COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2012

City of Princeton, Texas

City Manager

Derek Borg

Director of Finance

Cathy Crane

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CITY OF PRINCETON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

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CITY OF PRINCETON

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April 5, 2013

Honorable Mayor and Members of the City Council
City of Princeton
Princeton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Princeton, Texas, for the year ended September 30, 2012, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Princeton's financial statements for the year ended September 30, 2012. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF PRINCETON

In the late 1870s T.B. Wilson and his brother George began farming near the site of future Princeton. In 1881 the Missouri, Kansas and Texas Railroad Company extended its line from Greenville to McKinney, passing through land owned by the brothers. The name Wilson's Switch was commonly used to designate the area but when the residents of the community applied for a post office branch, they learned that the name Wilson was already being used. The name Princeton was then selected, to honor Prince Dowlin, a landowner and promoter of the town. This name was accepted and a post office was established in 1888.

Princeton is a rapidly growing city in Collin County, Texas. Princeton is located in northeast Collin County between the cities of McKinney and Greenville on U.S. Highway 380. Collin County is currently one of the fastest growing counties in Texas.

Princeton is approximately 30 miles northeast of Dallas and 38 miles from DFW International Airport. Collin County Regional Airport is 10 miles southwest of Princeton and is the home of the largest and most active corporate flight department in the Dallas area.

The City is continuing to grow as the economy recovers over the past year, and several residential developments and commercial projects are being reviewed for construction in the near future. The population of 7,010 for 2012 and 7,440 in 2013 shows a steady growth according to North Central Texas Council of Governments.

The City operates under the General Law "A" form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and five-member council. Princeton is a political subdivision that operates as a general law city.

The financial reporting entity (the government) includes all the funds of the primary government. The government provides a full range of services, including police protection and a volunteer fire department; sanitation services; community development; code enforcement; two public parks and a city library; the construction and operation of water, sewer, drainage, solid waste services, streets and infrastructure; and cultural events.

ECONOMIC CONDITIONS AND OUTLOOK

Princeton is located in the eastern part of Collin County, approximately six miles east of U.S. Highway 75, that connects Dallas to Oklahoma and on U.S. 380 the primary regional transportation artery that connects Texas to New Mexico on the west and to I-30 on the east. The City of Princeton is approximately six miles from the Collin County Regional Airport, the largest and most active corporate airport in the Dallas area. The City is approximately thirty-eight miles from DFW International Airport, which is centrally located between Dallas and Ft Worth.

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 125,000 residents. This growth has extended to the east into Princeton and development has been steady and slightly increasing over the past year. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade.

Economic/Tax Base

Both the City and the school district have completed major infrastructure projects over the last few years. The following is a summary of the recent economic development:

- 27 Commercial Certificate of Occupancies have been issued to new businesses since October 2011.

- The Plans are being reviewed for Phase 3 of Princeton Meadows for the development of 73 single family homes.

- The old historic Princeton downtown area is being redeveloped with a current 90% occupancy rate.

- The Community Development Corporation is reviewing the plans for a new parking area and park adjacent to the Veterans Memorial Park downtown that will start construction this coming year and serve the new downtown businesses.

- CVS completed a new store located on the corner of Fourth St. and Princeton Dr.

- The City has nearly completed the construction of a new library building, also in the historic downtown area.

Building Permits and Development

FY 2011-2012	Combined building permits	139 permits	$23,306,863	value
FY 2011-2012	Residential building permits to-date	20 permits	$4,858,784	value

Residential development is expected to increase slightly in 2013 and is showing signs in the first quarter. Non-residential development will likely increase due to the completion of City infrastructure projects and the completion of the school district projects. Values will likely hold fairly steady due to the state of the current economy.

Accomplishments:

- Monte Carlo Blvd reconstruction (Collin County/Princeton) Phase 2 was near completion.
- Gas line substantially completed serving the West side of the City approximately 4 miles.
- Refurbished the Monte Carlo pump station serving the west part of the City.
- Currently reconstructing the boundary roads CR. 400, 492, 408, 456 in partner with Collin County.
- PISD is constructing Vocational Agricultural Center that will be utilized by several school districts in Collin County
- PISD is constructing additional classrooms for the expected growth
- Completed the resurrection of the old historic Princeton downtown area with new businesses and a new sidewalk, additional parking.

Projects under construction of development:

- Princeton Library is under construction in old historic Princeton downtown area and is near completion.
- The plans for a Taco Bell restaurant are being reviewed for permit.
- The plans for a Dickey's BBQ are being reviewed for permit.
- The plans are being reviewed for the new parking lot and park in the downtown area, adjacent to the Veterans Memorial Park.
- Completing construction of a 9-hole disk golf course at the Community Park, phase 1 completed.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager who makes final decisions and submits a recommended budget to the Mayor and City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Director of Finance, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year. The legal level of budgetary control is maintained at the fund level – budget amendments increasing total expenditures within a fund require formal approval by the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of expenditures. The City considers a balance of less than 20% to be cause for concern, barring unusual or deliberate circumstances.

If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 20% unassigned fund balance.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of the City Council. These controls are inherently limited by the segregation of duties of a small government.

General Governmental Functions

Tax Rates: All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

	Tax Rate
2008-2009	0.728394
2009-2010	0.728394
2010-2011	0.728394
2011-2012	0.728394
2012-2013	0.756932

OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2012 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

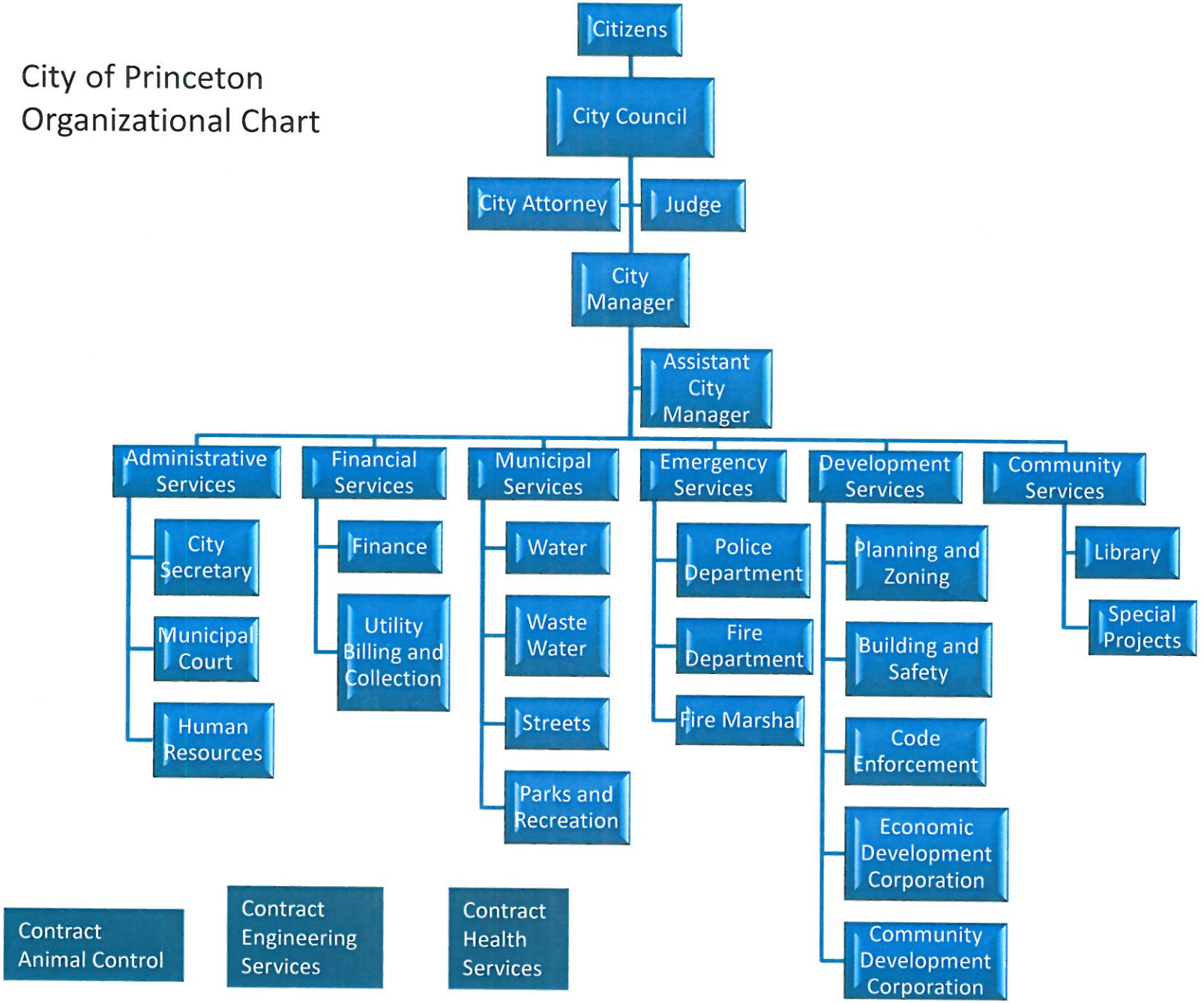
Acknowledgements
Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Derek Borg
City Manager

City of Princeton
Organizational Chart



CITY OF PRINCETON, TEXAS
SEPTEMBER 30, 2012

City Council:

Kenneth Bowers	Mayor
Billy Combest	Mayor Pro Tem
J.M. Caldwell Sr.	Council member
Bruce Beauchamp	Council member
Steven Deffibaugh	Council member
Bill Glass	Council member

Administrative Officers

Derek Borg	City Manager
Lesia Thornhill	Assistant City Administrator/ City Secretary
Cathy Crane	Director of Finance

FINANCIAL SECTION

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American Institute of CPAs
Texas Society of CPAs

April 5, 2013

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Princeton
123 W Princeton Drive
Princeton, TX 75126

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton ("City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Princeton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 – 15, The Schedule of Pension Trust – TMRS Funding Progress and Contributions on page 57, and the budgetary comparison information on pages 58 – 59, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the financial statements as a whole. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis or the Schedule of Pension Trust-TMRS Funding Progress and Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Princeton, Texas' financial statements as a whole. The introductory section, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, supplementary information and statistical sections 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.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated April 5, 2013 on our consideration of the City of Princeton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

Respectfully submitted,
CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

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Commerce, Texas 75428
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CITY OF PRINCETON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2012

As management of the City of Princeton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by $13,289,270 (net position). Of this amount, $1,782,202, (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors. The restricted net position in in the amount of $2,783,694 is restricted for repayment of debt, impact fee usage, capital prjects, PEG fees, and municipal court use.

- The government's total net position increased by $520,626, excluding prior period adjustments. This is largely due to grants and contributions for operations and capital projects in the General Fund.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,844,517, a decrease of ($1,988,812), excluding prior period adjustments, in comparison with the prior year. The decrease in combined ending fund balances is attributable to expenditures for capital projects.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was ($144,933). This increase in unassigned fund balance was largely due to note proceeds and an overall increase in the net change.

- The City's total bonded debt decreased by ($619,490), or (4%), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Princeton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Princeton.

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) component units presented on pages 64-71.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan and budget to actual comparison schedules for the General Fund.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Princeton's 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 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 these statements 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant and contributions finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the utility services offered by the City of Princeton. The final category are the component units. The City includes two separate legal entities in its report – City of Princeton Community Development Corporation ("CDC") and the City of Princeton Economic Development Corporation ("EDC"). Although legally separate, these component units are important and are included because of their financial relationships to the City.

The government-wide financial statements are on pages 19 - 21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 Princeton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The comparison shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 22-25 of this report. The General Fund budgetary comparison can be found on pages 58-59.

Proprietary Funds – The City of Princeton has one type of proprietary fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-28 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 are on pages 29 – 54 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary information for the General Fund.

Accounting changes – GASB Statement 63 and 65 for the Governmental Accounting Standards Board (GASB) were effective for the City in the fiscal year ending September 30, 2012.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position" will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", improves financial reporting by clarifying the appropriate use of the elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 3,253,737	$ 5,458,650	$ 2,433,010	$ 2,746,288	$ 5,686,747	$ 8,204,938
Capital assets	11,213,519	8,949,207	12,741,346	13,095,777	23,954,865	22,044,984
Total assets	14,467,256	14,407,857	15,174,356	15,842,065	29,641,612	30,249,922
Long-term liabilities outstanding	6,133,050	6,408,250	9,332,357	9,561,375	15,465,407	15,969,625
Other Liabilities	353,801	328,183	533,134	749,633	886,935	1,077,816
Total liabilities	6,486,851	6,736,433	9,865,491	10,311,008	16,352,342	17,047,441
Net position:						
Net investment in capital assets	5,151,105	2,472,934	3,572,269	3,828,257	8,723,374	6,301,191
Restricted	2,162,925	5,128,261	620,769	734,362	2,783,694	5,862,623
Unrestricted	666,375	70,229	1,115,827	968,438	1,782,202	1,038,667
Total net position	$ 7,980,405	$ 7,671,424	$ 5,308,865	$ 5,531,057	$ 13,289,270	$ 13,202,481

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by $13,289,270 as of September 30, 2012.

Net investment in capital assets:
The City's net position increased by $520,626, excluding prior period adjustments, for the fiscal year ended September 30, 2012. However a large portion, 65.64%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:
Restricted net position represent 20.95%, that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) $396,311 for debt requirements, (b) $613,370 for state imposed restrictions, and (c) $1,774,013 for capital projects.

Unrestricted net position:
Unrestricted net position in the amount of $1,782,202 , or 13.4%, is available to fund City programs to citizens and creditors.

Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUE:						
Program Revenues:						
Charge for Services	$ 509,797	$ 501,478	$3,694,915	$3,850,211	$ 4,204,712	$ 4,351,689
Operating Grants and Contributions	213,574	7,650	-	-	213,574	7,650
Capital Grants and Contributions	200,014	3,237,621	145,353	239,917	345,367	3,477,538
General Revenues:						
Property taxes	2,072,551	2,060,352	-	-	2,072,551	2,060,352
Franchise tax	225,711	227,551	-	-	225,711	227,551
Sales and use tax	447,973	387,708	-	-	447,973	387,708
Investment income	15,913	9,552	256	757	16,169	10,309
Donations-not restricted for specific purpose	7,135	-	-	-	7,135	-
Miscellaneous	40,998	30,382	1,491	18,210	42,489	48,592
Total Revenues	3,733,666	6,462,294	3,842,015	4,109,095	7,575,681	10,571,389
EXPENSES:						
Program Expenses:						
General Government	541,838	787,033	-	-	541,838	787,033
Public Safety	1,374,721	1,310,826	-	-	1,374,721	1,310,826
Public Works	442,915	562,550	-	-	442,915	562,550
Public Services and Operations	274,184	272,659	-	-	274,184	272,659
Parks and Recreation	214,445	130,246	-	-	214,445	130,246
Library	80,323	67,489	-	-	80,323	67,489
Interest and Fiscal Agent Fees	289,026	322,897	-	-	289,026	322,897
Water and Sewer	-	-	3,837,603	3,837,065	3,837,603	3,837,065
Total Expenses	3,217,452	3,453,700	3,837,603	3,837,065	7,055,055	7,290,765
Increase in Net Position before Transfers	516,214	3,008,594	4,412	272,030	520,626	3,280,624
Transfers	609	(26,753)	(609)	26,753	-	-
Increase in Net Position	516,823	2,981,841	3,803	298,783	520,626	3,280,624
Net Position, beginning	7,671,424	4,689,583	5,531,057	5,232,274	13,202,481	9,921,857
Prior Period Adjustments	(207,842)	-	(225,995)	-	(433,837)	-
Net Position, ending	$7,980,405	$7,671,424	$5,308,865	$5,531,057	$13,289,270	$13,202,481

The Governmental Activities consistently show an annual increase in net position. The General Revenues increased by $94,734, or 3%, due to slight increases in property tax revenues and sales tax revenues. The overall Governmental Activities expenses decreased by ($236,248), or (7%), due to the continued effort by the City's management to maintain budgets.

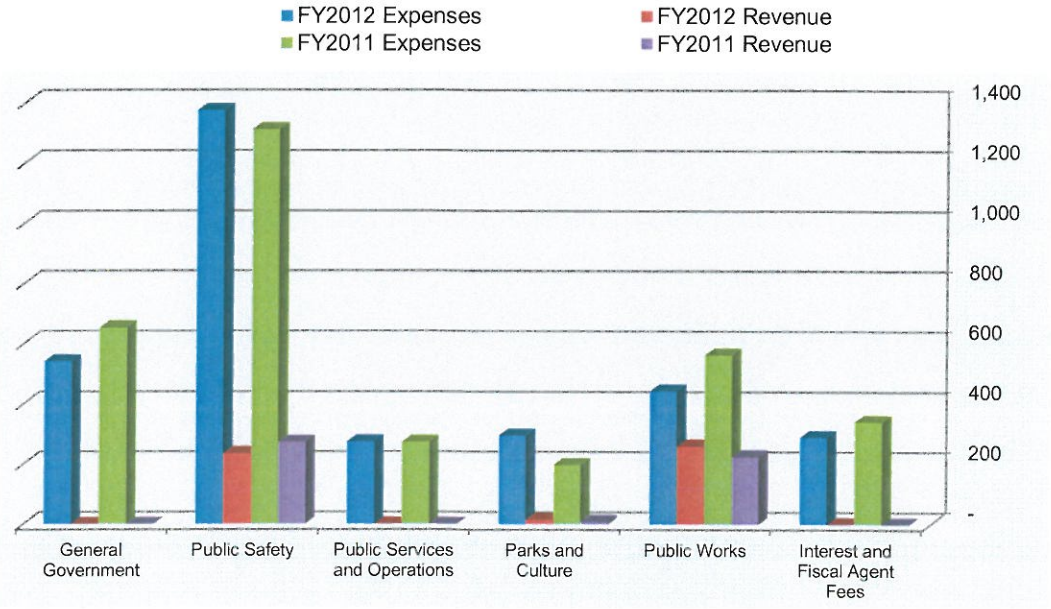
The Business-type activities had an increase of $3,803, excluding prior period adjustments, in net position at fiscal year end. Even though revenues decreased by ($267,080), or (6%), overall expenditures were in-line with expected revenues. The reduction in the charge for services revenue was expected. The previous year's severe drought had resulted in increased revenues.

Governmental-type activities - Governmental-type activities increased the City's net position by $516,823, excluding prior period adjustments. Key elements of this increase are as follows:

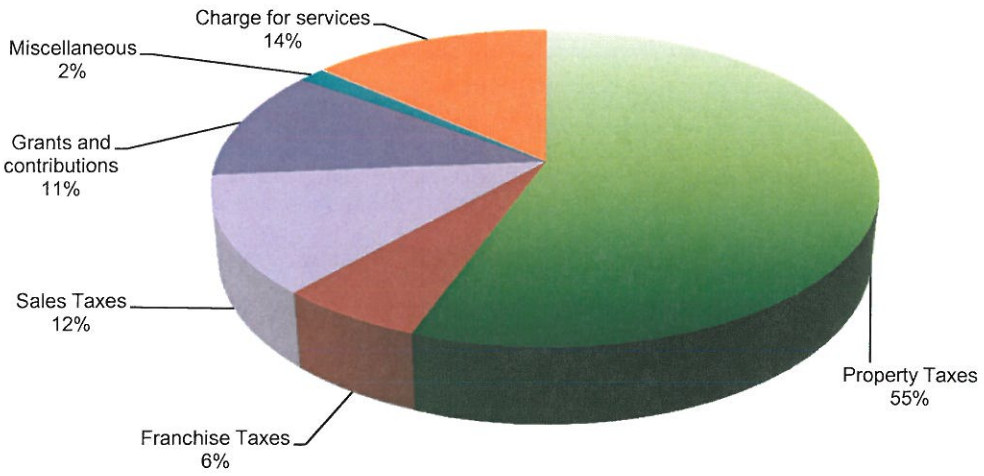
Overall governmental activities expenditures decreased ($236,248), or (6.8%).
General revenues increased $94,734, or 3.5%

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

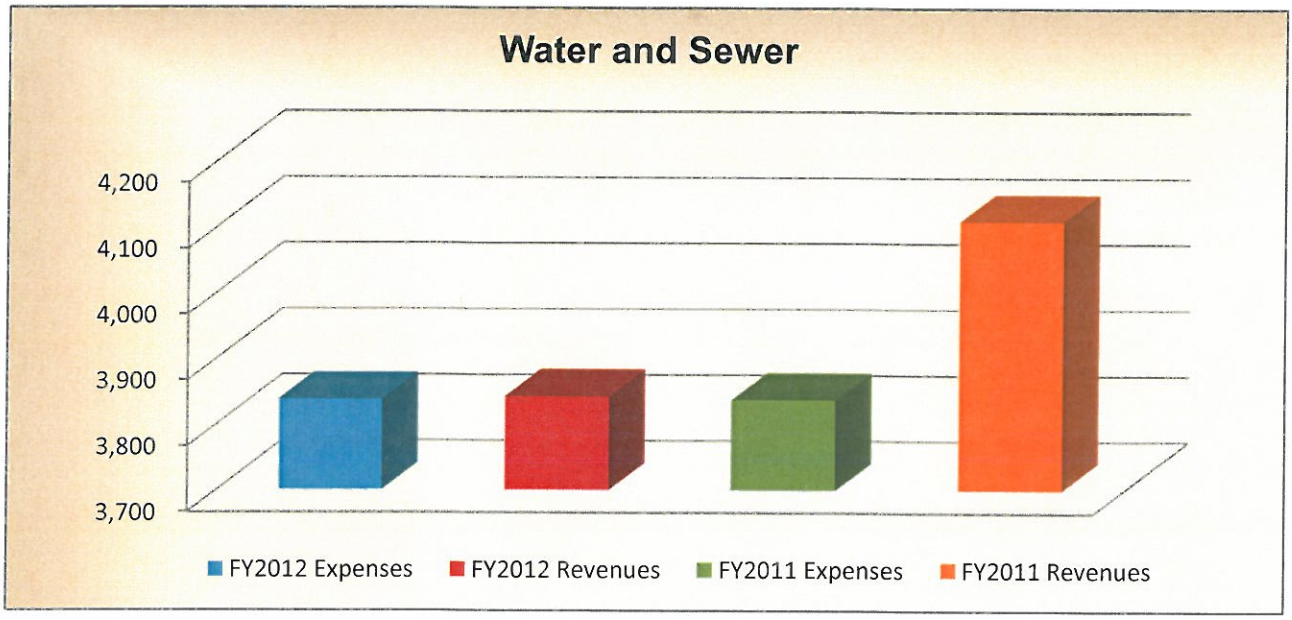


Business-type Activities - Business-type activities increased the City of Princeton's net position by $3,803, excluding prior period adjustments. A key element of this increase is as follows:

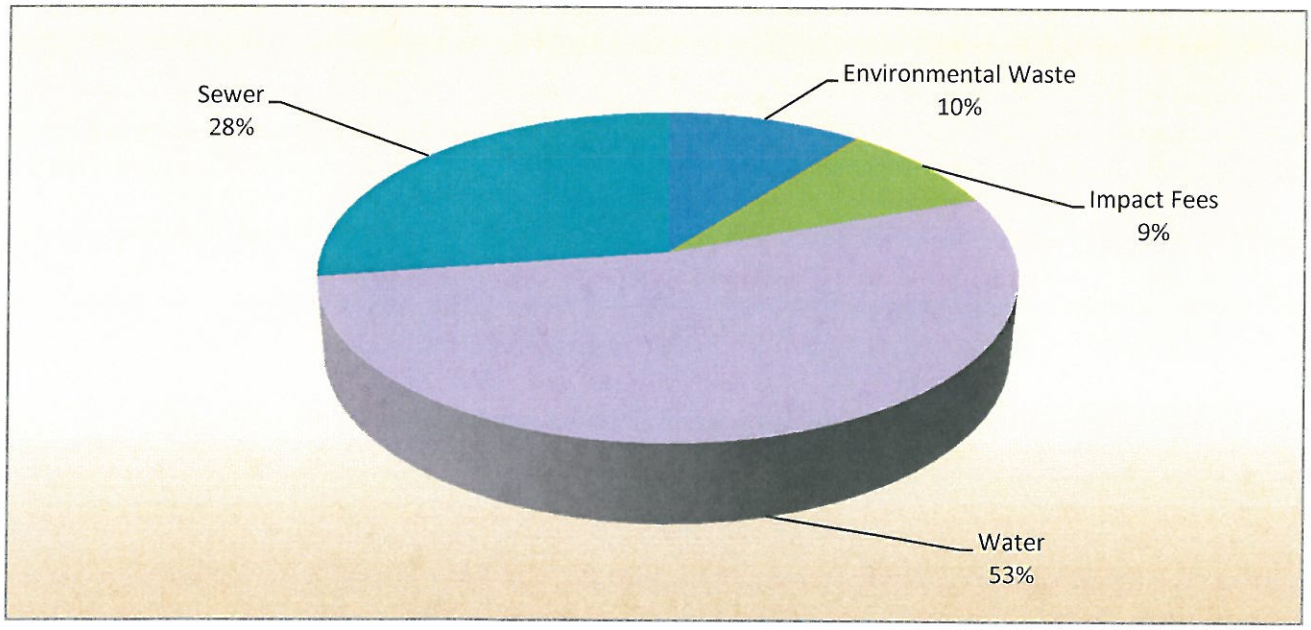
Overall business-type net change was due to revenues collected being slightly more than expenditures.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

At September 30, 2012, the governmental funds of the City reported a combined fund balance of $2,844,517, a 41% decrease from last year. This decrease is largely due to capital expenditures in the Capital Projects Fund for continuing street infrastructure improvements. The components of total fund balance are as follows:

Nonspendable fund balance of $9,751, consists of prepaids that are not spendable in form and required to be maintained intact.

Restricted fund balances of $18,614, are amounts restricted by external laws for other third party restrictions.

Committed fund balance of $89,034, is the amount that has been set aside by City Council for a specific purpose as determined by a formal action.

Assigned fund balance of $4,015, is the amount set aside for use by a special revenue fund of the police department.

The General Fund had an ending fund balance of ($23,519), a 90% increase over last year. This increase is due to the decrease in overall General Fund expenditures of ($570,413) in an effort by City's management to maintain budget.

At the end of the current fiscal year, the Debt Service Fund had a total restricted fund balance of $372,018 for the payment of debt, an increase of $29,486 or 8.6%.

At the end of the current fiscal year, the Capital Projects Fund had a total restricted fund balance of $2,496,018. This is due to capital contributions and monies owed to this fund by the General Fund. This is a decrease of ($2,275,080), including prior period adjustments, or 52.3%.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget at year-end. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

The largest portion of amendments to the budget were made to adjust estimates that were used to prepare the budget. Revenues were more than the budgeted amounts mainly in the area of property taxes and sales taxes collected. Expenditures were slightly less than the budgeted amounts.

Proprietary Funds - The City of Princeton's proprietary fund financial statements provide overall the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to $1,115,827 a 15% increase from prior year.

Capital assets - The City of Princeton's investment in capital assets for its governmental and business-type activities as of September 30, 2012, totals $23,954,865 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 9%.

