179,707	989,465	1,015,135	886,699
Total OPEB Liability - Ending	<u>\$ 1,385,480</u>	<u>\$ 1,179,707</u>	<u>\$ 989,465</u>	<u>\$ 1,015,135</u>
Covered Payroll	\$ 11,867,235	\$ 12,167,574	\$ 11,766,222	\$ 11,734,791
City's Total OPEB Liability as a Percentage of Covered Payroll	11.67%	9.70%	8.41%	8.65%

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
Texas Municipal Retirement System -  
Schedule of City OPEB Contributions  
Year Ended September 30, 2021

	Fiscal Year Ended September 30,		
	2021	2020	2019
Actuarially Determined Contribution			
	\$ 39,141	\$ 29,938	\$ 29,385
Contributions in Relation to Actuarially Determined Contribution			
	(39,141)	(29,938)	(29,385)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,761,104	\$ 11,975,225	\$ 11,980,216
Contributions as a Percentage of Covered Payroll	0.33%	0.25%	0.25%
			0.23%

### Notes to Schedule

#### Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective January, 13 months later.

#### Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	N/A

Service Retirees: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP. Disabled Retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. There were no benefit changes during the year.

#### Other Information

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
City of Paris Retiree Health Care Plan -  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Year Ended September 30, 2021

	Plan Year Ended December 31,			2017
	2020	2019	2018	
Total OPEB Liability				
Service Cost	\$ 45,329	\$ 34,501	\$ 36,808	\$ 36,410
Interest	44,410	60,652	55,250	61,432
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(10,649)	(174,952)	(10,869)	-
Changes in Assumptions	68,964	120,032	(36,122)	51,925
Benefit Payments, Including Refunds of Employee Contributions	(57,093)	(74,044)	(82,466)	(103,929)
Net Change in Total OPEB Liability	90,961	(33,811)	(37,399)	45,838
Total OPEB Liability - Beginning	1,620,789	1,654,600	1,691,999	1,646,161
Total OPEB Liability - Ending	<u>\$ 1,711,750</u>	<u>\$ 1,620,789</u>	<u>\$ 1,654,600</u>	<u>\$ 1,691,999</u>
Covered Payroll	\$ 3,522,249	\$ 3,799,135	\$ 4,814,704	\$ 5,284,495
City's Total OPEB Liability as a Percentage of Covered Payroll	48.60%	42.66%	34.37%	32.02%

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

CITY OF PARIS, TEXAS  
Required Supplementary Information  
City of Paris Retiree Health Care Plan -  
Schedule of City Contributions  
Year Ended September 30, 2021

Schedule 8

	2021	Fiscal Year Ended September 30,		2018
		2020	2019	
Actuarially Determined Contribution	\$ 35,280	\$ 30,476	\$ 30,854	\$ 33,407
Contributions in Relation to Actuarially Determined Contribution	(35,280)	(30,476)	(30,854)	(33,407)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,639,053	\$ 3,517,400	\$ 4,814,704	\$ 5,284,495
Contributions as a Percentage of Covered Payroll	0.97%	0.87%	0.64%	0.63%

**Notes to Schedule**

**Valuation Date**

December 31, 2019

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial Cost Method  
Inflation  
Salary Increases  
Mortality

Individual Entry Age Normal  
2.50%

3.50% to 11.50% for TMRS and 4.10% to 6.00% for firefighters, including inflation.

TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality

tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

Firefighters: For healthy retirees, the Pub-2010 Public Safety Below Median mortality tables are

used. The rates are projected on a fully generational basis using the ultimate mortality improvements rates in the MP tables to account for future mortality improvements.

**Other Information**

The discount rate changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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

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## **APPENDIX E**

### **SELECTED PROVISION OF THE REVENUE BOND ORDINANCE**

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Section 2. DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance the following terms shall have the meanings specified below:

“Additional Bonds” means the additional parity bonds and other obligations permitted to be issued or entered into under the provisions of this Ordinance.

“Annual Debt Service Requirements” means, as of the date of calculation, the principal of and interest on all Bonds Similarly Secured coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Bonds Similarly Secured, or be payable in respect of any required purchase of such Bonds Similarly Secured by the City) in such Fiscal Year.

“Attorney General” means the Attorney General of the State.

“Average Annual Debt Service Requirements” means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before the latest Stated Maturity of such Bonds Similarly Secured. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Bonds Similarly Secured, and interest earnings thereon shall be excluded in making such computation.

“Bond Fund” means the Bond Fund described herein.

“Bonds” means the “City of Paris, Texas, Waterworks and Sewer System Revenue Bonds, Series 2022”, authorized and issued pursuant to this Ordinance. The term “Bonds” as used in this Ordinance shall mean and include collectively the Bonds initially issued and delivered pursuant to this Ordinance and all substitute Bonds exchanged therefor, as well as all other substitute Bonds and replacement Bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds, unless the context clearly indicates otherwise in connection with the use of the term “Bonds”.

“Bonds Similarly Secured” means the Bonds and any Additional Bonds.

“City” means the City of Paris, Texas.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller” means the Comptroller of Public Accounts of the State.

“Council” means the City Council of the City.

“Dated Date” means November 1, 2022.

“Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds.

“Delivery Date” means date of delivery of the Bonds to the Underwriter, which is anticipated to occur on November 9, 2022.

“Designated Financial Officer” means the City Manager or the Finance Director of the City, or such other City official so designated by the Council.

“Fiscal Year” means the regular fiscal year used by the City in connection with the operation of the System, which may be any twelve consecutive month period established by the City.

“Gross Revenues” mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System, including the interest income from investment or deposit of money in any fund created by this Ordinance or maintained by the City in connection with the System.

“Maturity”, when used with respect to Bonds Similarly Secured, means the date on which the principal of any Outstanding Bonds Similarly Secured becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Maintenance and Operating Expenses” means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining “Net Revenues.” Depreciation shall never be considered as a Maintenance and Operating Expense. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or treatment of sewage or other materials, goods or services for the System to the extent authorized by law and the provisions of such contract.

“Maximum Annual Debt Service Requirements” means the greatest requirements of Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Fiscal Year or in the then current Fiscal Year for the particular obligations for which such calculation is made. Capitalized interest payments provided from Bonds Similarly Secured proceeds, accrued interest on any Bonds Similarly Secured, and interest earnings thereon shall be excluded in making such computation.

“Net Revenues” means the Gross Revenues of the System, with respect to any period, after deducting the System’s Maintenance and Operating Expenses during such period.

“Outstanding”, when used in this Ordinance with respect to Bonds Similarly Secured, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued and delivered by the City, except:

- (1) those Bonds Similarly Secured cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such Bonds;
- (2) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions hereof; and
- (3) those Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof.

“Paying Agent/Registrar” means, initially, BOKF, NA, Dallas, Texas.

“Permitted Investments” means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

“Pledged Revenues” means (i) the Net Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Bonds Similarly Secured, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

“Project” means the acquisition, construction, installation and equipment of additions, improvements and extensions to the System.

“Rating Agency” means any nationally recognized securities rating agency.

“Required Reserve” shall have the meaning set forth herein.

“Reserve Fund Obligation” means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an City of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency, at the time of the delivery of such credit facility, would rate the Bonds fully insured by a standard policy issued by the City of such credit facility in any one of its three highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency, at the time of delivery of such letter or line of credit, would rate the Bonds in any one of its three highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

“Reserve Fund Obligation Payment” means any payment the City is obligated to make from Pledged Revenues deposited in the Reserve Fund with respect to a Reserve Fund Obligation.

“Revenue Fund” means the revenue fund described herein.

“Special Project” means any water, sewer, wastewater reuse system property, improvement or facility or other public improvement declared by the City not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of Special Project Obligations and for which all Maintenance and Operating Expenses are payable from sources other than Pledged Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

“Special Project Obligations” means special revenue obligations of the City which are not secured by the Pledged Revenues, but which are secured by and payable solely from special contract revenues or payments received from the System, any other legal entity, or any combination thereof, in connection with a Special Project; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such Special Project Obligations.

“State” means the State of Texas.

“Stated Maturity” means the annual principal payments of the Bonds Similarly Secured payable on the respective dates set forth in the ordinance(s) which authorized the issuance of such Bonds Similarly Secured.

“Subordinate Lien Obligations” means any bonds, notes, warrants, contractual obligations or other obligations issued or incurred by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Pledged Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Pledged Revenues that are or will be pledged to the payment of any Bonds Similarly Secured issued by the City.

“System” means the City’s existing combined water and sewer system, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any Special Projects which are hereafter acquired or constructed by the City with the proceeds of Special Project Obligations.

“Underwriter” means the initial purchaser of the Bonds, FHN Financial Capital Markets.

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## Section 6. PLEDGE.