Major capital asset events during the current fiscal year included the following:

- On-going street infrastructure projects continued such as Monte Carlo Blvd.
- Library construction
- Sewer line project at King's Meadow

City of Princeton
Capital Assets
As of September 30, 2012
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 384,543	$ 384,543	$ 180,353	$ 180,353	$ 564,896	$ 564,896
Buildings and improvements	679,854	688,352	162,683	168,268	842,537	856,620
Infrastructure	2,440,347	2,547,562	11,329,126	9,206,280	13,769,473	11,753,842
Machinery & equipment	629,148	537,647	171,402	210,902	800,550	748,549
Construction in progress	7,079,627	4,791,103	897,782	3,329,974	7,977,409	8,121,077
Total	$ 11,213,519	$ 8,949,207	$ 12,741,346	$ 13,095,777	$ 23,954,865	$ 22,044,984

A variety of water and sewer projects were in progress during the year. The amount of interest capitalized on construction in progress in the current fiscal year was $18,456. More detailed information about the City's capital assets is presented in Note F of the notes to the financial statements on pages 40 - 41.

Long-term Debt - As of September 30, 2012, the City had total long-term debt outstanding of $15,335,114. The total debt decreased by ($619,490) from the previous year. This represents a decrease of (4%). All outstanding debt that is backed by property taxes and charge for services is summarized below:

City of Princeton
Outstanding Debt
As of September 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds and Certificates of Obligation (backed by the City)	$ 5,558,672	$ 5,669,126	$ 9,304,756	$ 9,541,201	$ 14,863,428	$ 15,210,327
Tax Note (backed by tax revenues)	355,000	695,000	-	-	355,000	695,000
Capital Leases	105,204	31,521	$ 11,482	17,756	$ 116,686	49,277
Total	$ 6,018,876	$ 6,395,647	$ 9,316,238	$ 9,558,957	$ 15,335,114	$ 15,954,604

More detailed information about the City's long-term debt is presented in Note I of the Notes to the Financial Statements on pages 42 - 44.

Economic Factors and Next Year's Budgets and Rates

The FY 2013 budget incorporates the effective property tax rate of $0.756932 per $100 valuation.

The budget will raise more total property taxes by 2% from new property added to the tax roll this year.

The City's General Fund revenue is budgeted to increase by 2 percent more than last year due to the adoption of the effective tax rate.

General Fund expenditures are budgeted with a decrease of 2% from the previous year. The reduction of expenditures is being accomplished by close monitoring of spending.

The Proprietary Fund (water, sanitary sewer) operating revenues and expenditures are budgeted with an increase of revenues of 9% due to the prolonged drought conditions and the increase in North Texas Municipal Water District's rate.

Requests for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Princeton, Finance Department, PO Box 970, Princeton, Texas 75407.

PRINCETON
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BASIC FINANCIAL STATEMENTS

PRINCETON
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CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2012

	Primary Government			Component Units Activities	
	Governmental Activities	Business-type Activities	Total	CDC	EDC
ASSETS					
Cash and cash equivalents	$ 676,885	$ 1,099,378	$ 1,776,263	$ 207,144	$ 702,331
Receivables (net of allowance for uncollectibles)	272,720	347,839	620,559	38,936	38,936
Restricted assets:					
Cash and cash equivalents	2,294,381	980,880	3,275,261	-	-
Prepaids	9,751	4,913	14,664	268	67
Capital assets not being depreciated:					
Land	384,543	180,353	564,896	-	1,242,000
Construction in process	7,079,627	897,782	7,977,409	-	-
Capital assets net of accumulated depreciation:					
Infrastructure	2,440,347	11,329,126	13,769,473	-	-
Buildings and improvements	679,854	162,683	842,537	-	-
Machinery and equipment	629,148	171,402	800,550	727	515
Total assets	14,467,256	15,174,356	29,641,612	247,075	1,983,849
LIABILITIES					
Accounts payable	250,660	105,703	356,363	697	627
Retainage payable	-	48,939	48,939	-	-
Accrued expenses	44,119	17,791	61,910	922	277
Other liabilities	26,030	9,306	35,336	-	-
Customer deposits	-	296,306	296,306	-	-
Accrued interest payable	32,992	55,089	88,081	-	-
Noncurrent liabilities:					
Due within one year:					
Compensated absences	19,952	1,640	21,592	-	481
Lease payable	43,217	6,638	49,855	-	-
Tax note payable	355,000	-	355,000	-	33,765
Bonds payable	188,900	239,100	428,000	17,000	-
Due in more than one year:					
Compensated absences	94,222	14,479	108,701	11,699	7,570
Lease payable	61,987	4,844	66,831	-	-
Tax note payable	-	-	-	-	1,028,290
Bonds payable	5,369,772	9,065,656	14,435,428	186,000	-
Total liabilities	6,486,851	9,865,491	16,352,342	216,318	1,071,010
NET POSITION					
Net investment in capital assets	5,151,105	3,572,269	8,723,374	727	180,460
Restricted for:					
Debt service	370,298	26,013	396,311	-	-
Use of impact fees	-	594,756	594,756	-	-
Court	11,136	-	11,136	-	-
PEG Capital	7,478	-	7,478	-	-
Capital projects	1,774,013	-	1,774,013	-	-
Unrestricted	666,375	1,115,827	1,782,202	30,030	732,379
Total net position	$ 7,980,405	$ 5,308,865	$ 13,289,270	$ 30,757	$ 912,839

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

CITY OF PRINCETON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	$ 541,838	$ -	$ -	$ -
Public safety	1,374,721	234,570	157,569	159,273
Public services and operations	274,184	-	-	-
Parks and recreation	214,445	14,192	56,005	37,975
Library	80,323	1,297	-	-
Public works	442,915	259,738	-	2,766
Interest on long-term debt	289,026	-	-	-
Total governmental activities	3,217,452	509,797	213,574	200,014
Business-type activities:				
Utility services	3,837,603	3,694,915	-	145,353
Total business-type activities	3,837,603	3,694,915	-	145,353
Total primary government	7,055,055	4,204,712	213,574	345,367
Component units:				
Community Development Corporation	116,649	-	-	-
Economic Development Corporation	97,015	-	-	-
Total component units	$ 213,664	$ -	$ -	$ -

General revenues:
Property taxes
Sales and use taxes
Franchise taxes
Investment income
Donations-not restricted to project
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior Period Adjustment
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business Activities	Total	CDC	EDC	
$ (541,838)	$ -	$ (541,838)	$ -	$ -	
(823,309)	-	(823,309)	-	-	
(274,184)	-	(274,184)	-	-	
(106,273)	-	(106,273)	-	-	
(79,026)	-	(79,026)	-	-	
(180,411)	-	(180,411)	-	-	
(289,026)	-	(289,026)	-	-	
(2,294,067)	-	(2,294,067)	-	-	
-	2,665	2,665	-	-	
-	2,665	2,665	-	-	
(2,294,067)	2,665	(2,291,402)	-	-	
-	-	-	(116,649)	-	
-	-	-	-	(97,015)	
$ -	$ -	$ -	$ (116,649)	$ (97,015)	
$ 2,072,551	$ -	$ 2,072,551	$ -	$ -	
447,973	-	447,973	223,987	223,987	
225,711	-	225,711	-	-	
15,913	256	16,169	543	766	
7,135	-	7,135	-	-	
40,998	1,491	42,489	-	-	
609	(609)	-	-	-	
2,810,890	1,138	2,812,028	224,530	224,753	
516,823	3,803	520,626	107,881	127,738	
7,671,424	5,531,057	13,202,481	(77,124)	785,101	
(207,842)	(225,995)	(433,837)	-	-	
$ 7,980,405	$ 5,308,865	$ 13,289,270	$ 30,757	$ 912,839	

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

CITY OF PRINCETON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	$ -	$ -	676,885	$ 676,885
Receivables (net of allowance for uncollectibles)	239,847	32,873	-	272,720
Due from General Fund	-	-	143,001	143,001
Prepaids	9,751	-	-	9,751
Cash - restricted	11,136	370,418	1,912,827	2,294,381
Total assets	260,734	403,291	2,732,713	3,396,738
LIABILITIES				
Accounts payable	13,965	-	236,695	250,660
Other liabilities	26,030	-	-	26,030
Accrued expenses	44,119	-	-	44,119
Due to other funds	143,001	-	-	143,001
Total liabilities	227,115	-	236,695	463,810
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	57,138	31,273	-	88,411
Total deferred inflows of resources	57,138	31,273	-	88,411
FUND BALANCES				
Nonspendable - prepaids	9,751	-	-	9,751
Restricted for:				
Debt service	-	372,018	-	372,018
Court	11,136	-	-	11,136
PEG Capital	7,478	-	-	7,478
Capital projects	-	-	2,496,018	2,496,018
Committed for:				
Fire	89,034	-	-	89,034
Assigned for:				
Police	4,015	-	-	4,015
Unassigned	(144,933)	-	-	(144,933)
Total fund balances	(23,519)	372,018	2,496,018	2,844,517
Total liabilities, deferred inflows of resources and fund balances	$ 260,734	$ 403,291	$ 2,732,713	$ 3,396,738

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

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	$ 2,844,517
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.	13,236,255
Accumulated depreciation is not included in the governmental fund financial statements.	(2,022,736)
Bonds Payable and contractual obligations are not included in the governmental fund financial statements.	(6,100,806)
Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds.	81,929
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(114,173)
Interest payable on long-term debt does not require current financial sources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(32,992)
Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	88,411
Net position of governmental activities - statement of net position	$ 7,980,405

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

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUE				
Property taxes	$ 1,361,490	$ 747,175	$ -	$ 2,108,665
Franchise taxes	225,711	-	-	225,711
Fines and forfeitures	195,497	-	-	195,497
Sales and use taxes	447,973	-	-	447,973
Charge for services	59,312	-	10,198	69,510
Beverage tax	2,368	-	-	2,368
Licenses and permits	259,738	-	-	259,738
Intergovernmental revenue	186,338	-	59,910	246,248
Grants	159,988	-	-	159,988
Donations	11,722	-	-	11,722
Investment income	4,824	439	10,650	15,913
Miscellaneous	38,630	-	-	38,630
Total revenues	2,953,591	747,614	80,758	3,781,963
EXPENDITURES				
Current operating:				
General government	489,555	1,306	-	490,861
Public safety	1,173,451	-	1,129	1,174,580
Public works	333,393	-	-	333,393
Library	-	-	210	210
Public services and operations	269,557	-	-	269,557
Parks and recreation	229,804	-	-	229,804
Debt service:				
Principal retirement	53,847	440,436	-	494,283
Interest and fiscal agent fees	11,432	276,386	-	287,818
Capital outlays:				
Public works	-	-	2,127,597	2,127,597
Public services and operations	3,650	-	-	3,650
Library	-	-	165,972	165,972
Public safety	282,577	-	-	282,577
Parks and recreation	-	-	25,148	25,148
Total expenditures	2,847,266	718,128	2,320,056	5,885,450
Excess (deficiency) of revenues over (under) expenditures	106,325	29,486	(2,239,298)	(2,103,487)
Other revenues and financing sources (uses)				
Note proceeds	114,066	-	-	114,066
Transfers	609	-	-	609
Total other financing sources (uses)	114,675	-	-	114,675
Net change in fund balances	221,000	29,486	(2,239,298)	(1,988,812)
Fund balances - beginning	(244,519)	342,532	4,771,098	4,869,111
Prior Period Adjustments	-	-	(35,782)	(35,782)
Fund balances - ending	$ (23,519)	$ 372,018	$ 2,496,018	$ 2,844,517

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

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	$ (1,988,812)
Amounts reported for governmental activities in the statement of activities are different due to the following:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.	2,604,944
Current year capital contributions are expenditures in the fund financial statements, but are shown as an increase in capital assets in the government-wide financial statements.	3,376
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(329,059)
Current year long term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.	494,283
Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements.	(114,066)
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(101,574)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as revenue in the governmental funds.	(1,208)
In governmental fund financial statements, the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(14,947)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements	(36,114)
Change in net position of governmental activities - statement of activities	$ 516,823

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

CITY OF PRINCETON, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2012

	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,099,378
Receivables (net of allowance for uncollectibles)	347,839
Total Current Assets	1,447,217
Noncurrent assets:	
Restricted cash and cash equivalents	980,880
Prepaids	4,913
Capital assets:	
Land	180,353
Construction in progress	897,782
Buildings and improvements	235,326
Infrastructure	13,772,453
Machinery & equipment	368,523
Less accumulated depreciation	(2,713,091)
Total capital assets, net of accumulated depreciation	12,741,346
Total assets	15,174,356
LIABILITIES	
Current liabilities:	
Accounts payable	105,703
Retainage payable	48,939
Accrued interest payable	17,791
Other liabilities	9,306
Compensated absences - current	1,640
Capital lease payable - current	6,638
Revenue bonds payable - current	239,100
Total current liabilities	429,117
Liabilities (payable from restricted assets):	
Customer deposits	296,306
Accrued interest payable	55,089
Total current liabilities (payable from restricted assets)	351,395
Noncurrent liabilities:	
Compensated absences	14,479
Capital lease payable	4,844
Revenue bonds payable	9,065,656
Total noncurrent liabilities	9,084,979
Total liabilities	9,865,491
NET POSITION	
Net investment in capital assets	3,572,269
Restricted for:	
Use of impact fees	594,756
Debt service	26,013
Unrestricted	1,115,827
Total net position	$ 5,308,865

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

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Utility Fund
OPERATING REVENUES:	
Charges for sales and services:	
Service charges	$ 3,352,745
Impact fees	328,360
Intergovernmental-state and local	145,353
Rental income	13,810
Miscellaneous	1,491
Total Operating Revenues	3,841,759
OPERATING EXPENSES:	
Personal services	611,647
Supplies and materials	113,224
Maintenance and repair	81,194
Water purchases	637,607
Lift station	387,029
Contractual services	1,263,782
Depreciation	326,499
Total Operating Expenses	3,420,982
Operating Income (Loss)	420,777
NON-OPERATING REVENUES (EXPENSES):	
Investment income	256
Interest	(416,621)
Total Non-Operating Revenues (Expenses)	(416,365)
Income before transfers	4,412
Transfers	(609)
Change in Net Position	3,803
Net Position - beginning	5,531,057
Prior period Adjustment	(225,995)
Net Position - ending	$ 5,308,865

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

CITY OF PRINCETON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 3,830,186
Cash received from other sources	160,653
Cash paid to employees	(597,945)
Cash paid to suppliers	(2,829,762)
Net cash provided by (used in) operating activities	563,132
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from primary government	(609)
Net cash provided by (used in) non-capital financing activities	(609)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	27,932
Bond amortization expense	(17,040)
Principal paid on capital debt	(234,100)
Principal paid on capital lease	(6,274)
Interest paid on capital debt	(416,621)
Net cash provided by (used in) capital and related financing activities	(646,103)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	256
Net cash provided by (used in) investing activities	256
Net Increase (Decrease) in Cash and Cash Equivalents	(83,323)
Cash and Cash Equivalents at Beginning of Year	2,163,581
Cash and Cash Equivalents at End of Year	$ 2,080,258
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating income (loss)	$ 420,777
Adjustment to reconcile operating income to net cash Provided by operating activities	
Depreciation	326,499
Prior period adjustments	(114,362)
Change in Assets and Liabilities	
Decrease (increase) in receivables	123,235
Decrease (increase) in prepaid expenses	(4,914)
Increase (decrease) in accrued expenses	17,790
Increase (decrease) in accounts payable	(242,509)
Increase (decrease) in customer deposits	25,845
Increase (decrease) in other liabilities	(2,931)
Increase (decrease) in compensated absences	13,702
Total adjustments	142,355
Net cash provided (used in) by operating activities	$ 563,132

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

A. Summary of Significant Accounting Policies

The City of Princeton, Texas ("City") is a municipal Corporation governed by an elected mayor and a five-member council and provides the following services to the citizens of the City: Public Safety (Police and Fire), Public Works, Parks and Recreation, Water and Sewer Utilities, and General Administrative Services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant accounting policies of the City are described below.

1. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

2. Reporting Entity

The City Council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units".

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been reported in separate columns in the government-wide financial standards to emphasize that they are legally separate from the City. Fund statements for the discretely presented component units have also been presented in the supplementary information section.

A. Summary of Significant Accounting Policies

2. Reporting Entity (continued)

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB No. 14 by including entities that meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.

2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

The Princeton Community Development Corporation ("CDC") and the Princeton Economic Development Corporation ("EDC") are discretely presented component units for the City. The CDC was incorporated July 3, 1997, and the EDC was incorporated October 1, 2005. Both corporations are governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for the CDC and EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City respectively to each corporation. Adding the creation of the CDC and EDC to the resources currently available will more than double the current ability to assist economic and community development in the community. The nature and significance of the relationship between the primary government and the CDC and EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the CDC or EDC.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and the discretely presented component units.

3. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues rather than as a program revenues.

A. Summary of Significant Accounting Policies

3. Government-Wide and Fund Financial Statements (continued)

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise fees and interest income).

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, and capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The City has no non-major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 wastewater proprietary fund are charges to customers for sales and services. The water and wastewater 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 proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under 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 60 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 the payment is due as required by GASB Interpretation No. 6.

A. Summary of Significant Accounting Policies

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The following major funds are used by the City:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds of the City:

The *General Fund* is the operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvements costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt from taxes levied by the City.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities being financed from general obligation or certificate of obligation bond proceeds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's water, sewer, and environmental waste services are charges to customers for sales and services. Operating expenses for the Proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary fund:

The *Utility Fund* accounts for the operations of the water and sanitary sewer utilities and trash collection which are self-supporting activities rendering services on a user-charge basis. Water and sewer impact fees are also accumulated in this fund.

A. Summary of Significant Accounting Policies

5. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

b. Receivables and Payables

Trade and property tax receivables are shown net of an allowance for uncollectible.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from".

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

c. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method. The City has prepaids of health insurance premiums for its employees at the end of the current fiscal year.

d. Restricted Assets

Certain proceeds of proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represents cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

A. Summary of Significant Accounting Policies

5. Financial Statement Amounts

e. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. For the current fiscal year, $18,456 of such interest costs were capitalized in the Utility Fund.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20 - 40 yrs
Buildings	25 - 40 yrs
Building Improvements	10 yrs
Machinery and Vehicles	5 - 20 yrs

f. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 does not have any deferred outflows of resources for the fiscal year ended September 30, 2012.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent 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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available.

g. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs have been expensed as directed by a change in accounting principle with the adoption of GASB No. 65 Statement. Bonds payable are reported net of the applicable bond premium and discount.

The fund financial statements and governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and discounts on debt issuance are reported as other financing sources uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

A. Summary of Significant Accounting Policies
5. Financial Statement Amounts (continued)

i. Fund Equity

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes which committed, assigned, or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because of their forms (i.e. inventory, long-term receivables, or prepaid items) or because they must remain intact such as the principal of an endowment.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by the City Council or the City Manager.
- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, followed by unrestricted, committed, assigned, and unassigned resources as they are needed.

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with the adopted minimum fund balance policy, the City's general fund balance should be 20% of the total maintenance and operation expenditures. Currently, the City is not in compliance with this policy.

j. Net Position Flow Assumption

Sometimes the City 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 fund financial statemetns, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

A. Summary of Significant Accounting Policies

5. Financial Statement Amounts (continued)

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balances in the government fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City'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.

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies including Federal Emergency Management Agency ("FEMA") which is accounted for in the Fire Department activity of the General Fund.

m. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

p. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

q. Program Expenses

Certain indirect costs, such as administrative costs, are included in the program expense reported for individual functional activities.

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
Debt Service Fund	Property tax revenues collected cover the shortfall in budget

B. Stewardship, Compliance and Accountability (continued)

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

The General Fund has a deficit fund balance of ($23,519) as of September 30, 2012. This deficit is due to the prior year's deficit of ($244,519). None of the General Fund's departments exceeded budgets.

3. Budgets and Budgetary Accounting

The City annually adopts budgets for the General Fund and General Debt Service Fund of the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budgeted revenues and expenditures. The General Fund budget appears in the Required Supplementary Information ("RSI") section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets for the General Fund and Debt Service Fund are legally adopted on a modified accrual basis.

C. Deposits and Investments

At year end, the government's carrying amount of deposits was $5,051,524 and the bank balance was $6,194,590. All bank balances were covered by Federal Deposit Insurance or by collateral held by a third-party custodian. The custodian serves contractually as the City's agent. Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	$ 1,776,263
Restricted cash and cash equivalents	3,275,261
Total cash and cash equivalents	$ 5,051,524

Cash on hand	$ 1,419
Checking accounts	3,345,617
Certificate of deposit	501,861
Texpool	1,202,627
Total cash and cash equivalents	$ 5,051,524

C. Deposits and Investments (continued)

Restricted Cash	
Governmental	
Donations - library renovation	$ 138,815
Municipal Court use	11,136
Capital projects	1,774,012
Debt	370,418
Total Governmental	2,294,381
Business	
Customer Deposits	296,306
Capital projects	63,805
Debt	26,013
Impact Fees	594,756
Total Business	980,880
Total Restricted Cash	$ 3,275,261

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Currently all of the City's investments are with the Texas Local Investment Pool ("Texpool"). The weighted average maturity as of September 30, 2012 was 41 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy states that the pool is continuously rated no lower than AAA or AAA-m.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texpool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

C. Deposits and Investments (continued)

Concentration of Credit Risk

The City's investment policy states that no more than fifty percent (50%) of the total investment portfolio will be invested in any one security type or with a single financial institutions with the exceptions of U.S. Government securities and local investment pools.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act required that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 100% of the principal plus accrued interest less the amount insured by the FDIC.

As of September 30, 2012, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate of the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous rate.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the current fiscal year, the City had a tax rate of $0.728394 per $100 assessed valuation based upon the maximum rates described above.

E. Receivables

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Proprietary	Total
Receivables:					
Taxes	$ 184,665	$ 36,525	$ -	$ -	$ 221,190
Fees and Charges	611,263	-	-	400,224	1,011,487
Gross Receivables	795,928	36,525	-	400,224	1,232,677
Less: allowances for uncollectible	556,081	3,652	-	52,385	612,118
Net Total Receivables	$ 239,847	$ 32,873	$ -	$ 347,839	$ 620,559

F. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 384,543	$ -	$ -	$ -	$ 384,543
Construction in Progress	4,791,103	-	2,306,382	(17,858)	7,079,627
Total capital assets, not being depreciated:	5,175,646	-	2,306,382	(17,858)	7,464,170
Capital assets, being depreciated:					
Buildings & Improvements	1,096,964	-	19,792	-	1,116,756
Infrastructure	2,084,864	-	17,859	-	2,102,723
Park Improvements	869,729	-	15,710	-	885,439
Vehicles & Equipment	1,438,786	-	266,435	(38,052)	1,667,169
Total capital assets being depreciated	5,490,343	-	319,796	(38,052)	5,772,087
Less accumulated depreciation for:					
Buildings & Improvements	(408,612)	-	(28,290)	-	(436,902)
Infrastructure	(407,032)	-	(140,780)	-	(547,812)
Vehicles & Equipment	(901,138)	-	(159,989)	23,103	(1,038,024)
Total accumulated depreciation	(1,716,782)	-	(329,059)	23,103	(2,022,738)
Total capital assets, being depreciated, net	3,773,561	-	(9,263)	(14,949)	3,749,349
Governmental activities capital assets, net	$ 8,949,207	$ -	$ 2,297,119	$ (32,807)	$ 11,213,519

F. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Business-type Activities					
Capital assets, not being depreciated:					
Land	$ 180,353	$ -	$ -	$ -	$ 180,353
Construction in Progress	3,329,974	(114,361)	86,429	(2,404,260)	897,782
Total capital assets, not being depreciated	3,510,327	(114,361)	86,429	(2,404,260)	1,078,135
Capital assets, being depreciated:					
Buildings & Improvements	235,326	-	-	-	235,326
Infrastructure	11,368,193	-	2,404,260	-	13,772,453
Vehicles & Equipment	368,523	-	-	-	368,523
Total capital assets being depreciated	11,972,042	-	2,404,260	-	14,376,302
Less accumulated depreciation for:					
Buildings & Improvements	(67,058)	-	(5,585)	-	(72,643)
Infrastructure	(2,161,912)	-	(281,414)	-	(2,443,326)
Vehicles & Equipment	(157,622)	-	(39,500)	-	(197,122)
Total accumulated depreciation	(2,386,592)	-	(326,499)	-	(2,713,091)
Total capital assets, being depreciated, net	9,585,450	-	2,077,761	-	11,663,211
Business-type activities capital assets, net	$ 13,095,777	$ (114,361)	$ 2,164,190	$ (2,404,260)	$ 12,741,346

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

Governmental activities:	
General Government	$ 8,941
Public Safety	140,755
Public Works, including depreciation of general infrastructure assets	110,590
Public Service	4,019
Culture and Recreation	64,754
Total depreciation expense - governmental activities	$ 329,059
Business-type activities:	
Utility Services	$ 326,499
Total depreciation expense - business-type activities	$ 326,499

G. Construction Commitments

The City has active construction projects as of September 30, 2012. The projects include park infrastructure and improvements, street infrastructure and improvements, and water/wastewater infrastructure improvements. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Monte Carlo Blvd	$ 6,828,192	$ 349,369
9 hole disc golf course	15,902	-
US 380 Improvement	86,183	44,579
Library renovation	179,839	51,997
Combest Park	3,250	-
Atmos gas line	3,374	458,307
Miscellaneous Waterline projects	461,506	-
4th Street waterline	117,451	-
FM 461 & 6th street waterline	16,382	-
King's Meadow sewer line	265,330	-
Total	$ 7,977,409	$ 904,252

H. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2012, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds & certificates of obligation	$ 5,754,500	$ -	$ (113,900)	$ 5,640,600	$ 188,900
Plus:					
For issuance premiums	21,389	-	(1,188)	20,201	1,188
Less deferred amounts:					
For issuance discounts	(106,763)	-	4,634	(102,129)	4,634
Tax anticipation notes	695,000	-	(340,000)	355,000	355,000
Total Bonds Payable	6,364,126	-	(450,454)	5,913,672	549,722
Capital Lease Payable	31,521	114,066	(40,383)	105,204	42,899
Compensated absences	12,603	142,130	(40,559)	114,174	19,952
Governmental activity Long-term liabilities	$ 6,408,250	$ 256,196	$ (531,396)	$ 6,133,050	$ 612,573

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
General obligation bonds & certificates of obligation	$ 9,455,500	$ -	$ (234,100)	$ 9,221,400	$ 239,100
Plus:					
For issuance premiums	125,277	-	(4,818)	120,459	4,818
Less deferred amounts:					
For issuance discounts	(39,577)	-	2,474	(37,103)	(2,474)
Total Bonds Payable	9,541,200	-	(236,444)	9,304,756	241,444
Capital Lease Payable	17,756	-	(6,274)	11,482	6,638
Compensated absences	2,418	28,711	(15,010)	16,119	1,640
Business-type activity Long-term liabilities	$ 9,561,374	$ 28,711	$ (257,728)	$ 9,332,357	$ 249,722

Governmental Activities

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2011	Issued	Retired	Amounts Outstanding September 30, 2012	Due Within One Year
2006 Tax Note	4.26%	$ 1,635,000	$ 695,000	$ -	$ (340,000)	$ 355,000	$ 355,000
2009 Series, CO	3%-5.25%	4,315,000	4,315,000	-	-	4,315,000	75,000
2011 Series, GO	2%-4%	1,439,500	1,439,500	-	(113,900)	1,325,600	113,900
Total Bonds Payable		7,389,500	6,449,500	-	(453,900)	5,995,600	543,900
Capital Lease-Ford	5.65%	42,182	31,521	-	(13,385)	18,136	15,489
Capital Lease-1st Cap	5.65%	30,000	-	30,000	(7,445)	22,555	7,127
Capital Lease-Ford	6.10%	84,066	-	84,066	(19,553)	64,513	20,283
Total Long-term Obligations		$ 7,545,748	$ 6,481,021	$ 114,066	$ (494,283)	$ 6,100,804	$ 586,799

H. Long-Term Obligations
Governmental Activities (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	$ 543,900	$ 248,813	$ 792,713
2014	205,600	244,343	449,943
2015	224,000	237,422	461,422
2016	227,350	230,209	457,559
2017	225,650	222,577	448,227
2018 - 2022	844,750	906,048	1,750,798
2023 - 2027	975,350	763,755	1,739,105
2028 - 2032	1,034,000	571,889	1,605,889
2033 - 2037	1,160,000	303,975	1,463,975
2038 - 2039	555,000	29,531	584,531
Totals	$ 5,995,600	$ 3,758,562	$ 9,754,162

$1,439,500 Series 2011 general obligation refunding bonds, issued May 23, 2011, for the purpose of refinancing the Series 2008 general obligation refunding bonds and the Series 2010 tax and revenue certificates of obligation.

$4,315,000 Series 2009, combination tax & surplus revenue certificate obligation bonds, issued August 25, 2009, for the purpose of construction and improvements of streets.

$1,635,000 Series 2006 tax note, issued September 5, 2006, for the purpose of construction and improvement of streets, including curbs, and the acquisition of police vehicles.

Business Activities

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2011	Issued	Retired	Amounts Outstanding September 30, 2012	Due Within One Year
2007 Series, GO	4%-5.25%	$ 1,275,000	$ 1,120,000	$ -	$ (50,000)	$ 1,070,000	$ 50,000
2007 Series, CO	4%-5.25%	8,250,000	7,845,000	-	(145,000)	7,700,000	150,000
2011 Series, GO	2.00%	490,500	490,500	-	(39,100)	451,400	39,100
Total Bonds Payable		10,015,500	9,455,500	-	(234,100)	9,221,400	239,100
Capital Lease-Ford	5.65%	21,818	17,756	-	(6,274)	11,482	6,638
Total Long-term Obligations		$ 10,037,318	$ 9,473,256	$ 17,756	$ (240,374)	$ 9,232,882	$ 245,738

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	$ 239,100	$ 436,766	$ 675,866
2014	246,400	427,960	674,360
2015	266,000	418,691	684,691
2016	272,150	408,120	680,270
2017	284,850	396,153	681,003
2018 - 2022	1,654,750	1,786,243	3,440,993
2023 - 2027	2,096,350	1,399,725	3,496,075
2028 - 2032	1,864,000	937,028	2,801,028
2033 - 2037	1,777,800	429,181	2,206,981
2038	520,000	12,350	532,350
Totals	$ 9,221,400	$ 6,652,217	$ 15,873,617

H. Long-Term Obligations

Business Activities (continued)

$490,500 Series 2011 general obligation refunding bonds, issued May 23, 2011, for the purpose of refinancing the Series 2008 general obligation refunding bonds.

$1,275,000 Series 2007, general obligation refunding bonds, issued December 11, 2007, for the purpose of refinancing the $1,275,000 Series 2003.

$8,250,000 Series 2007, combination tax and surplus revenue certificates of obligation, issued December 11, 2007, for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

I. Capital Leases

The City entered into a capital lease agreement with Ford Motor Company in January 2011 in the amount of $64,000. A police car and a truck for the Utility department were purchased. The lease is to be repaid over a three year period and an interest rate of 5.65%. The lease matures December 20, 2013.

The City entered into a capital lease agreement with Ford Motor Company in November 2011 in the amount of $84,066. Two police cars were purchased. The lease is to be repaid over a four year period and an interest rate of 6.1%. The lease matures in September 2013.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in March 2012 in the amount of $30,000 for the purchase of a 2011 Dodge Charger. The lease is to be repaid over a four year period and an interest rate of 5.65%. The lease matures in October 2015.

Governmental debt service requirements are as follows:

Year Ending September 30:	
2013	$ 48,002
2014	34,493
2015	31,808
Total minimum lease payments	114,303
Less: amount representing interest	(9,099)
Present value of lease payments	$ 105,204

Business-type debt service requirements are as follows:

Year Ending September 30:	Principal
2013	$ 6,940
2014	6,483
Total minimum lease payments	13,423
Less: amount representing interest	(1,941)
Present value of least payments	$ 11,482

J. Bond Costs

The City incurred various bond fees upon the issuance of bonds. These fees are amortized over the life of the bonds. The following is a schedule of these fees.

Governmental Fund	Fees	Accumulated Amortization	Current Year Amortization Expense	Balance September 30, 2012
Premiums and Discounts:				
2011 Series, GO	$ (41,389)	$ -	$ 2,299	$ (39,090)
2009 Series, CO	(70,044)	4,670	2,335	(63,039)
2011 Series, GO	21,389	-	(1,188)	20,201
Total	$ (90,044)	$ 4,670	$ 3,446	$ (81,928)

Proprietary Fund	Fees	Accumulated Amortization	Current Year Amortization Expense	Balance September 30, 2011
Premiums and Discounts:				
2007 Series, CO	$ 144,551	$ (19,274)	$ (4,818)	$ 120,459
2007 Series, GO	(49,471)	9,894	2,474	(37,103)
Total	$ 95,080	$ (9,380)	$ (2,344)	$ 83,356

K. Operating Leases

The City leases the building that houses City Hall, Utility billing, and management offices. The total cost for this lease for the current fiscal year was $103,584. The other operating leases that the City is under contract obligations are for office equipment, web and internet services, and a motorcycle for the Police department. The future minimum lease payments for these leases are as follows:

FYE Sept 30	Building	Office Equip & Services
2013	$ 103,584	$ 13,833
2014	103,584	9,601
2015	103,584	9,431
2016	103,584	4,691
2017	103,584	-
Total	$ 517,920	$ 37,556

L. Contracts

Greater Texoma Utility Authority ("GTUA") - In 2009, the City entered into an agreement with GTUA, whereby GTUA agreed to issue revenue bonds and to pay, when combined with other funds or property, the cost to complete improvements to the City's existing water storage tank and, further, to provide the City's share of EPA construction grant funds to expand the capacity of the existing infrastructure. GTUA subsequently issued $5,290,000 in contract revenue bonds, Series 2009, for the purpose stated above. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Utility proprietary fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due.

L. Contracts (continued)

Contractual commitments to be paid to GTUA by the City on the revenue bonds are provided on the following schedule:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	$ 195,000	$ 236,805	$ 431,805
2014	200,000	230,565	430,565
2015	205,000	223,765	428,765
2016	215,000	216,078	431,078
2017	220,000	207,478	427,478
2018-2022	1,270,000	880,290	2,150,290
2023-2027	1,640,000	515,598	2,155,598
2028-2029	790,000	69,118	859,118
	$ 4,735,000	$ 2,579,697	$ 7,314,697

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2012 financial statements of GTUA.

M. Pension Plan

1. Plan Description

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

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

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:

	Plan Year	
	2011	2012
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retire)	70% of CPI Repeating	70% of CPI Repeating

M. Pension Plan (continued)

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

3. Annual Pension Cost

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	12/31/09	12/31/10	12/31/11
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of PR	Level % of PR	Level % of PR
Amortization period	28.3 years closed period	27.3 years closed period	26.3 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset Valuation method	10-yr Smoothed	10-yr Smoothed	10-yr Smoothed
Actuarial assumptions:			
Investment rate of return *	7.5%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Schedule of Actuarial Liabilities and Funding Progress (unaudited)

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Value of Assets	$ 1,577,061	$ 2,715,798	$ 2,940,847
Actuarial Accrued Liability	1,966,364	3,086,373	3,164,265
Percentage Funded	80.2%	88.0%	92.9%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	389,303	370,575	223,418
Annual Covered Payroll	1,699,836	1,677,830	1,438,064
UAAL as a Percentage of Covered Payroll	22.9%	22.1%	15.5%
Net Pension Obligation (NPO) at the Beginning of Period	$ -	$ -	$ -
Annual Pension Cost:			
Annual required contribution (ARC) Plus	143,654	148,991	130,694
Contributions Made Less	(143,654)	(148,991)	(130,694)
NPO at the end of the period	$ -	$ -	$ -

M. Pension Plan

3. Annual Pension Cost (continued)

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

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

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System ("TMRS") knows as the Supplemental Death Benefits Fund ("SDBF"). 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.

The death benefit for active employees provides a lump-sum approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the 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.

The City's contributions to the TMRS SDBF for the year ended 2012, 2011 and 2010 were $3,020, $3,523 and $3,568, respectively, which equaled the required contributions each year.

N. Health Care Coverage

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan ("Plan"). The City contributed $437.64 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to Texas Municipal League. The Plan was authorized by article 3.51-2, Texas Insurance Code, and was documented by contractual agreement.

O. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2011, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

P. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Q. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding these actions and does not believe that it will materially affect the City's operations or financial position.

R. Additional Water and Sewer Information

The City of Princeton secures its water supply from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"), the City being authorized by statute to appoint two of those members. The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee, or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return, the City agreed to pay the District at a rate $1.70 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was $637,607.

The following information is included at the request of the Texas Water Development Board for the year under audit.
Water Accountability Report:

Gallons Pumped	402,910,000
Gallons Billed	382,074,800

S. Transfers

There was one transfer between the General Fund and the Utility Fund to reclassify capital outlay of $609.

T. Prior Period Adjustments

Several prior period adjustments were made for the governmental activities and business-type activities. Below is the detail of these adjustments:

Governmental activities:

$	(35,781)	correction to prior year receivable
	(172,061)	all bond issuance costs are to be expensed per GASB63
$	(207,842)	

T. Prior Period Adjustments (continued)

Business-Type activities:

$	(114,362)	CIP for elevated storage tank expensed - not City-owned asset
	(111,633)	all bond issuance costs are to be expensed per GASB63
$	(225,995)	

U. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2012 up through April 5, 2013 the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

V. Princeton Economic Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Economic Development Corporation is a discretely presented component unit on the combined financial statements. The Economic Development Corporation ("EDC") was incorporated in October 1, 2005. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash

Cash and cash equivalents	$	(15,337)
Texpool		717,668
Total cash and cash equivalents	$	702,331

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

b. Receivables

Receivables as of year end for the EDC were $38,936. This is sales tax receivable due from the City.

V. Princeton Economic Development Corporation (continued)

c. Capital Assets

	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 1,242,000	$ -	$ -	$ 1,242,000
Total capital assets, not being depreciated	1,242,000	-	-	1,242,000
Capital assets, being depreciated:				
Equipment	9,275	-	-	9,275
Total capital assets being depreciated	9,275	-	-	9,275
Less accumulated depreciation for:				
Equipment	(6,802)	(1,958)	-	(8,760)
Total accumulated depreciation	(6,802)	(1,958)	-	(8,760)
Total capital assets, being depreciated, net	2,473	(1,958)	-	515
Economic Development Corporation capital assets, net	$ 1,244,473	$ (1,958)	$ -	$ 1,242,515

d. Compensated absences

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation and comp time is accrued at close of fiscal year end in the government-wide and proprietary fund financial statements.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 6,358	$ 3,728	$ (2,035)	$ 8,051	$ 481

e. Health Care Coverage

During the year ended September 30, 2012, EDC employees of the were covered by the City's health insurance plan ("Plan"). The City contributed $437.64 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

f. Pension Plan

During the year ended September 30, 2012, EDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS").

g. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30, 2011	Issued	Retired	Outstanding September 30, 2012	Due Within One Year
Note Payable	6.00%	$ 1,152,000	$ 1,093,853	$ -	$ (31,798)	$ 1,062,055	$ 33,765

V. Princeton Economic Development Corporation

g. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	$ 33,765	$ 62,710	$ 96,475
2014	35,854	60,622	96,476
2015	38,071	58,404	96,475
2016	40,426	56,049	96,475
2017	42,927	53,549	96,476
2018 - 2022	257,902	224,473	482,375
2023 - 2027	348,165	134,213	482,378
2028 - 2030	264,945	24,481	289,426
Totals	$ 1,062,055	$ 674,501	$ 1,736,556

The Economic Development Corporation incurred a Sales Tax loan with Citizen State Bank in the amount of $1,152,000 for the purchase of land on November 20, 2009. This loan is to be repaid over a period of 20 years with an annual interest rate of 6%.

h. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2012 up through April 5, 2013 the date the financial statements were available to be issued. During this period, there are no subsequent events requiring disclosure.

W. Princeton Community Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Community Development Corporation is a discretely presented component unit on the combined financial statements. The Community Development Corporation ("CDC") was incorporated in July 3, 1997. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, building, equipment, facilities, expenditures, targeted infrastructure, and improvements throughout the City.

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash	
Cash and cash equivalents	$ (309,883)
Texpool	517,027
Total cash and cash equivalents	$ 207,144

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

W. Princeton Community Development Corporation (continued)

b. Receivables

Receivables as of year end for the CDC were $38,936. This is sales tax receivable due from the City.

c. Capital Assets

	Beginning Balances	Additions	Decreases	Ending Balances
Component unit activities:				
Capital assets, being depreciated:				
Office equipment	$ 9,275	$ -	$ -	$ 9,275
Total capital assets being depreciated	9,275	-	-	9,275
Less accumulated depreciation for:				
Office equipment	(6,802)	(1,746)	-	(8,548)
Total accumulated depreciation	(6,802)	(1,746)	-	(8,548)
Community Development Corporation capital assets, net	$ 2,473	$ (1,746)	$ -	$ 727

d. Compensated absences

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation and comp time is accrued at close of fiscal year end in the government-wide and proprietary fund financial statements.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 10,811	$ 3,324	$ (2,436)	$ 11,699	$ -

e. Health Care Coverage

During the year ended September 30, 2012, CDC employees of the were covered by the City's health insurance plan ("Plan"). The City contributed $437.64 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

f. Pension Plan

During the year ended September 30, 2012, CDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS").

g. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30, 2011	Issued	Retired	Outstanding September 30, 2012	Due Within One Year
2011 GO	2.0%	$ 220,000	$ 220,000	$ -	$ (17,000)	$ 203,000	$ 17,000

W. Princeton Community Development Corporation

g. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	$ 17,000	$ 5,508	$ 22,508
2014	18,000	5,158	23,158
2015	20,000	4,778	24,778
2016	20,500	4,373	24,873
2017	19,500	3,924	23,424
2017 - 2021	42,500	15,415	57,915
2022 - 2026	40,500	8,130	48,630
2027 - 2029	25,000	800	25,800
Totals	$ 203,000	$ 48,086	$ 251,086

$220,000 Series 2011, general obligation refunding bonds were issued May 23, 2011 for the purpose of refinancing the Series 2010, combination tax & surplus revenue certificates of obligation bonds.

h. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2012 up through April 5, 2013 the date the financial statements were available to be issued. During this period, there are no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST SIX FISCAL YEARS (Unaudited)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded) Actuarial Accrued Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
2007	12/31/2006	$ 978,468	$ 799,305	$(179,163)	122.41%	$ 1,324,565	-13.53%	$ 99,193	$ 99,193	100.00%
2008	12/31/2007	1,153,470	1,435,364	281,894	80.40%	1,436,773	19.60%	102,088	102,088	100.00%
2009	12/31/2008	1,318,766	1,629,304	310,538	80.90%	1,394,327	22.30%	111,833	111,833	100.00%
2010	12/31/2009	1,577,061	1,966,364	389,303	80.20%	1,699,836	22.90%	143,654	143,654	100.00%
2011	12/31/2010	2,715,798	3,086,373	370,575	88.00%	1,677,830	22.10%	148,991	148,991	100.00%
2012	12/31/2011	2,940,847	3,164,265	223,418	92.90%	1,438,064	15.50%	130,694	130,694	100.00%

NOTE 1: Years will continue to be added until there are ten years for comparison.

CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUE				
Property taxes	$ 1,330,000	$ 1,330,000	$ 1,361,490	$ 31,490
Beverage tax	3,006	3,006	2,368	(638)
Franchise taxes	196,497	196,497	225,711	29,214
Fines and forfeitures	195,626	195,626	195,497	(129)
Sales and use tax	368,300	368,300	447,973	79,673
Licenses and permits	241,346	241,346	259,738	18,392
Investment income	4,443	4,443	4,824	381
Operating grant	1,500	160,773	159,988	(785)
Charge for services	63,017	63,017	59,312	(3,705)
Intergovernmental - local and state	142,901	142,901	172,601	29,700
Intergovernmental - component units	-	-	13,737	13,737
Donations	4,495	5,699	11,722	6,023
Miscellaneous	21,867	21,867	38,630	16,763
Total Revenues	2,572,998	2,733,475	2,953,591	220,116
EXPENDITURES				
Current:				
General Government:				
Administration (City Manager) and Public Information (City Secretary)	530,715	533,715	489,555	44,160
Judicial (Municipal Court)	161,526	166,456	171,783	(5,327)
Capital outlay	3,800	3,800	3,650	150
Total General Government	696,041	703,971	664,988	38,983
Public Safety				
Police	974,015	1,055,189	954,314	100,875
Capital outlay	15,838	59,752	152,888	(93,136)
Fire	203,400	362,693	219,137	143,556
Capital outlay	43,142	202,435	129,689	72,746
Total Public Safety	1,236,395	1,680,069	1,456,028	224,041
Public Works				
Streets	137,309	140,003	139,685	318
Planning and development	225,278	201,212	193,708	7,504
Total Municipal Services	362,587	341,215	333,393	7,822
Public Services and Operations				
Health Services	84,520	97,774	97,774	-
	84,520	97,774	97,774	-
Library	$ 59,000	$ 74,273	$ 73,741	$ 532

(continued)

CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Parks and Recreation				
Parks and recreation	$ 123,307	$ 156,673	$ 156,063	$ 610
Total Parks and Recreation	123,307	156,673	156,063	610
Debt Service:				
Principle retirement	55,079	55,080	53,847	1,233
Interest and Fiscal Agent Fees	11,982	11,982	11,432	550
Total Debt Service	67,061	67,062	65,279	1,783
Total Expenditures	2,628,911	3,121,037	2,847,266	273,771
Excess (deficiency) of revenues over (under) expenditures	(55,913)	(387,562)	106,325	493,887
Other Revenues and Financing Sources (uses)				
Note proceeds	-	-	114,066	114,066
Transfers	-	-	609	609
Total Other Financing Sources (uses)	-	-	114,675	114,675
Net change in Fund Balances	(55,913)	(387,562)	221,000	608,562
Fund balances - beginning of year	(244,519)	(244,519)	(244,519)	
Fund balances - end of year	$ (300,432)	$ (632,081)	$ (23,519)	

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SUPPLEMENTARY INFORMATION

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CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
(MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUE				
Property taxes	$ 689,704	$ 689,704	$ 747,175	$ 57,471
Investment income	719	719	439	(280)
Total revenues	690,423	690,423	747,614	57,191
EXPENDITURES				
Current:				
Administrative	2,500	2,500	1,306	1,194
Debt service:				
Principal retirement	423,584	423,584	440,436	(16,852)
Interest	264,121	264,121	276,386	(12,265)
Total expenditures	690,205	690,205	718,128	(27,923)
Net change in fund balance	218	218	29,486	29,268
Fund Balances/Equity, October 1	342,532	342,532	342,532	
Fund Balances/Equity, September 30	$ 342,750	$ 342,750	$ 372,018	

CITY OF PRINCETON, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

	CDC Fund
ASSETS	
Cash and cash equivalents	$ 207,144
Receivables (net of allowances for uncollectibles)	38,936
Prepaids	268
Total assets	246,348
LIABILITIES	
Accounts payable	697
Accrued expenses	922
Total Liabilities	1,619
FUND BALANCE	
Nonspendable - prepaids	268
Committed:	
Park	28,500
Streets	28,500
Assigned:	
Streets	22,289
Unassigned	165,172
Total fund balance	244,729
Total liabilities and fund balance	$ 246,348

CITY OF PRINCETON, TEXAS
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	$	244,729
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.		9,275
Accumulated depreciation has not been included in the governmental fund financial statements		(8,548)
Bonds Payable and contractual obligations have not been included in the governmental fund financial statements.		(203,000)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		(11,699)
Net position of governmental activities - statement of net position	$	30,757

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

	CDC Fund
REVENUE	
Sales and use tax	$ 223,987
Investment income	543
Total revenues	224,530
EXPENDITURES	
Current:	
Personnel costs	32,009
Contract services	131
Repairs and maintenance	1,517
Supplies and materials	1,044
Administration	4,232
Debt service:	
Principal retirement	17,000
Interest	6,379
Total expenditures	62,312
Excess (deficiency) of revenues over (under) expenditures	162,218
Other revenues and financing sources (uses)	
Intergovernmental expense	(58,693)
Total other financing sources (uses)	(58,693)
Net change in fund balance	103,525
Fund balance - beginning of year	141,204
Fund balance - end of year	$ 244,729

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

Net change in fund balance - total governmental fund	$	103,525
Amounts reported for governmental activities in the statement of activities are different because:		
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(10,898)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.		(1,746)
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.		17,000
Change in net position of governmental activities - statement of activities	$	107,881

CITY OF PRINCETON, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

	EDC Fund
ASSETS	
Cash and cash equivalents	$ 702,331
Receivables (net of allowance for uncollectibles)	38,936
Prepaids	67
Total assets	741,334
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	627
Accrued expenses	277
Total Liabilities	904
FUND BALANCE	
Nonspendable - prepaids	67
Assigned:	
Streets	22,289
Unassigned	718,074
Total fund balance	740,430
Total liabilities and fund balance	$ 741,334

CITY OF PRINCETON, TEXAS
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total fund balance - governmental fund balance sheet	$ 740,430
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.	1,251,275
Accumulated depreciation has not been included in the governmental fund financial statements.	(8,760)
Bonds Payable and contractual obligations have not been included in the governmental fund financial statements.	(1,062,055)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(8,051)
Net position of governmental activities - statement of net position	$ 912,839

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012

	EDC Fund
REVENUE	
Sales and use tax	$ 223,987
Investment income	766
Total revenues	224,753
EXPENDITURES	
Current:	
Personnel costs	9,582
Contract Services	2,712
Supplies and materials	4,393
Repairs and maintenance	1,517
Debt Service:	
Principal retirement	31,798
Interest	54,805
Total expenditures	104,807
Excess (deficiency) of revenues over (under) expenditures	119,946
Other Revenues and Financing Sources (uses)	
Intergovernmental expense	(14,869)
Total Other Financing Sources (uses)	(14,869)
Net Change in Fund Balance	105,077
Fund Balance/Equity, beginning of year	635,353
Fund Balance/Equity, end of year	$ 740,430

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balance - total governmental funds	$	105,077
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.		(1,958)
Current year long term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as reduction in long term debt in the government-wide financial statements.		31,798
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(7,179)
Capital contributions 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.		(1,158)
Change in net position of governmental activities - statement of activities	$	127,738

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
(MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Sales and use tax	$ 182,900	$ 182,900	$ 223,987	$ 41,087
Investment income	830	830	543	(287)
Miscellaneous	49	49	-	(49)
Total revenues	183,779	183,779	224,530	40,751
EXPENDITURES				
Current:				
Personnel costs	33,274	33,274	32,009	1,265
Contract services	1,700	1,700	131	1,569
Repairs and maintenance	1,136	1,136	1,517	(381)
Supplies and materials	2,500	2,500	1,044	1,456
Administration	5,720	5,720	4,232	1,488
Debt service				
Principal retirement	72,025	72,025	17,000	55,025
Interest	24,935	24,935	6,379	18,556
Total expenditures	141,290	141,290	62,312	78,978
Excess (deficiency) of revenues over (under) expenditures	42,489	42,489	162,218	119,729
Other revenues and financing sources (uses)				
Intragovernment expense	-	-	(58,693)	(58,693)
Total other financing sources (uses)	-	-	(58,693)	(58,693)
Net change in fund balance	42,489	42,489	103,525	61,036
Fund Balances/Equity, October 1	141,204	141,204	141,204	
Fund Balances/Equity, September 30	$ 183,693	$ 183,693	$ 244,729	

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
(MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUE				
Sales tax	$ 182,900	$ 182,900	$ 223,987	$ 41,087
Investment income	796	796	766	(30)
Miscellaneous	12	12	-	(12)
Total Revenues	183,708	183,708	224,753	41,045
EXPENDITURES				
Current:				
Personnel costs	9,685	9,685	9,582	103
Contract services	3,050	3,050	2,712	338
Supplies and materials	6,180	6,180	4,393	1,787
Repairs and maintenance	1,200	1,200	1,517	(317)
Debt Service:				
Principal retirement	29,946	29,946	31,798	1,852
Interest	66,530	66,530	54,805	11,725
Total expenditures	116,591	116,591	104,807	15,488
Excess (deficiency) of revenues over (under) expenditures	67,117	67,117	119,946	56,533
Other Revenues and Financing Sources (uses)				
Intragovernment expense	-	-	(14,869)	(14,869)
Total Other Financing Sources (uses)	-	-	(14,869)	(14,869)
Net Change in Fund Balances	67,117	67,117	105,077	41,664
Fund Balances/Equity, October 1	635,353	635,353	635,353	
Fund Balances/Equity, September 30	$ 702,470	$ 702,470	$ 740,430	

PRINCETON
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STATISTICAL SECTION (UNAUDITED)

PRINCETON
Naturally Home

STATISTICAL SECTION

(unaudited)

This part of the City of Princeton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

	Table #s
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1,2,3,4,5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, property and sales taxes.	6,7,8,9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10,11,12,13,14
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15,16
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	17,18,19

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004. Tables presenting government-wide information begin that year.

CITY OF PRINCETON, TEXAS
NET POSITION BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	$ 368,496	$ (159,274)	$ (180,691)	$ 78,809
Restricted	1,112,655	657,956	2,194,006	2,504,528
Unrestricted	43,942	1,008,610	(252,092)	(1,505,169)
Total governmental activities net assets	1,525,093	1,507,292	1,761,223	1,078,168
Business-type activities				
Net investment in capital assets	1,144,983	1,047,505	311,908	2,530,802
Restricted	123,241	303,745	44,135	567,909
Unrestricted	1,454,102	1,908,931	3,663,659	1,199,545
Total business-type activities net assets	2,722,326	3,260,181	4,019,702	4,298,256
Primary government				
Net investment in capital assets	1,513,479	888,231	131,217	2,609,611
Restricted	1,235,896	961,701	2,238,141	3,072,437
Unrestricted	1,498,044	2,917,541	3,411,567	(305,624)
Total primary government net position	$ 4,247,419	$ 4,767,473	$ 5,780,925	$ 5,376,424

Note: Years will continue to be added until there are 10 years for comparison.

Table 1

FISCAL YEAR				
2008	2009	2010	2011	2012
$ 629,151	$ 582,670	$ 3,603,140	$ 2,472,934	$ 5,151,105
601,405	935,212	354,706	5,128,261	2,162,925
162,639	344,025	731,737	70,229	666,375
1,393,195	1,861,907	4,689,583	7,671,424	7,980,405
2,268,482	3,060,969	1,924,566	3,828,257	3,572,269
431,377	124,237	323,770	734,362	620,769
2,074,815	2,279,014	2,983,938	968,438	1,115,827
4,774,674	5,464,220	5,232,274	5,531,057	5,308,865
2,897,633	3,643,639	5,527,706	6,301,191	8,723,374
1,032,782	1,059,449	678,476	5,862,623	2,783,694
2,237,454	2,623,039	3,715,675	1,038,667	1,782,202
$ 6,167,869	$ 7,326,127	$ 9,921,857	$ 13,202,481	$ 13,289,270

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2004	2005	2006	2007	2008
EXPENSES					
Government activities:					
General government	$ 595,711	$ 596,939	$ 635,509	$ 699,201	$ 650,757
Public Safety	592,467	873,334	1,207,121	1,202,927	1,203,205
Public Works	204,487	233,942	342,815	687,112	763,902
Public Services and Operations	27,913	143,526	295,156	267,581	282,444
Parks and Recreation	101,413	143,449	117,000	120,946	94,347
Sanitation	170,292	184,785	-	-	-
Development	63,367	180,976	-	-	-
Economic Development	-	-	27,201	-	-
Interest Expense	86,139	87,015	107,601	147,574	162,894
Total governmental activities expenses	1,841,789	2,443,966	2,732,403	3,125,341	3,157,549
Business-type activities:					
Water and Sewer	1,118,280	1,303,209	1,771,179	2,107,528	2,308,804
Total business-type activities expenses	1,118,280	1,303,209	1,771,179	2,107,528	2,308,804
Total primary government expenses	2,960,069	3,747,175	4,503,582	5,232,869	5,466,353
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	194,302	13,555	54,472	2,657	97,644
Public Safety	100,351	117,745	463,018	419,736	271,835
Public Works	37,000	3,813	390,388	321,266	227,078
Sanitation	192,548	216,008	-	-	-
Development	49,036	555,526	-	-	-
Parks and Recreation	32,262	-	-	180	32,230
Operating Grants and Contributions	-	31,374	-	8,998	242,133
Capital Grants and Contributions	-	20,100	35,314	64,307	-
Total governmental activities program revenues	605,499	958,121	943,192	817,144	870,920
Business-type activities					
Charge for services:					
Water and Sewer	1,373,113	1,510,046	2,470,716	2,292,262	2,598,224
Capital Grants & Contributions	-	-	-	-	23,332
Total business-type activities program revenues	1,373,113	1,510,046	2,470,716	2,292,262	2,598,224
Total primary government program revenues	1,978,612	2,468,167	3,413,908	3,109,406	3,469,144
NET (EXPENSE) REVENUES					
Governmental activities	(1,236,290)	(1,485,845)	(1,789,211)	(2,308,197)	(2,286,629)
Business-type activities	254,833	206,837	699,537	184,734	289,420
Total primary government program net expenses	$ (981,457)	$ (1,279,008)	$ (1,089,674)	$ (2,123,463)	$ (1,997,209)

Table 2

FISCAL YEAR			
2009	2010	2011	2012
$ 444,068	$ 525,180	$ 787,033	$ 541,838
1,308,389	1,233,166	1,310,826	1,374,721
539,521	409,971	562,550	442,915
254,443	246,159	272,659	274,184
184,002	242,239	197,735	294,768
-	-	-	-
-	-	-	-
-	-	-	-
210,986	328,953	322,897	289,026
2,941,409	2,985,668	3,453,700	3,217,452
2,670,635	3,220,575	3,837,065	3,837,603
2,670,635	3,220,575	3,837,065	3,837,603
5,612,044	6,206,243	7,290,765	7,055,055
2,240	-	-	-
309,225	249,280	267,848	234,570
240,098	246,784	224,209	259,738
-	-	-	-
-	-	-	-
8,325	14,119	9,421	15,489
55,802	16,321	39,182	213,574
-	21,045	3,400	200,014
615,690	547,549	544,060	923,385
2,540,971	3,191,055	3,850,211	3,694,915
300,121	-	239,917	145,353
2,841,092	3,191,055	4,090,128	3,840,268
3,456,782	3,738,604	4,634,188	4,763,653
(2,325,719)	(2,438,119)	(2,909,640)	(2,294,067)
170,457	(29,520)	253,063	2,665
$ (2,155,262)	$ (2,467,639)	$ (2,656,577)	$ (2,291,402)

(continued)

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2004	2005	2006	2007	2008
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Government activities:					
Taxes:					
Property	$ 838,553	$ 914,998	$ 1,088,605	$ 1,512,827	$ 1,620,974
Sales	369,220	406,240	604,080	341,644	365,080
Franchise	110,414	104,851	122,484	127,119	152,796
Beverage	-	-	2,257	2,539	3,137
Investment Income	26,368	45,962	121,844	186,603	129,242
Donations	-	-	-	-	-
Miscellaneous	32,864	33,425	13,716	25,160	25,996
Insurance refunds	-	-	-	-	4,309
Intergovernmental	-	-	19,372	89,315	-
Transfers	128,505	-	23,096	25,142	24,476
Total governmental activities	1,505,924	1,505,476	1,995,454	2,310,349	2,326,010
Business-type activities:					
Investment Income	22,663	52,361	69,392	71,135	185,504
Miscellaneous	49,822	241,225	61,376	139	2,638
Extraordinary Item	-	-	-	-	-
Transfers	(128,505)	-	(23,096)	(25,142)	(24,476)
Total business-type activities	(56,020)	293,586	107,672	46,132	163,666
Total primary government revenues	1,449,904	1,799,062	2,103,126	2,356,481	2,489,676
CHANGE IN NET ASSETS					
Governmental activities	269,634	19,631	206,243	2,152	39,381
Business-type activities	198,813	500,423	807,209	230,866	453,086
Total primary government program net expenses	$ 468,447	$ 520,054	$ 1,013,452	$ 233,018	$ 492,467

Note: Years will continue to be added until there are 10 years for comparison.

Table 2
(continued)

FISCAL YEAR			
2009	2010	2011	2012
$ 2,065,415	$ 2,082,305	$ 2,060,352	$ 2,072,551
342,593	368,307	387,708	447,973
190,349	211,703	227,551	225,711
3,113	2,724	-	2,368
34,295	18,541	9,552	15,913
22,883	11,496	306,348	7,135
47,680	19,368	30,382	38,630
-	-	-	-
138,019	2,592,361	2,896,341	-
(350,449)	(54,097)	(26,753)	609
2,493,898	5,252,708	5,891,481	2,810,890
41,805	3,293	757	256
31,911	22,381	18,210	1,491
-	75,000	-	-
350,449	54,097	26,753	(609)
424,165	154,771	45,720	1,138
2,918,063	5,407,479	5,937,201	2,812,028
168,179	2,814,589	2,981,841	516,823
594,622	125,251	298,783	3,803
$ 762,801	$ 2,939,840	$ 3,280,624	$ 520,626

PRINCETON
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CITY OF PRINCETON, TEXAS **Table 3**
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax		Total
2004	$ 838,553	$ 369,220	$ 110,414	$ -		$ 1,318,187
2005	914,998	406,240	104,851	-		1,426,089
2006	1,088,605	604,080	122,484	2,257	*	1,817,426
2007	1,512,827	341,644	127,119	2,539		1,984,129
2008	1,620,974	365,080	152,796	3,137		2,141,987
2009	2,065,415	342,593	190,349	3,113		2,601,470
2010	2,082,305	368,307	211,703	2,724		2,665,039
2011	2,060,352	387,708	227,551	3,542		2,679,153
2012	2,072,551	447,973	225,711	2,368		2,748,603

* First year of beverage tax

Note: Years will continue to be added until there are 10 years for comparison.

CITY OF PRINCETON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2004	2005	2006	2007
General Fund				
Nonspendable-prepaid	$ -	$ -	$ -	$ -
Restricted for:				
Court use	-	-	44,445	-
PEG capital	-	-	-	-
Committted for:				
Fire	-	-	-	-
Capital improvements	602,670	184,318	1,641,735	1,863,864
Assigned for:				
Police	-	-	-	-
Unassigned	874,571	663,073	716,592	348,902
Total General Fund	1,477,241	847,391	2,402,772	2,212,766
All Other Government Funds				
Restricted for:				
Debt Service	509,985	473,638	507,826	640,664
Capital Improvements	187,734	227,347	518,878	-
Total All Other Governmental Funds	$ 697,719	$ 700,985	$ 1,026,704	$ 640,664

*The Special Revenue Fund consisted of the EDC and CDC. These were reclassified as discretely presented component units beginning in 2007.

Note: Years will continue to be added until there are 10 years for comparison.

Table 4

FISCAL YEAR				
2008	2009	2010	2011	2012
$ -	$ -	$ -	$ -	$ 9,751
-	74,217	64,418	8,828	11,136
-	-	-	-	7,478
-	-	-	18,731	89,034
1,612,820	5,431,819	3,468,661	-	-
-	-	1,084	1,084	4,015
351,407	245,609	402,869	(273,162)	(144,933)
1,964,227	5,751,645	3,937,032	(244,519)	(23,519)
590,964	277,778	290,288	342,532	372,018
(152,474)	(203,476)	122,361	4,771,097	2,496,018
$ 438,490	$ 74,302	$ 412,649	$ 5,113,629	$ 2,868,036

CITY OF PRINCETON, TEXAS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
REVENUES						
Property Taxes	$ 841,874	$ 899,443	$ 1,076,646	$ 1,512,827	$ 1,620,974	$ 2,075,209
Non-Property Taxes	479,634	511,091	728,821	471,302	521,013	536,055
License and permits	352,551	551,668	-	321,266	227,078	240,298
Development	-	-	603,408	-	-	-
Sanitation	192,548	216,008	252,500	-	-	-
Impact Fees	60,400	20,100	-	-	-	-
Fines/Court	-	117,700	304,006	375,862	241,470	267,448
Investment Income	26,368	45,962	121,844	186,604	129,242	34,296
Intergovernmental	-	-	-	89,316	87,927	139,520
Parks	-		435	180	-	-
Library	-		16,825	-	-	-
Public Safety	-		2,576	46,531	-	-
Grants	-	-	-	73,305	242,133	55,802
Charge for Services	-	-	-	-	72,312	50,641
Donations	-	-	-	-	-	22,883
Miscellaneous	32,864	78,354	49,030	25,160	25,996	47,679
Total Revenues	1,986,239	2,440,326	3,156,091	3,102,353	3,168,145	3,469,831
EXPENDITURES						
General government	576,951	549,594	623,429	659,547	630,669	437,374
Public Safety	544,224	755,353	1,094,516	1,141,785	1,233,888	1,125,917
Public Works	193,106	247,773	296,310	615,888	692,185	555,308
Sanitation	170,292	184,785	204,812	-	-	-
Public Services and Operations	-	-	-	270,878	280,392	251,771
Development	63,367	180,976	293,217	-	-	-
Parks	79,909	113,858	82,504	84,303	22,879	141,724
Library	17,505	25,306	33,447	31,962	78,828	26,052
Community Development	-	-	1,939	-	-	-
Economic Development	-	-	27,201	-	-	-
Capital Outlay	48,837	795,203	25,795	-	392,433	1,002,291
Debt Service						
Principal	125,264	138,481	153,647	183,000	204,000	1,581,501
Interest and other charges	81,844	105,321	96,270	147,574	151,353	160,197
Issuance costs for bond refunding	-	-	-	-	-	-
Total Expenditures	1,901,299	3,096,650	2,933,087	3,134,937	3,686,627	5,282,135
OTHER FINANCING SOURCES (USES):						
Note/Bond Proceeds	530,000	-	1,635,000	-	-	5,431,819
Payments to bond refunding escrow agent	-	-	-	-	-	-
Insurance refund	-	-	-	-	15,241	-
Sale of assets	-	-	-	-	-	-
Capital Leases	-	67,172	-	-	28,052	-
Transfers	128,505	(37,432)	23,096	25,142	24,476	(350,449)
Total other financing sources (uses)	658,505	29,740	1,658,096	25,142	67,769	5,081,370
NET CHANGE IN FUND BALANCES	$ 743,445	$ (626,584)	$ 1,881,100	$ (7,442)	$ (450,713)	$ 3,269,066
Debt service as a percentage of noncapital expenditures	12.59%	11.85%	9.40%	11.79%	12.09%	68.62%

Note1: Years will continue to be added until there are 10 years for comparison purposes.

Table 5

FISCAL YEAR		
2010	2011	2012
$ 2,102,158	$ 2,052,550	$ 2,108,665
582,734	618,801	676,052
246,784	222,194	259,738
-	-	-
-	-	-
-	-	-
210,408	204,011	195,497
18,542	9,552	15,913
2,592,361	2,862,740	246,248
-	-	-
-	-	-
-	-	-
37,366	40,484	159,988
52,991	48,252	69,510
11,496	306,348	11,722
19,367	26,843	38,630
5,874,207	6,391,775	3,781,963
469,005	744,937	490,861
1,144,097	1,304,248	1,174,580
342,198	444,451	333,393
-	-	-
244,025	268,658	269,557
-	-	-
190,555	185,225	229,804
40,913	-	210
-	-	-
-	-	-
4,386,064	2,234,246	2,604,944
386,840	638,357	494,283
355,766	324,670	287,818
-	65,000	-
7,559,463	6,209,792	5,885,450
250,000	1,481,682	114,066
-	(1,144,500)	-
-	-	-
-	27,021	-
-	-	-
(54,097)	(26,753)	609
195,903	337,450	114,675
$ (1,489,353)	$ 519,433	$ (1,988,812)
30.55%	32.67%	31.30%

CITY OF PRINCETON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE FISCAL YEARS
(unaudited)

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value[1] as a Percentage of Actual Value
	Residential Property	Commercial Property						
2004	$ 95,985,803	$ 23,869,467	$ 11,464,472	$ (13,262,413)	$ 118,057,329	$ 0.701300	$ 131,319,742	89.90%
2005	113,180,344	28,143,731	10,791,812	(17,216,564)	134,899,323	0.675000	152,115,887	88.68%
2006	139,957,854	30,662,869	9,233,721	(22,883,994)	156,970,450	0.675000	179,854,444	87.28%
2007	199,332,938	30,950,271	13,162,445	(40,088,236)	203,357,418	0.649700	243,445,654	83.53%
2008	273,868,089	34,332,079	15,228,146	(52,816,440)	270,611,874	0.649600	323,428,314	83.67%
2009	289,549,844	37,574,527	16,142,134	(61,900,306)	281,366,199	0.728394	343,266,505	81.97%
2010	278,538,937	31,462,248	24,609,961	(53,436,205)	281,174,941	0.728394	334,611,146	84.03%
2011	278,592,732	33,766,205	27,487,082	(58,979,246)	280,866,773	0.728394	339,846,019	82.65%
2012	295,401,109	42,701,207	2,497,520	(59,111,138)	281,488,698	0.756932	340,599,836	82.64%

Source: Collin County Appraisal District

Note1: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.

[1] Includes tax-exempt property

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST NINE FISCAL YEARS
(PER $100 OF ASSESSED VALUE)
(unaudited)

Table 7

	City Direct Rates			Overlapping Rates*		
Fiscal Year Ended Sept. 30	Operating/ General Rage	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
2004	$ 0.399221	$ 0.309094	$ 0.708315	$ 1.747750	$ 0.250000	$ -
2005	0.443996	0.231004	0.675000	1.747760	0.250000	-
2006	0.432182	0.242818	0.675000	1.591400	0.245000	-
2007	0.405500	0.244200	0.649700	1.368700	0.245000	-
2008	0.439990	0.288404	0.728394	1.490000	0.245000	-
2009	0.439990	0.288404	0.728394	1.490000	0.245000	-
2010	0.439990	0.288404	0.728394	1.591400	0.245000	0.876683
2011	0.439990	0.288404	0.728394	1.473600	0.240000	0.863000
2012	0.439990	0.288404	0.728394	1.480000	0.240000	0.862990

Source: Collin County Appraisal District / Princeton ISD

Note1: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

*Overlapping rates are those of local and county governments that apply to property owners within the City of Princeton.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON, TEXAS
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2012
(unaudited)

Table 8

Taxpayer	Assessed Taxable Value 2012 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Princeton 380 LTD	$ 4,906,740	1	1.74%
Edison Development Co	4,882,760	2	1.73%
Parkview Heights LLC	1,788,790	3	0.64%
First National Bank Farmersville	1,434,488	4	0.51%
JOMC Properties	1,329,494	5	0.47%
Caldwell Durrie Lee	1,344,998	6	0.48%
Wallace Real Estate Inc	1,148,130	7	0.41%
Princeton Village LLC	1,102,855	8	0.39%
Lucky Ventures LP	1,056,260	9	0.38%
Caldwell DL	1,034,028	10	0.37%
	$ 20,028,543		7.12%
Total Assessed Valuation	$ 281,488,698		

Sources: Collin County Appraisal District

CITY OF PRINCETON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	$ 795,127	$ 760,683	95.67%	$ 20,751	$ 781,434	98.28%
2004	828,440	790,815	95.46%	30,155	820,970	99.10%
2005	910,571	871,990	95.76%	13,419	885,409	97.24%
2006	1,061,587	1,025,639	96.61%	18,462	1,044,101	98.35%
2007	1,321,213	1,272,627	96.32%	11,779	1,284,406	97.21%
2008	1,608,415	1,550,664	96.41%	13,532	1,564,196	97.25%
2009	1,997,108	1,955,460	97.91%	27,660	1,983,120	99.30%
2010	2,046,391	1,997,250	97.60%	47,941	2,045,191	99.94%
2011	2,041,553	1,999,672	97.95%	34,240	2,033,912	99.63%
2012	2,048,174	2,024,856	98.86%	7,014	2,031,870	99.20%

Sources: Collin County Appraisal District

CITY OF PRINCETON, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS
(unaudited)

Table 10

FISCAL YEAR	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds			
2004	$ 1,826,000	$ -	$ 19,481	$ -	$ -	$ 2,015,000	$ -	$ 78,000	$ 3,938,481	2.50%	$ 1,050
2005	452,000	1,255,000	67,172	-	-	1,940,000	-	60,000	3,774,172	2.06%	944
2006	351,000	1,235,000	34,524	1,635,000	-	1,865,000	-	41,000	5,161,524	N/A	894
2007	130,000	1,215,000	128,000	1,565,000	-	1,790,000	-	21,000	4,849,000	3.86%	673
2008	99,000	1,190,000	65,000	1,480,000	1,250,000	8,805,000	-	-	12,889,000	9.82%	2,242
2009	1,270,500	4,315,000	19,236	1,325,000	1,754,500	8,120,000	-	-	16,804,236	13.44%	2,675
2010	1,218,000	4,565,000	9,896	1,025,000	1,687,000	7,985,000	-	-	16,489,896	12.95%	2,577
2011	1,439,500	4,315,000	31,521	695,000	1,610,500	7,845,000	17,756	-	15,954,277	11.78%	2,344
2012	1,325,600	4,315,000	105,204	355,000	1,521,400	7,700,000	11,482	-	15,333,686	10.14%	2,061

Note1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Table 15 for personal income and population data.
Data prior to FYE 9.30.2004 not available.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST NINE FISCAL YEARS
(unaudited)

Table 11

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less Debt Service Funds (3)	Net Bonded Debt	% of Net Bonded Debt to Assessed Property Value	Net Bonded Debt per Capita
2004	3,750	$ 131,319,742	$ 1,826,000	$ 207,108	$ 1,618,892	1.23%	$ 432
2005	4,000	152,115,887	1,707,000	243,802	1,463,198	0.96%	366
2006	5,773	179,854,444	3,221,000	473,638	2,747,362	1.53%	476
2007	5,843	243,445,654	3,038,000	640,664	2,397,336	0.98%	410
2008	5,750	323,428,314	2,834,000	590,964	2,243,036	0.69%	390
2009	6,282	343,266,505	6,910,500	277,778	6,632,722	1.93%	1,056
2010	6,400	334,611,146	9,150,000	328,806	8,821,194	2.64%	1,378
2011	6,807	339,846,019	15,905,000	342,532	15,562,468	4.58%	2,286
2012	7,440	340,599,836	15,217,000	372,018	14,844,982	4.36%	1,995

Source:
(1) Collin County Appraisal office
(2) Schedule of Bonds Payable and Total bonds for fiscal year
(3) Schedule of General Long-Term Debt and Statistical Section

Note1: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Data prior to FYE 9.30.2004 is not available.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2012
(unaudited)

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	$ 393,210,000	0.39%	$ 1,533,519
Collin County CCD	40,210,000	0.39%	156,819
McKinney Independent School District	475,610,000	0.16%	760,976
Princeton Independent School District	71,046,427	40.67%	28,894,582
	$980,076,427		31,345,896
City of Princeton			15,333,686
			$46,679,582
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			16.58%
Per capita overlapping bonded debt			$6,274

Source: "Texas Municipal Report" as of September 30, 2012, prepared by the Municipal Advisory Council.

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

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Princeton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF PRINCETON, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

Table 13

	FISCAL YEAR									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Tax Rate Limit	$ 1.50	$ 1.50	$ 1.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.7010	0.708315	0.6750	0.6750	0.6497	0.728394	0.728394	0.728394	0.728394	0.728394
Available Tax Rate	$ 0.7990	$ 0.7917	$ 0.8250	$ 1.8250	$ 1.8503	$ 1.7716	$ 1.7716	$ 1.7716	$ 1.7716	$ 1.7716

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$281,488,698
Add back exempt real property	59,111,138
Total assessed value	$340,599,836
Debt limit (10% of total assessed value)	$ 34,059,984
Debt applicable to limit:	
Property tax supported debt	15,217,000
Less: Amount set aside for repayment of general debt	370,298
Total net debt applicable to limit	$ 14,846,702
Legal debt margin	4.36%

CITY OF PRINCETON, TEXAS
PLEDGED-REVENUE COVERAGE
LAST NINE FISCAL YEARS
(unaudited)

Table 14

	Water and Sewer Revenue Bonds				
Fiscal Year	Total Revenues [a]	Less: Operating Expenses [b]	Net Available Revenue	Annual Requirement [c]	Times Coverage
2004	$ 1,373,113	$ 1,118,280	$ 254,833	$ 184,844	1.38
2005	1,510,046	1,303,209	206,837	180,737	1.14
2006	2,218,216	1,566,367	651,849	210,162	3.10
2007	2,292,262	1,911,852	380,410	199,719	1.90
2008	2,600,862	2,127,043	473,819	699,206	0.68
2009	2,546,595	2,534,718	11,877	672,972	0.02
2010	3,198,875	2,567,725	631,150	679,660	0.93
2011	3,868,421	3,324,228	544,193	686,865	0.79
2012	3,841,759	3,094,483	747,276	675,866	1.11

Note: [a] Total Revenues does not include non-operating revenues
[b] Operating Expenses only - does not include transfers or depreciation
[c] Principal and Interest
Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST NINE FISCAL YEARS
(unaudited)

Table 15

Fiscal Year	Estimated Population [1]	Personal Income	Per Capita Income [2]	Average Age [3]	Grade School Enrollment [4]	Unemployment Rate [5]
2004	3,750	$ 157,432,500	$ 41,982	N/A	2,245	5.00%
2005	4,000	182,880,000	45,720	N/A	2,352	4.60%
2006	5,773	N/A	N/A	31	2,477	4.30%
2007	7,200	125,467,200	* 17,426	35	2,584	* 6.5%
2008	5,750	131,197,750	22,817	37	2,767	4.80%
2009	6,282	125,024,364	* 19,902	45	5,608	8.20%
2010	6,400	127,372,800	* 19,902	35	2,183	7.50%
2011	6,807	135,472,914	* 19,902	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%

Sources:

1 North Central Texas Council of Governments (NCTCOG)
2 Texas Workforce Commission (data for Collin County)
3 North Central Texas Council of Governments (NCTCOG)
4 Princeton ISD
5 Texas Workforce Commission (data for Collin County)
N/A=per NCTCOG some data not available for cities with small populations
* ESTIMATE PER NCTCOG

Note: Years will continue to be added until there are 10 years for comparison.

CITY OF PRINCETON, TEXAS
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2012
(unaudited)

Table 16

Name of Employer	No. of Employees
Villa Asuncion Independent	60
McDonalds	35
City of Princeton	34
Jack in the Box	25
Dollar General	15
Citizens State Bank	12
Texas Meter and Sewer	7
David Copeland Sand & Gravel	6
Big G Auto	5
O'Reilly Auto Parts	5

Source: City Staff; Texas Workforce Commission
NOTE: Total employment within City of Princeton not available.

CITY OF PRINCETON, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS
(unaudited)

Table 17

Function / Program	FISCAL YEAR 2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	4	4	5	6	6	5	5	3	3
Public Safety									
Police	6	9	12	12	12	12	12	12	11
Municipal Court	2	2	3	3	3	2	2	2	2
Code Enforcement	1	1	1	1	1	2	1	2	2
Library	0	0	0	0	0	1	1	1	1
Development Services	0	0	2	2	1	1	1	2	2
Municipal Services	3	3	3	3	3*	8*	8	3	3
Streets	1	1	1	1	0*	0*	1	2	2
Parks and Recreation	1	1	1	1	0*	0*	1	2	2
Utility Administration	2	2	3	4	4	4	4	3	3
Water, Wastewater	3	3	3	3	3	12	10	2	3
	23	26	34	36	30	39	46	34	34

Source: City of Princeton Finance Director

Note1: * Beginning in FY 08, Parks/Streets and MS were combined.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON
OPERATING INDICATORS BY FUNCTION
LAST EIGHT FISCAL YEARS
(unaudited)

Table 18

	Fiscal Year							
Function/Program	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Police								
Physical Arrests	296	261	304	768	245	293	267	291
Parking Violations	n/a	n/a	n/a	n/a	1	2	4	-
Traffic Violations	622	1,818	2,777	3,015	2,911	2,142	2,210	2,775
Fire								
Number of calls answered	643	799	858	553	1032	973	1,215	1,254
Inspections	37	44	57	43	32	60	35	42
Highways and Streets								
Potholes repaired	n/a	1	14	1	354	2500	600	540
Water								
New Connections	n/a	572	389	301	95	114	316	282
Water Main Breaks	n/a	1	7	1	4	24	50	100
Avg Daily Consumption (gallons)	280	246	223	260	219	6155	373	1163

Source: City departments, North Texas Municipal Water District

Note1: Data prior to FYE 9.30.2005 is not available.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

CITY OF PRINCETON
CAPITAL ASSET STATISTICS BY FUNCTION
LAST EIGHT FISCAL YEARS
(unaudited)

Table 19

	Fiscal Year							
Function/Program	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Public Safety								
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	5	7	8	8	8	9	10	12
Fire Stations	1	1	1	1	1	1	1	1
Highways and Streets								
Streets (miles)	23	23	23	23	23	23	23	23
Streetlights	175	175	175	175	175	175	175	175
Culture and Recreation								
Parks (acreage)	104	104	104	104	104	125	125	125
Parks	2	2	2	2	2	3	3	3
Water								
Water Mains (miles)	23	23	23	24	24	27	27	27
Fire Hydrants	354	354	354	354	354	360	275	275
Maximum Daily Capacity (thousands gallons)	n/a	2,430	3,024	3,024	3,024	1M	1.37M	1.5M
Sewer								
Sanitary Sewer (miles)	20	20	20	20	20	50	50	50

Sources:
City departments, North Texas Municipal Water District

Note1: Data prior to FYE 9.30.2005 is not available.

Note2: Years will continue to be added until there are 10 years for comparison purposes.

PRINCETON
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