(a) The City hereby covenants and agrees that a first lien on the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance

of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Pledged Revenues for the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued by the City.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the City under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the City under this Section is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, in order to preserve to the Holders of the Bonds a security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 7. FUNDS. The following special funds ("Funds") are hereby created and shall be established and maintained so long as any of the Bonds Similarly Secured, or the interest thereon, are outstanding and unpaid:

(a) "City of Paris Waterworks and Sewer System Revenue Fund", hereinafter called the "System Fund." This fund shall be kept and maintained at a depository bank of the City, and moneys deposited in this fund shall be used as described herein.

(b) "City of Paris Waterworks and Sewer System Revenue Bond Bond Fund", hereinafter called the "Bond Fund."

(c) For each series or combination of series of Bonds Similarly Secured that are secured by a Reserve Fund, a "City of Paris Waterworks and Sewer System Revenue Bond Reserve Fund", hereinafter called a "Reserve Fund."

(d) All of such Funds may be held as subaccounts within another fund (or within the System Fund) held by the City's depository, and, as such, not held in separate bank accounts. Such treatment shall not constitute a commingling of the monies in such Funds or of such Funds and the City shall keep full and complete records of the monies and investments credited to each of such Funds.

Section 8. SYSTEM FUND. The City hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received. All Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

#### Section 9. FLOW OF FUNDS.

(a) All Gross Revenues deposited and credited to the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: To the payment of all necessary and reasonable Maintenance and Operating Expenses, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Annual Debt Service Requirements on the Bonds Similarly Secured as the same becomes due and payable.

Third: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured.

Fourth: To make payment, including payment of amounts required for reserve fund requirements, of all Subordinate Lien Obligations.

(b) Any Pledged Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

#### Section 10. BOND FUND.

(a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Bonds Similarly Secured as the same become due and payable, including any mandatory sinking fund redemption payments, the City agrees that it shall maintain the Bond Fund. The City covenants to deposit and credit to the Bond Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then coming due and payable.

(b) The required deposits and credits to the Bond Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Bond Fund and the Reserve Fund, if one is required, and in any reserve fund created pursuant to Section 11(i) hereof, taking into account any Reserve Fund Obligation held in or for the benefit of any such reserve fund) is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal, premium, if any, and interest) or (ii) the Bonds Similarly Secured are no longer outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Bond Similarly Secured shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Bond Fund.

#### Section 11. RESERVE FUND.

(a) There is hereby created and ordered held at a depository of the City, for the benefit of the Bonds, the Reserve Fund. In accordance with this Ordinance, the City shall deposit and credit to the Reserve Fund amounts required to maintain the balance in the Reserve Fund in an amount equal to the Average Annual Debt Service Requirements on the Bonds Similarly Secured, which amount is \$1,792,154.90 (as defined in Section 2 hereof, the "Required Reserve"). Except as provided in Section 11(i) below, the Required Reserve shall be maintained in the Reserve Fund at all times after the Delivery Date. The City may fund the Reserve Fund with (i) cash on hand, (ii) proceeds from the sale of the Bonds, (iii) one or more Reserve Fund Obligations or (iv) any combination of (i) through (iii). As of the Delivery Date, the Net Revenues will be equal to at least 110% of the Annual Debt Service Requirements for the next Fiscal Year. Therefore, the City will not be required to fund the Reserve Fund pursuant to Section 11(i) below. All funds, investments and Reserve Fund Obligations on deposit and credited to the Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, or (iii) to retire the last stated maturity or stated maturities of or interest on the Bonds, and any excess amount in the Reserve Fund may be transferred to the Pledged Revenue Fund and allocated in accordance with this Ordinance.

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the Reserve Fund equal the Required Reserve or the portion then required to be on deposit therein, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve then required to be on deposit therein, the City covenants and agrees that the City shall cure the deficiency in the Reserve Fund by making Required Reserve Fund Deposits to such fund from the Pledged Revenues in accordance with Section 9 by monthly deposits in amounts equal to not less than 1/60<sup>th</sup> of the Required Reserve, with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully

funded or restored. In addition, in the event that a portion of the Required Reserve is represented by a Reserve Fund Obligation, the Required Reserve shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the System Fund in accordance with Section 9, but subject to making the full deposits and credits to the Bond Fund required to be made by Section 10. The City further covenants and agrees that, subject only to the prior deposits to be made to the Bond Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Bonds and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Bonds. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the Reserve Fund shall be retained in the Reserve Fund until the Reserve Fund contains the Required Reserve. During such time as the Reserve Fund contains the Required Reserve or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the City may, at its option, withdraw all surplus funds in the Reserve Fund and deposit such surplus in the System Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the City in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the Reserve Fund that consist of proceeds of the Bonds or interest thereon shall be used for purposes for which the Bonds were issued or deposited to the Bond Fund.

(d) The City may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve contains a finding that such substitution is cost effective. Notwithstanding any other provision of this Ordinance, if a Reserve Fund Obligation is utilized in connection with the Bonds after the issuance date of the Bonds, the City must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General of Texas (if submission is then required by law) for approval.

(e) If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Reserve Fund Obligation of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the City shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 9 hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then outstanding Bonds Similarly Secured.

(g) The City may create and establish a debt service reserve fund pursuant to the provisions of any ordinance or other instrument authorizing the issuance of Bonds Similarly Secured for the purpose of securing that particular issue or series of Bonds Similarly Secured or any specific group of issues or series of Bonds Similarly Secured (including the combining of debt service reserve funds for Bonds Similarly Secured so long as the requirements of each ordinance authorizing such Bonds Similarly Secured are satisfied), and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Bonds Similarly Secured for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Bond Fund, which secures all Bonds Similarly Secured, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Bonds Similarly Secured it secures and to distinguish such debt service reserve fund from the debt service reserve funds



created for the benefit of other Bonds Similarly Secured. Each ordinance authorizing the issuance of Bonds Similarly Secured that are to be secured by a debt service reserve fund shall specify the amount or a manner of calculating the amount to be held and maintained on deposit therein.

(h) The Designated Financial Officer shall recalculate the Required Reserve at the following times: (i) on the first day of each Fiscal Year, (ii) upon the issuance of Additional Bonds, to the extent such Additional Bonds will be secured by the Reserve Fund, (iii) upon the refunding or defeasance of the Bonds or any Additional Bonds secured by the Reserve Fund and (iv) upon the deposit, supplement, replacement or substitution of a Reserve Fund Obligation (each of the foregoing, a "Required Reserve Recalculation").

(i) Notwithstanding anything contained herein to the contrary, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 110% of the Annual Debt Service Requirements. In the event that the Net Revenues for any two (2) consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Annual Debt Service Requirements, the City will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the full amount of the Required Reserve or (ii) the Net Revenues for a Fiscal Year have been equal to not less than 110% of the Annual Debt Service Requirements.

#### Section 12. INVESTMENTS; SECURITY FOR FUNDS.

(a) Money in any fund established pursuant to this Ordinance may, at the option of the City, be invested in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas government Code, as amended, consistent with the investment policy approved by the Council; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with any Bonds Similarly Secured.

(b) Money in all funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

#### Section 13. DEFICIENCIES, EXCESS PLEDGED REVENUES.

(a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and any Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or at the option of the City from any other sources legally available for such purpose.

(b) Subject to making the required deposits to the credit of the Bond Fund and Reserve Funds, when and as required by this Ordinance, or any ordinances authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used by the City for any lawful purpose.

Section 14. PAYMENT OF BONDS SIMILARLY SECURED. While any of the Bonds Similarly Secured are outstanding, the City shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Bond Fund, and, if necessary, in the Reserve Fund with respect to the Bonds, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Bonds Similarly Secured as shall become due on each interest or principal payment date, or date of redemption of the Bonds Similarly Secured; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Bonds Similarly Secured not later than the business day next preceding the date such payment is due on the Bonds Similarly Secured. The Paying Agent/Registrar shall destroy all paid Bonds Similarly Secured and furnish the City with an appropriate certificate of cancellation or destruction.

## Section 15. ADDITIONAL BONDS.

(a) The City shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver Additional Bonds, in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Bonds Similarly Secured, Subordinate Lien Obligations or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with all other Bonds Similarly Secured at the time outstanding and unpaid, from a first lien on and pledge of the Pledged Revenues herein granted.

(b) The Bond Fund shall secure and be used to pay all Bonds Similarly Secured. Each ordinance under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Ordinance and the provisions of any other ordinance or ordinances authorizing Additional Bonds to be deposited to the credit of the Bond Fund, the City shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due.

(c) Additional Bonds shall be issued only in accordance with this Ordinance, but notwithstanding any provisions of this Ordinance to the contrary, no installment, series or issue of Additional Bonds shall be issued or delivered unless:

(i) The Designated Financial Officer shall have executed a certificate stating (A) (i) that, to the best of such person's knowledge and belief, the City is not then in default as to any covenant or requirement contained in any ordinance authorizing the issuance of outstanding Bonds Similarly Secured, and (ii) payments into all special funds or accounts created and established for the payment and security of all outstanding Bonds Similarly Secured have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such default or deficiency; and

(ii) The Designated Financial Officer shall have executed a certificate stating that based on the books and records of the City, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional Bonds, the Net Earnings are at least equal to 1.25 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the Bonds Similarly Secured to be outstanding after the issuance of the then proposed Additional Bonds.

(d) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the date the ordinance authorizing the issuance of the Additional Bonds is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(e) Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the City may deem to be in the best interest of the City, and the proposed refunding bonds shall be considered as "Additional Bonds" under the provisions of this Section and the certificate required in subsection (c)(ii) shall give effect to the issuance of the proposed refunding bonds and shall exclude the bonds being refunded from the calculation of Average Annual Debt Service Requirements.

(f) All calculations of Average Annual Debt Service Requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

**Section 16. NO ISSUANCE OF OBLIGATIONS SENIOR TO THE BONDS SIMILARLY SECURED.** The City covenants and agrees that it will not issue any obligations payable from and secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, senior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Bonds Similarly Secured.

Section 17. **ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS.** The City hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of the Pledged Revenues securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State.

Section 18. **ISSUANCE OF SPECIAL PROJECT OBLIGATIONS.** The City reserves the right to issue Special Project Obligations. Except as otherwise provided in the proceedings authorizing the issuance of the Special Project Obligations, all revenues received for the Special Project in excess of revenues required to pay principal and interest on the Special Project Obligations and to establish reserves and to secure, maintain and operate the Special Project shall be considered as a part of Gross Revenues.

Section 19. **PARTICULAR REPRESENTATIONS AND COVENANTS.**

(a) Rate Covenant. The City shall fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues equal to the greater than the amounts sufficient:

(i) (1) to pay all current Maintenance and Operating Expenses, and (2) to produce Net Revenues for each Fiscal Year at least equal to 1.10 times the Annual Debt Service Requirements of all then outstanding Bonds Similarly Secured; or

(ii) to pay the sum of: (1) all current Maintenance and Operating Expenses, (2) the Annual Debt Service Requirements of all then outstanding Bonds Similarly Secured and Subordinate Lien Obligations, (3) required deposits to a reserve fund for any Bonds Similarly Secured and Subordinate Lien Obligations then outstanding, and (4) amounts required to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Fiscal Year.

(b) Maintenance and Operation; Insurance. The City hereby covenants and agrees that the System shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds Similarly Secured are outstanding, the City agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

(c) No Free Service. The City covenants and agrees that no free service of the System shall be allowed except to institutions and buildings owned and operated by the City.

(d) Records and Accounts; Accounting Reports. The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System parts separate and apart from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to said System, as provided by Chapter 1502, Texas Government Code, or other applicable law. The Owner or Owners of any Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(i) A statement of the income and expenditures of the components of the System for such fiscal year;

(ii) A balance sheet as of the end of such Fiscal Year; and

(iii) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

Expenses incurred in making the audits above referred to are to be regarded as Maintenance and Operating Expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon written request, to the original purchasers of the Bonds and any subsequent Owner.

(e) Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the Council, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

(f) Competition. That so far as it legally may and subject existing agreements and certifications, the City covenants and agrees, for the protection and security of the Bonds Similarly Secured and the holders thereof from time to time and until all Bonds Similarly Secured shall have been retired and that it will not grant a franchise for the installation or operation of any water and/or wastewater system other than those owned by the City, that it will prohibit the operation of any waterworks or wastewater system other than those operated by the City.

(g) Further Covenants. The City further covenants and agrees by and through this Ordinance as follows:

(i) That it has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including power existing under Chapter 1502, Texas Government Code, as amended;

(ii) That other than for the Bonds, the Pledged Revenues have not been pledged in any manner to the payment of any debt or obligation of the City, nor of the System, which is senior to or on a parity with the pledge of the Pledged Revenues to Bonds Similarly Secured;

(iii) It will duly and punctually keep, observe and perform each and every undertaking, covenant and condition on its part to be kept, observed and performed, contained in this Ordinance and in the ordinances authorizing any Additional Bonds, and that it will prior to the maturity of each installment of interest and prior to the maturity of each Bond and Additional Bond issued thereunder, make available at the principal office of the Paying Agent/Registrar, but only from the sources herein provided, sufficient funds to promptly pay such principal and interest; and

(iv) The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100





Financial Advisory Services  
Provided By:

