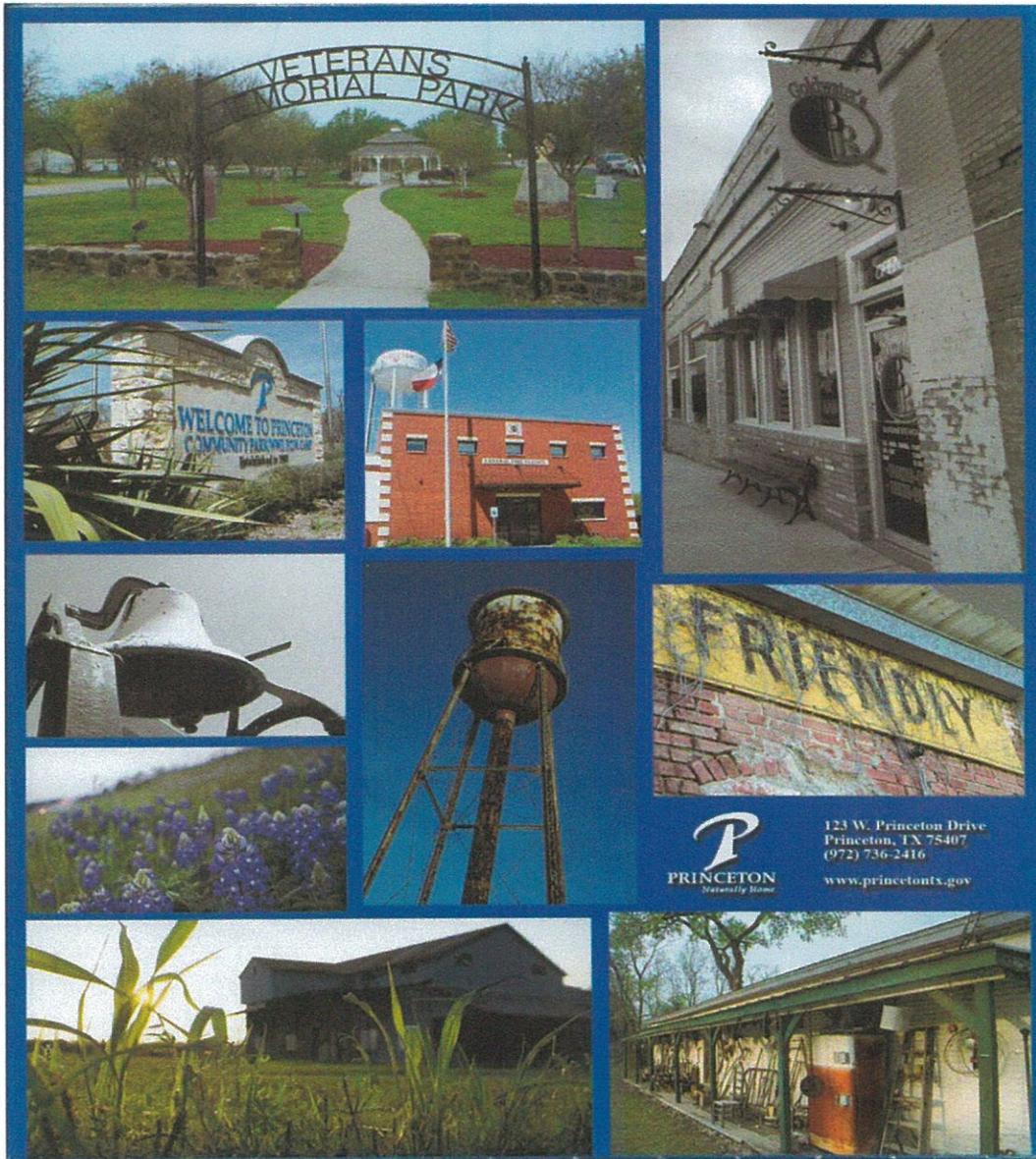




City of Princeton, Texas

Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2015



Mission Statement: "It is the mission of the City of Princeton to provide a high quality of life through essential municipal services, infrastructure, public safety and recreation, while welcoming growth through effective and fiscally responsible government."

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

City of Princeton, Texas

City Manager

Derek Bong

Director of Finance

Cathy Crane

**CITY OF PRINCETON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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INTRODUCTORY SECTION

March 28, 2016

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, 2015, 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.

LaFollett and Abbott, PLLC have issued an unmodified (“clean”) opinion on the City of Princeton’s financial statements for the year ended September 30, 2015. 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.

The City is continuing to grow as the economy recovers over the past year, and several residential developments have started construction on new lots. There are several commercial projects that are being reviewed for construction in the near future.

The City of Princeton is a political subdivision and operates under the General Law type “A” form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and five-member council.

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 combination paid and 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 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 155,142 residents. This growth has extended to the east into Princeton and development has been steadily 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. The estimated population of Princeton was 9,356 for 2015 and is estimated at 10,632 in 2016. The projected growth rate for the next 5 years is estimated to be above 13%.

Economic Indicators and Tax Base

- In 2015 Princeton was recognized as the best place for first time home buyers in the Dallas Fort Worth area. The developers are continuing to sell homes and have approximately 130 sites ready to build. There is currently over 276 single family home sites being constructed within the City, and 508 sites that are ready to start construction. Several other developments are under review and are expected to be approved for construction early this year.
- Princeton receives its water from North Texas Municipal Water District in Wylie Texas. The District supplies water to most of the communities in North Texas, and is expanding its capability by building an additional reservoir at the Lower Bois "D" Arc Creek location. This reservoir will serve the growth of the region well into the future.
- The Walmart Corporation constructed one of their new Super Centers here in Princeton this year. It is scheduled to open in April 2016. This should bring the City a substantial increase in the sales tax revenue the City receives. Several other commercial building plans are under review, and are anticipated to be built this year.
- The City secured funding this year for the continuation of the street reconstruction projects, and has reconstructed over a mile of old streets in the older part of the City. Currently the City is under construction on about a mile of street projects for 2016.
- The City issued 213 single family home building permits last year, and the expectation is for the trend to continue with an equal or greater amount being issued this coming year.
- The Economic Development Corporation has completed design and engineering on a Business Park of 108 acres just south of town. This Park will have prepared lots with full utilities to each lot. It will have access from Beauchamp Blvd. and C.R. 400. The EDC has also provided the design work for a large section of the southern portion of Beauchamp Blvd. south of Princeton Drive. The construction of this project should start later this year.
- Over the past two years the sales tax revenue has increased approximately 22% since FY 2013. The projected sales tax revenue for the City's General Fund is currently budgeted at \$678,680.
- Although the tax rate was reduced in FY 2016, the current budget will raise the tax revenues of the City by, \$355,866 or 15.46%, of that amount \$192,616 is tax revenue added to the tax role from new properties.

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.

In accordance with the City's Budget Policy, 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 and the Director of Finance, a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

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 90 Days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90 Day unassigned fund balance reserves.

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:

	<u>Tax Rate</u>
2009-2010	0.728394
2010-2011	0.728394
2011-2012	0.728394
2012-2013	0.756932
2013-2014	0.738999
2014-2015	0.721800
2015-2016	0.691886

OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of LaFollett and Abbott PLLC, 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, 2015 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,

A handwritten signature in cursive script that reads "Derek Borg".

Derek Borg
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

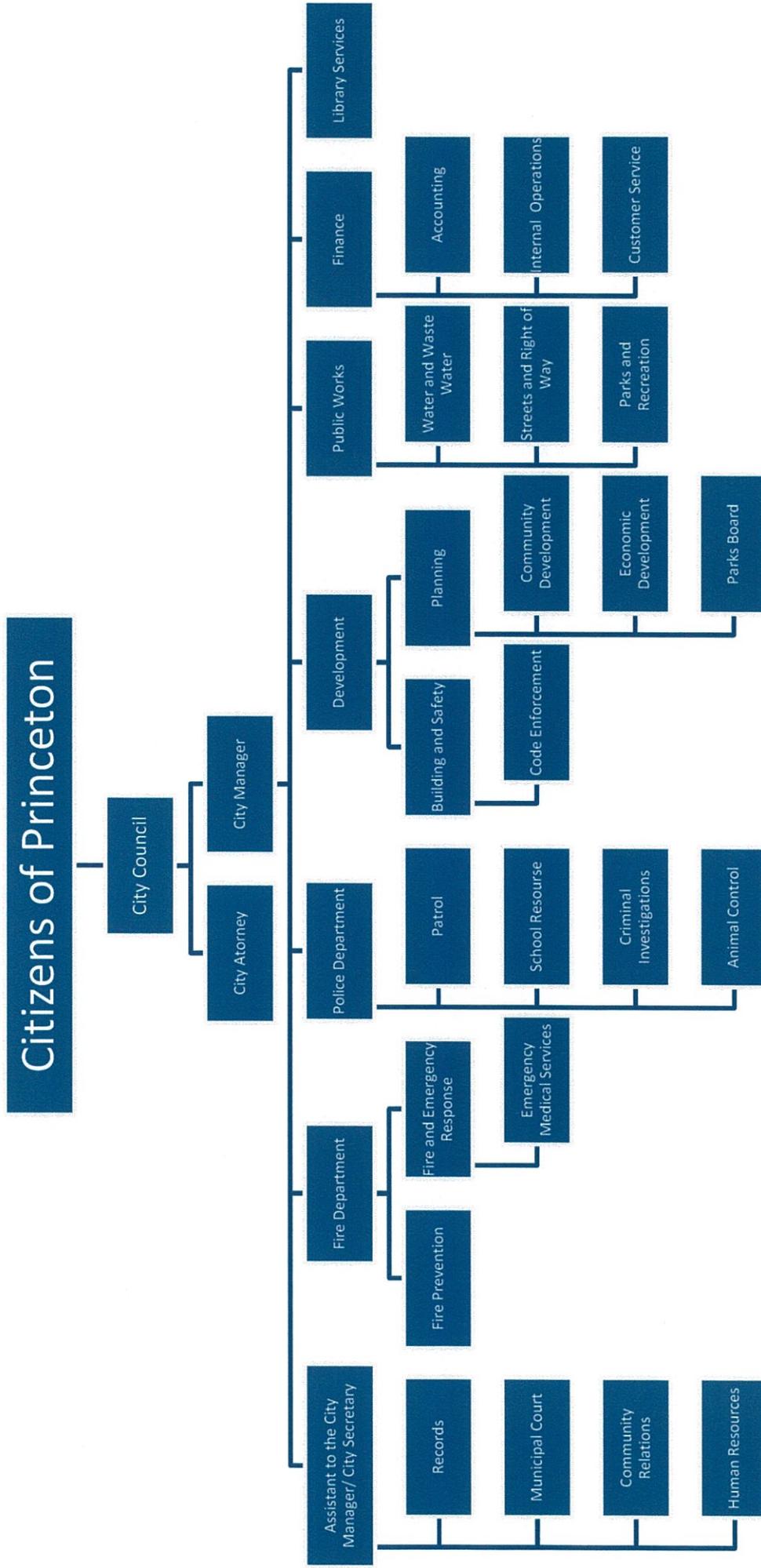
**City of Princeton
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

2015
City of Princeton Organizational Chart



CITY OF PRINCETON COUNCIL MEMBERS

Mayor

The Honorable Ken Bowers

City Council Members

Steve Deffibaugh - Mayor Pro-Tem

David Kleiber

Bill Glass

John Mark Caldwell

FINANCIAL SECTION



Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Princeton, Texas

Report on the Financial Statements

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, Texas (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-12, the Schedule of TMRS Contributions on page 53, and the Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 years on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section on pages i-vii, individual fund financial statements and schedules on pages 55-65, and statistical section on pages 66-86 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, individual fund financial statements and schedules, and statistical section 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 on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas internal control over financial reporting and compliance.

In Fallick and Abbott PLLC

Tom Bean, Texas
March 28, 2016

CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

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, 2015. 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 City's net position at the close of the fiscal year is \$20,112,033. Of this amount, \$3,665,197 (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors. The restricted net position in the amount of \$4,147,244 is restricted for repayment of debt, impact fee usage, capital projects, PEG fees collected, and municipal court use.
- The government's total net position increased by \$2,551,839. This is higher than the prior year increase of \$983,338, largely due to increased capital contributions from new development.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,002,755, an increase of \$321,004 in comparison with the prior year. The increase in combined ending fund balances is mostly attributable to favorable budget versus actual results.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$733,619. This \$216,595 increase in unassigned fund balance was largely due to a favorable budget versus actual variance of \$197,255.
- The City's total bonded debt increased by \$410,000, or 2.1%, during the current fiscal year.

Overview of the Financial Statements

The 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 13 - 14) 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 15 - 23) 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; and 2) the proprietary fund statements.

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.

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's assets, deferred inflows and outflows of resources, liabilities and 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 City'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. The final categories 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.

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. 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 City 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 15 - 19 of this report. The General Fund budgetary comparison can be found on pages 19 - 20.

Proprietary Funds – The City 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.

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 21 - 23 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 24 – 52 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, these reports on pages 53-54 include certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

City of Princeton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,021,463	\$ 4,687,277	\$ 5,014,542	\$ 4,382,737	\$ 10,036,005	\$ 9,070,014
Capital assets	14,866,761	12,508,742	16,996,056	17,196,877	31,862,817	29,705,619
Total assets	<u>19,888,224</u>	<u>17,196,019</u>	<u>22,010,598</u>	<u>21,579,614</u>	<u>41,898,822</u>	<u>38,775,633</u>
Deferred outflows of resources	<u>148,970</u>	<u>76,593</u>	<u>55,449</u>	<u>39,721</u>	<u>204,419</u>	<u>116,314</u>
Long-term liabilities outstanding	7,144,669	6,536,411	12,942,117	12,811,381	20,086,786	19,347,792
Other Liabilities	1,025,986	673,402	809,302	1,310,559	1,835,289	1,983,961
Total liabilities	<u>8,170,655</u>	<u>7,209,813</u>	<u>13,751,419</u>	<u>14,121,940</u>	<u>21,922,074</u>	<u>21,331,753</u>
Deferred inflows of resources	<u>50,381</u>	<u>-</u>	<u>18,753</u>	<u>-</u>	<u>69,134</u>	<u>-</u>
Net position:						
Net investment in capital assets	7,301,447	6,640,399	4,998,145	4,876,332	12,299,592	11,516,731
Restricted	3,152,746	2,990,341	994,498	808,064	4,147,244	3,798,405
Unrestricted	1,361,965	432,059	2,303,232	1,812,999	3,665,197	2,245,058
Total net position (as restated)	<u>\$ 11,816,158</u>	<u>\$ 10,062,799</u>	<u>\$ 8,295,875</u>	<u>\$ 7,497,395</u>	<u>\$ 20,112,033</u>	<u>\$ 17,560,194</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Total net position of the City is \$20,112,033 as of September 30, 2015.

Net Investment in capital assets:

The City's net position increased by \$2,551,839 for the fiscal year ended September 30, 2015. However, a large portion, 62%, 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 represents 20.6% of total net position that is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) \$388,020 for debt requirements, (b) \$1,292,166 for state imposed restrictions, and (c) \$2,636,643 for capital projects.

Unrestricted net position

Unrestricted net position in the amount of \$3,665,197 or 17.7% of total net position is available to fund City programs to citizens and creditors.

City of Princeton's Changes in Net Position

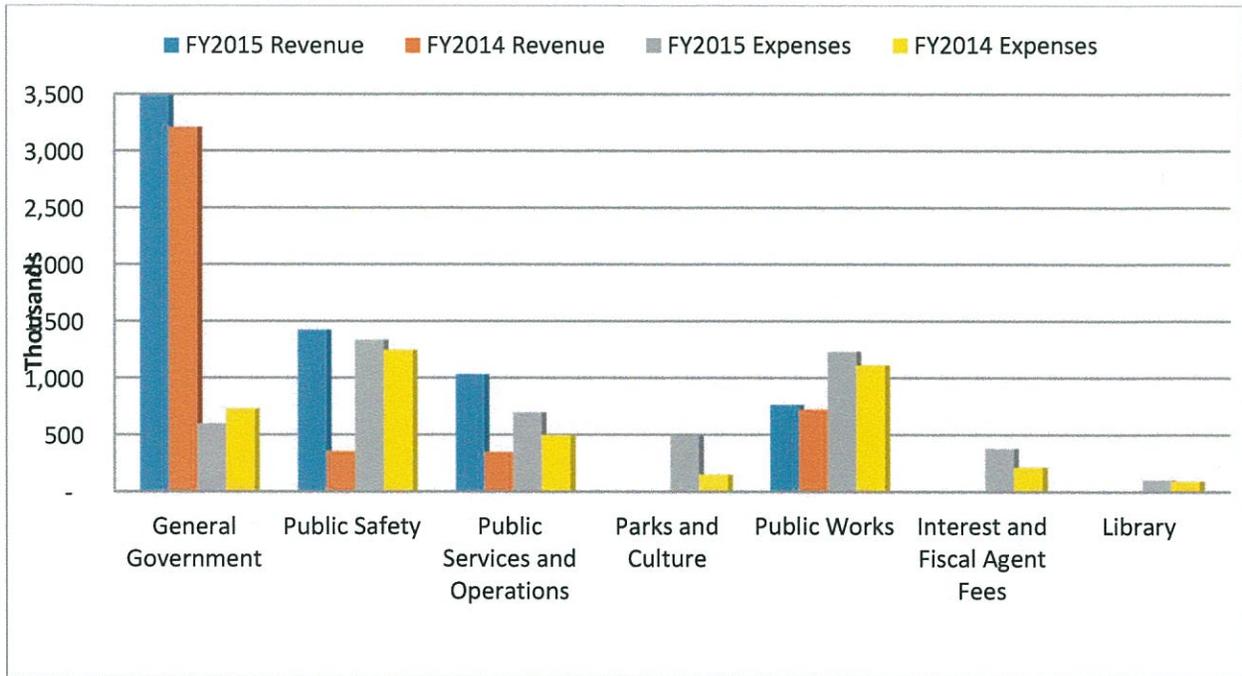
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUE:						
Program Revenues:						
Charge for Services	\$ 1,103,401	\$ 1,161,217	\$ 5,214,972	\$ 4,812,038	\$ 6,318,373	\$ 5,973,255
Operating Grants and Contributions	20,258	148,283	-	-	20,258	148,283
Capital Grants and Contributions	2,112,676	266,308	118,855	-	2,231,531	266,308
General Revenues:						
Property taxes	2,483,190	2,228,700	-	-	2,483,190	2,228,700
Franchise tax	313,430	216,724	-	-	313,430	216,724
Sales and use tax	626,981	572,515	-	-	626,981	572,515
Investment income	3,938	6,702	6,005	4,167	9,943	10,869
Donations-not restricted for specific programs	14,448	17,010	-	-	14,448	17,010
Miscellaneous	45,372	39,211	3,148	3,856	48,520	43,067
Total Revenues	6,723,695	4,656,670	5,342,980	4,820,061	12,066,675	9,476,731
EXPENSES:						
Program Expenses:						
General Government	597,796	728,324	-	-	597,796	728,324
Public Safety	1,335,532	1,244,648	-	-	1,335,532	1,244,648
Public Works	1,232,485	1,113,223	-	-	1,232,485	1,113,223
Public Services and Operations	697,081	497,095	-	-	697,081	497,095
Parks and Recreation	493,077	150,911	-	-	493,077	150,911
Library	102,133	95,039	-	-	102,133	95,039
Interest and Fiscal Agent Fees	379,815	215,011	619,170	643,502	998,984	858,513
Water and Sewer	-	-	4,057,749	3,805,640	4,057,749	3,805,640
Total Expenses	4,837,918	4,044,251	4,676,918	4,449,142	9,514,837	8,493,393
Increase in Net Position before transfers	1,885,777	612,419	666,062	370,919	2,551,839	983,338
Transfers	(132,418)	(84,550)	132,418	84,550	-	-
Increase in Net Position	1,753,359	527,869	798,480	455,469	2,551,839	983,338
Net Position, beginning	10,113,834	9,585,965	7,524,208	5,418,436	17,638,042	15,004,401
Prior Period Adjustments	(51,035)	-	(26,813)	1,650,303	(77,848)	1,650,303
Net Position, ending	\$ 11,816,158	\$ 10,113,834	\$ 8,295,875	\$ 7,524,208	\$ 20,112,033	\$ 17,638,042

The governmental activities show an increase in net position of \$1,753,359 for 2015. Excluding grants and contributions, governmental revenues increased from the prior year by \$348,682, or 8.2%. Governmental expenses increased from the prior year by \$793,667 mostly due to increase expenditures in the parks and public services departments.

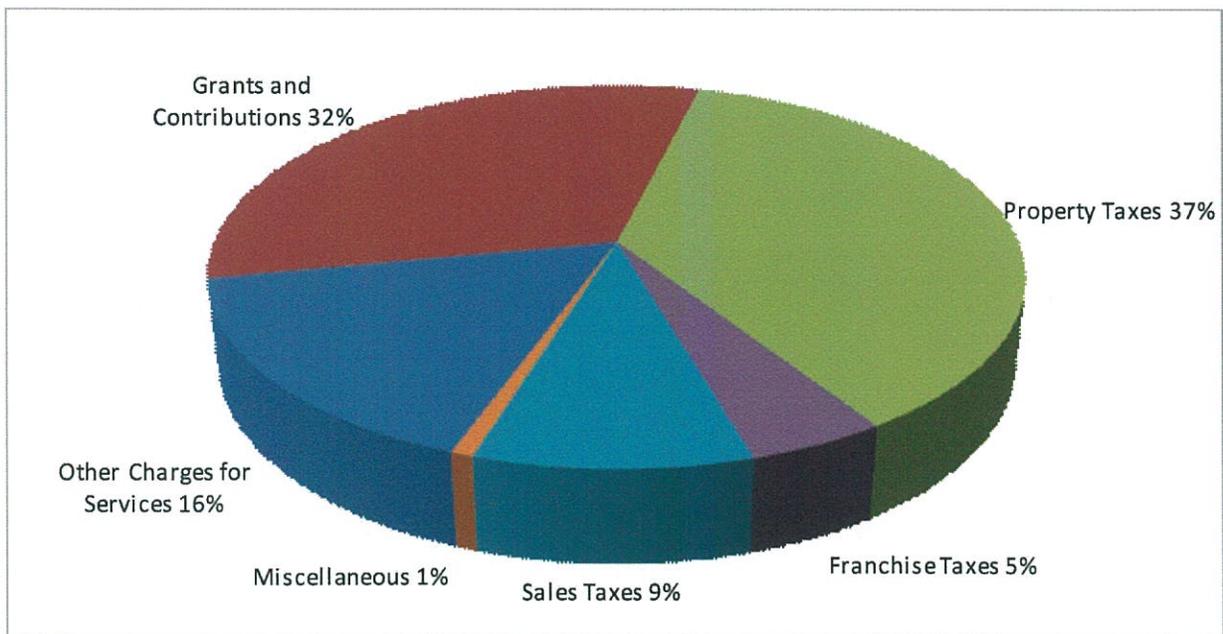
Business-type activities had an increase of \$798,480 in net position for fiscal year 2015. The charge for services revenues increased \$402,934, or 8.4%, and the business-type expenditures increased \$227,776 or 5.1%. Moderate increases in customers affected the increases in utility charges for services.

Governmental-type activities - Governmental-type activities increased the City's net position by \$1,753,359. One key element of this increase is as follows: Capital grants and contributions increased \$1,846,368.

Expenses and Program Revenues – Governmental Activities

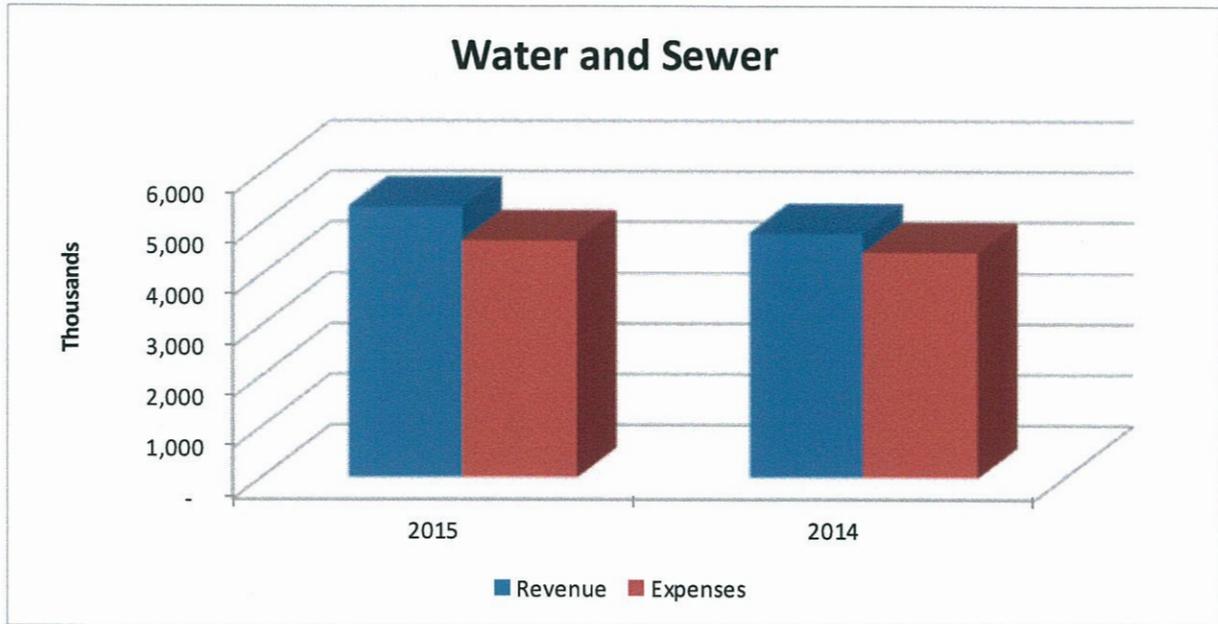


Revenue by Source – Governmental Activities

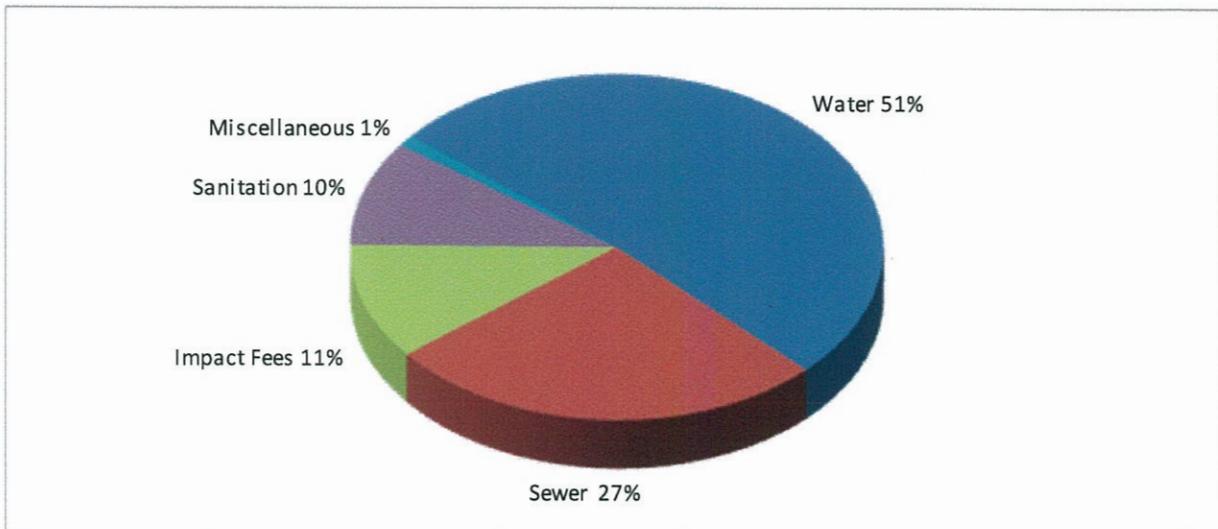


Business-type Activities - Business-type activities increased the City of Princeton's net position by \$798,480, excluding prior period adjustments. Most of this increase was made possible by increased charges for services.

Expenditures and Program Revenues – Business-type Activities



Revenue 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, 2015, the governmental funds of the City reported a combined fund balance of \$4,002,755, an 8.7% increase over last year. This increase is largely due to favorable budget versus actual results for the General Fund.

The components of total fund balance are as follows:

Restricted fund balance of \$2,636,643 is for capital projects that have been restricted by a third party. At the end of the current fiscal year, the Debt Service Fund had a total restricted fund balance of \$388,020 for the payment of debt, a decrease of (\$43,112), or -10%. Other restricted fund balances of \$128,083, are amounts restricted by external laws for other third party restrictions.

Committed fund balance of \$62,352 is the amount that has been set aside by City Council for a specific purpose for the Fire department as determined by a formal action. The committed fund balance of \$48,019 has been set aside by the City Council for park projects.

Assigned fund balances of \$3,657 and \$2,362, are the amounts set aside for use by the police department and for scholarships, respectively.

Unassigned fund balance totaled \$733,619, a \$216,595 (42%) increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the 2015 budget. 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) increase in appropriations that become necessary to maintain services.

Actual revenues were \$88,179 more than the amended budget amounts and expenditures were \$182,590 less than the amended budget 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 \$2,303,232, a 27% increase from the prior year.

Capital Assets – The City of Princeton's investment in capital assets for its government and business-type activities as of September 30, 2015, totals \$31,862,817 (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 7.3%.

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

- On-going street infrastructure projects continued such as Bonnieview & Harrelson Streets
- On-going park bridge improvements

**City of Princeton
Capital Assets
As of September 30, 2015
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 866,817	\$ 431,784	\$ 180,353	\$ 180,353	\$ 1,047,170	\$ 612,137
Buildings and improvements	885,664	923,440	145,928	153,029	1,031,592	1,076,469
Infrastructure	9,555,152	8,283,166	16,404,663	15,349,119	25,959,815	23,632,285
Machinery & equipment	403,388	516,815	204,745	120,888	608,133	637,703
Park Improvements	1,194,393	1,092,794	-	-	1,194,393	1,092,794
Construction in progress	1,961,347	1,260,744	60,367	1,393,487	2,021,714	2,654,231
Total	\$ 14,866,761	\$ 12,508,743	\$ 16,996,056	\$ 17,196,876	\$ 31,862,817	\$ 29,705,619

A variety of street improvements projects were in progress during the year along with the completion of the GTUA Waterline that has been ongoing for several years. More detailed information about the City's capital assets can be found in Note G of the notes to the financial statements.

Long-term Debt – As of September 30, 2015, the City had total long-term debt outstanding of \$20,399,428. The total debt increased by \$517,365 over the previous year. This represents an increase of 2.6% due to new long-term debt being issued in fiscal year 2015.

**City of Princeton
Outstanding Debt
As of September 30, 2015**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds and Certificates of Obligation	\$ 6,479,858	\$ 5,356,163	\$ 8,593,124	\$ 8,867,469	\$ 15,072,982	\$ 14,223,632
Tax Note	935,000	1,110,000	-	-	935,000	1,110,000
GTUA bonds payable	-	-	4,135,000	4,340,000	4,135,000	4,340,000
Capital Leases	150,456	204,915	105,990	3,516	256,446	208,431
Total	\$ 7,565,314	\$ 6,671,078	\$ 12,834,114	\$ 13,210,985	\$ 20,399,428	\$ 19,882,063

Economic Factors and Next Year's Budgets and Rates

The FY 2015-16 budgets incorporates the effective property tax rate of \$0.691886 per \$100 valuation as compared to the 2015 property tax rate of 0.721800. The budget will raise more total property taxes by \$355,866 or 15.46%. Of that amount, \$192,616 is from new property added to the tax roll this year.

The FY 2015-16 revenue budget has a 6% increase budgeted over the FY 2014-15 amended budget. The City is projecting the development growth and sales tax revenue increase slightly in FY 2015-16.

The FY 2015-16 expenditures budget is a 7% increase over the FY 2014-15 amended budget. The City added additional personnel in the fire and police and a part-time position in the streets department.

The proprietary fund (water & sanitary sewer) operating revenues are budgeted in FY 2015-16 with a 6% increase due to North Texas Municipal Water District's rate increase. Additionally, meter installs and new meter service are budgeted to increase due to customer growth. The expenditures are also budgeted with a 9% increase over FY2014-15, with the added cost in supplies and services due to customer growth. One additional water maintenance worker position was added. The FY 2014-15 budget also includes capital expenditures for equipment purchases and upgrades.

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.

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	CDC	EDC
Assets					
Cash and Cash equivalents	\$ 773,101	\$ 2,015,776	\$ 2,788,878	\$ 36,913	\$ 439,611
Receivables (Net of allowance for uncollectibles)	314,582	505,778	820,360	63,254	63,254
Unbilled Revenue	-	156,539	156,539	-	-
Due from component unit	101,147	-	101,147	-	-
Restricted assets:					
Cash and Cash equivalents	3,217,887	1,500,244	4,718,131	-	-
Deposits held in trust - GTUA	-	836,205	836,205	-	-
Note receivable-component unit	614,745	-	614,745	-	-
Capital assets not being depreciated:					
Land	866,817	180,353	1,047,170	-	1,242,000
Construction in progress	1,961,347	60,367	2,021,714	2,916	142,616
Capital assets net of accumulated depreciation:					
Infrastructure	9,555,152	16,404,663	25,959,815	-	-
Parks & Recreation	1,194,393	-	1,194,393	-	-
Buildings and improvements	885,664	145,928	1,031,592	137,114	-
Machinery and Equipment	403,388	204,745	608,133	-	-
Total Assets	19,888,224	22,010,598	41,898,822	240,197	1,887,480
DEFERRED OUTFLOWS OF RESOURCES					
TMRS contributions	120,846	44,981	165,827	387	359
Unamortized investment losses	28,124	10,468	38,592	90	84
Total deferred outflows of resources	148,970	55,449	204,419	477	443
Liabilities					
Accounts payable	150,470	250,106	400,577	408	460
Retainage payable	-	48,939	48,939	-	-
Due to primary government	-	-	-	101,147	-
Accrued liabilities	87,676	17,197	104,873	521	530
Other liabilities	49,215	12,078	61,294	-	-
Customer deposits	-	429,801	429,801	-	-
Accrued interest payable	36,859	51,179	88,038	-	-
Noncurrent liabilities:					
Due within one year:					
Compensated Absences	42,770	16,724	59,494	-	-
Lease payable	67,634	25,352	92,986	-	-
Note payable to primary government	-	-	-	87,054	-
GTUA certificates of obligation	-	215,000	215,000	-	-
Tax note payable	180,000	-	180,000	-	40,426
Bonds payable	301,320	280,644	581,964	-	-
Due in more than one year:					
Compensated absences	128,309	50,173	178,482	1,091	1,091
Net Pension Liability	110,042	41,104	151,146	384	363
Lease payable	82,822	80,638	163,460	-	-
Note payable to primary government	-	-	-	527,691	-
GTUA certificates of obligation	-	3,920,000	3,920,000	-	-
Tax note payable	755,000	-	755,000	-	913,939
Bonds payable	6,178,538	8,312,481	14,491,019	-	-
Total Liabilities	8,170,655	13,751,419	21,922,074	718,296	956,808
DEFERRED INFLOWS OF RESOURCES					
Unamortized Investment Gains	50,381	18,753	69,134	161	150
Total deferred inflows of resources	50,381	18,753	69,134	161	150
Net Position					
Net investment in capital assets	7,301,447	4,998,145	12,299,592	(475,806)	429,160
Restricted for:					
Debt Service	388,020	-	388,020	-	-
Use of impact fees	-	994,498	994,498	-	-
Court	96,279	-	96,279	-	-
PEG Capital	31,804	-	31,804	-	-
Capital projects	2,636,643	-	2,636,643	-	-
Unrestricted	1,361,965	2,303,232	3,665,197	(1,977)	501,805
Total Net position	\$ 11,816,158	\$ 8,295,875	\$ 20,112,033	\$ (477,783)	\$ 930,965

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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Community Development Corporation	Economic Development Corporation
					Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental Activities:									
General government	\$ 666,193	\$ -	\$ 8,920	\$ -	\$ (657,272)	\$ (657,272)			
Public safety	1,335,532	294,989	2,417	-	(1,038,126)	(1,038,126)			
Public services and operations	697,081	45,086	-	-	(651,995)	(651,995)			
Parks and recreation	493,077	-	8,921	-	(484,155)	(484,155)			
Library	102,133	-	-	-	(102,133)	(102,133)			
Public works	1,232,485	763,325	-	2,112,676	1,643,517	1,643,517			
Interest on long-term debt	311,418	-	-	-	(311,418)	(311,418)			
Total Governmental Activities	4,837,918	1,103,401	20,258	2,112,676	(1,601,583)	(1,601,583)			
Business-Type Activities									
Utility Services	4,676,918	5,214,972	-	118,855	-	\$ 656,909	\$ 656,909		
Total Business-Type Activities	4,676,918	5,214,972	-	118,855	-	656,909	656,909		
Total Primary Government	\$ 9,514,837	\$ 6,318,373	\$ 20,258	\$ 2,231,531	(1,601,583)	(944,674)			
Component Units:									
Community Development Corporation	29,615	-	-	-			\$ (29,615)		
Economic Development Corporation	291,207	-	-	-				\$ (291,207)	
Total Component Units	\$ 320,823	\$ -	\$ -	\$ -			\$ (29,615)	\$ (291,207)	
General revenues:									
Property taxes					\$ 2,483,190	\$ 2,483,190			
Sales and use taxes					626,981	626,981			
Franchise taxes					313,430	313,430			
Investment income					3,938	6,005			230
Contributions not restricted to specific programs					14,448	-			-
Miscellaneous					45,372	3,148			-
Transfers					(132,418)	132,418			-
Total general revenues and transfers					3,354,942	3,496,513			313,720
Change in net position					1,753,359	2,551,839			22,513
Net position - beginning					10,113,834	17,638,042			909,290
Prior period adjustments					(51,035)	(77,848)			(838)
Net position - ending					\$ 11,816,158	\$ 20,112,033			\$ 930,965

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, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 773,101	\$ -	\$ -	\$ 773,101
Receivables (net)	288,043	26,539	-	314,582
Note receivable-component unit-CDC	614,745	-	-	614,745
Due from component unit-CDC	101,147	-	-	101,147
Cash - restricted	128,083	386,489	2,703,316	3,217,887
Total Assets	<u>1,905,120</u>	<u>413,027</u>	<u>2,703,316</u>	<u>5,021,463</u>
LIABILITIES				
Accounts payable	83,798	-	66,672	150,470
Accrued liabilities	87,676	-	-	87,676
Other liabilities	49,215	-	-	49,215
Total Liabilities	<u>220,689</u>	<u>-</u>	<u>66,672</u>	<u>287,361</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	52,873	25,008	-	77,881
Unavailable revenues-court	38,721	-	-	38,721
Unavailable revenues-note receivable-CDC	614,745	-	-	614,745
Total deferred inflows of resources	<u>706,339</u>	<u>25,008</u>	<u>-</u>	<u>731,347</u>
FUND BALANCES				
Restricted for:				
Debt service	-	388,020	-	388,020
Court:				
Court security	12,494	-	-	12,494
Court technology	15,150	-	-	15,150
Child safety	68,635	-	-	68,635
PEG capital	31,804	-	-	31,804
Capital projects	-	-	2,636,643	2,636,643
Committed for:				
Fire	62,352	-	-	62,352
Park improvements	48,019	-	-	48,019
Assigned for:				
Police	3,657	-	-	3,657
Scholarships	2,362	-	-	2,362
Unassigned	733,619	-	-	733,619
Total fund balances	<u>978,092</u>	<u>388,020</u>	<u>2,636,643</u>	<u>4,002,755</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,905,120</u>	<u>\$ 413,027</u>	<u>\$ 2,703,315</u>	<u>\$ 5,021,463</u>

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, 2015**

Total fund balances - governmental funds balance sheet	\$ 4,002,755
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.	18,914,863
Accumulated depreciation is not included in the governmental fund financial statements.	(4,048,102)
Bonds Payable and contractual obligations are not included in the governmental fund financial statements.	(7,626,629)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(110,042)
Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is:	(22,257)
TMRS pension contributions after the December 31, 2014 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position.	120,846
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	61,315
Accrued liabilities for compensated absences are not included in the fund financial statements.	(171,079)
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(36,859)
Amounts reported as deferred inflows of resources in the governmental fund financial statements are removed in the government-wide financial statements.	731,347
Net position of governmental activities - Statement of Net Position	<u>\$ 11,816,158</u>

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, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue				
Property taxes	\$ 1,707,088	\$ 789,286	\$ -	\$ 2,496,373
Licenses and permits	763,325	-	-	763,325
Sales and use taxes	626,981	-	-	626,981
Franchise taxes	313,430	-	-	313,430
Fines and forfeitures	266,473	-	-	266,473
Intergovernmental revenue	217,681	86,721	908,444	1,212,846
Charge for services	40,886	-	4,200	45,086
Miscellaneous	37,642	-	5,117	42,759
Grants	20,258	-	-	20,258
Donations	13,948	-	500	14,448
Investment income	465	229	3,245	3,938
Beverage tax	2,614	-	-	2,614
Total revenues	4,010,791	876,235	921,506	5,808,532
Expenditures				
Current operating:				
Public safety	1,216,449	-	-	1,216,449
General government	568,407	3,538	-	571,945
Public works	700,550	-	-	700,550
Fire	476,654	-	-	476,654
Parks and recreation	403,473	-	-	403,473
Court	228,985	-	-	228,985
Library	103,605	-	-	103,605
Debt Service:				
Principal retirement	77,866	473,000	-	550,866
Interest and fiscal agent fees	8,595	298,576	-	307,171
Issuance costs	-	-	68,397	68,397
Capital outlays:				
Public works	29,809	-	2,118,499	2,148,308
Fire	40,000	-	-	40,000
Parks and recreation	17,569	-	-	17,569
Total expenditures	3,871,961	775,114	2,186,896	6,833,971
Excess (deficiency) of revenues over (under) expenditures	138,830	101,121	(1,265,390)	(1,025,439)
Other revenues and financing sources (uses)				
Bond proceeds	-	-	1,360,000	1,360,000
Transfers	11,815	(144,234)	-	(132,418)
Bond premiums	-	-	89,052	89,052
Capital lease proceeds	29,809	-	-	29,809
Total other financing sources (uses)	41,624	(144,234)	1,449,052	1,346,443
Net change in fund balances	180,454	(43,112)	183,662	321,004
Fund balances - October 1	797,638	431,132	2,452,981	3,681,751
Fund balances - September 30	\$ 978,092	\$ 388,020	\$ 2,636,643	\$ 4,002,755

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, 2015**

Net Change in fund balances - total governmental funds	\$ 321,004
<p>Amounts reported for governmental activities in the Statement of Activities are different due to the following:</p>	
<p>Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.</p>	2,205,877
<p>Donated capital is shown as an increase in capital assets in the government-wide financial statements.</p>	986,551
<p>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.</p>	(834,399)
<p>Current year long-term debt principal payment are expenditures in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.</p>	550,866
<p>Premiums and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements.</p>	(89,432)
<p>Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.</p>	4,245
<p>Bond capital and lease proceeds are not revenue for government-wide financial statements, but increase debt.</p>	(1,389,809)
<p>Decreases in deferred inflows for tax and court receivables are revenues in the fund financial statements, but are shown as a reduction in receivables in the government-wide financial statements.</p>	(71,388)
<p>Accrued long term debt interest is not recorded in the governmental funds, but the increase in this balance is recognized for the full accrual, government-wide financial statements as interest expense.</p>	(3,867)
<p>Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include changes in property tax receivables, court receivables, and pension expense. The net effect of these reclassifications and recognitions is to decrease net position.</p>	73,712
Change in net position of governmental activities- Statement of Activities	<u>\$ 1,753,359</u>

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

CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget:
	Original	Final		Positive (Negative)
Revenue				
Property taxes	\$ 1,606,622	\$ 1,700,019	\$ 1,707,088	\$ 7,069
Licenses and permits	552,190	727,069	763,325	36,256
Sales and use taxes	673,463	596,703	626,981	30,278
Franchise taxes	321,505	297,362	313,430	16,068
Fines and forfeitures	277,628	282,755	266,473	(16,282)
Intergovernmental revenue	181,680	190,641	217,681	27,040
Charge for services	69,743	54,046	40,886	(13,160)
Miscellaneous	30,425	37,560	37,642	82
Grants	13,960	20,258	20,258	0
Donations	17,600	13,330	13,948	618
Beverage tax	2,500	2,500	2,614	114
Investment income	54	369	465	96
Total revenues	3,747,370	3,922,612	4,010,791	88,179
Expenditures				
Current operating:				
General Government				
Administration (City Manager) and Public Information (City Secty)	634,015	580,070	568,407	11,663
Judicial (Municipal Court)	237,674	231,605	228,985	2,621
Total General Government	871,689	811,675	797,392	14,283
Public Safety				
Police	1,228,101	1,240,422	1,216,449	23,973
Fire	454,928	491,879	476,654	15,225
Capital outlay	-	10,000	40,000	(30,000)
Total Public Safety	1,683,029	1,742,301	1,733,103	9,198
Public Works				
Streets	241,872	332,020	310,840	21,180
Planning and development	400,791	446,137	389,710	56,427
Capital outlay	-	-	29,809	(29,809)
Total Municipal Services	642,663	778,157	730,359	47,798
Parks and Recreation				
Parks and recreation	361,285	431,708	403,473	28,235
Capital outlay	-	-	17,569	(17,569)
Total Parks and Recreation	361,285	431,708	421,042	10,666
Library				
Library	115,968	105,114	103,605	1,509
Total Library	115,968	105,114	103,605	1,509

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

CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Debt Service:				
Principal retirement	89,336	90,458	77,866	12,592
Interest and fiscal agent fees	-	-	8,595	(8,595)
Total Debt Service:	<u>89,336</u>	<u>90,458</u>	<u>86,460</u>	<u>3,998</u>
Total expenditures	<u>3,763,970</u>	<u>3,959,413</u>	<u>3,871,961</u>	<u>87,452</u>
Excess (deficiency) of revenues over (under) expenditures	(16,600)	(36,801)	138,830	175,631
Other revenues and financing sources (uses)				
Capital lease proceeds	-	-	29,809	29,809
Transfers	16,400	20,000	11,815	(8,185)
Total other financing sources (uses)	<u>16,400</u>	<u>20,000</u>	<u>41,624</u>	<u>21,624</u>
Net change in fund balances	(200)	(16,801)	180,454	197,255
Fund balances - October 1	<u>797,638</u>	<u>797,638</u>	<u>797,638</u>	
Fund balances - September 30	<u>\$ 797,438</u>	<u>\$ 780,837</u>	<u>\$ 978,092</u>	

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

CITY OF PRINCETON, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,015,776
Receivables (net)	505,778
Unbilled revenue	156,539
Total current assets	<u>2,678,093</u>
Noncurrent Assets:	
Restricted cash	1,500,244
Deposits held in trust - GTUA	836,205
Total restricted noncurrent	<u>2,336,449</u>
Capital assets:	
Land	180,353
Construction in progress	60,367
Buildings and improvements	235,326
Water and sewer system	20,631,964
Machinery and equipment	526,603
Less: accumulated depreciation	<u>(4,638,557)</u>
Total capital assets, net of accumulated depreciation	<u>16,996,056</u>
Total Assets	<u><u>\$ 22,010,598</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
TMRS contributions	44,981
Unamortized investment losses	10,468
Total deferred outflows of resources	<u><u>55,449</u></u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 250,106
Retainage payable	48,939
Accrued liabilities	17,197
Other liabilities	12,078
Payables from restricted funds:	
Water customer deposits	429,801
Accrued interest payable	51,179
Compensated absences - current	16,724
Capital lease payable - current	25,352
Certificates of obligation and bonds payable - current	495,644
Total current liabilities	<u>1,347,022</u>
Noncurrent Liabilities:	
Accrued compensated absences	50,173
Capital lease payable	80,638
Certificates of obligation and bonds payable	12,232,481
Net pension liability	41,104
Total noncurrent liabilities	<u>12,404,397</u>
Total Liabilities	<u><u>13,751,419</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Unamortized investment gains	18,753
Total deferred inflows of resources	<u><u>18,753</u></u>
 NET POSITION	
Net investment in capital assets	4,998,145
Restricted for: use of impact fees	994,498
Unrestricted	2,303,232
Total Net Position	<u><u>\$ 8,295,875</u></u>

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 NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Utility Fund
OPERATING REVENUES:	
Charges for sales and services	
Service charges	\$ 4,598,420
Impact fees	570,402
Rental income	46,150
Miscellaneous	3,148
Total Operating Revenues	<u>5,218,120</u>
OPERATING EXPENSES:	
Water purchases	950,916
Personnel services	719,904
Contractual services	681,249
Depreciation	639,400
Lift station	582,759
Supplies and materials	137,927
Maintenance and repair	128,035
Franchise Fees	115,000
Rent expense	51,792
Miscellaneous	40,810
Bad debts	9,958
Total Operating Expenses	<u>4,057,749</u>
Operating Income (Loss)	<u>1,160,372</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	6,005
Interest	(619,170)
Total Non-Operating Revenues (Expenses)	<u>(613,165)</u>
Income before contributions and transfers	<u>547,207</u>
Capital Contributions	118,855
Transfers	<u>132,418</u>
Change in Net Position	798,480
Net Position - October 1	7,524,208
Prior Period Adjustments	(26,813)
Net Position - September 30	<u>\$ 8,295,875</u>

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 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers for services	\$ 5,096,028
Cash received from customer deposits (net)	48,740
Cash paid to employees	(728,399)
Cash paid to suppliers for goods and services	(2,727,418)
Net cash provided by (used in) operating activities	<u>1,688,951</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash (paid to)/received from other funds	132,418
Net cash provided by (used in) non-capital financing activities	<u>132,418</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(186,071)
Interest paid on capital debt	(570,717)
Principal paid on capital debt	(507,006)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,263,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	6,005
Net cash provided by (used in) investing activities	<u>6,005</u>
Net Increase (Decrease) in Cash and Cash Equivalents	563,580
Cash and Cash Equivalents, October 1, 2014	<u>2,952,440</u>
Cash and Cash Equivalents, September 30, 2015	<u>\$ 3,516,020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 1,160,372
Adjustment to reconcile operating income to net cash	
Provided (used) by operating activities	
Depreciation expense	639,400
(Increase) decrease in accounts receivable	(90,342)
Increase (decrease) in accounts payable	10,769
Increase (decrease) in accrued liabilities	(39,742)
Increase (decrease) in compensated absences	8,495
Net Cash Provided by Operating Activities	<u>\$ 1,688,951</u>
Schedule of Non-Cash Capital and Related Financing Activities:	
Contributions of Capital Assets	118,855
Machinery and equipment acquired through capital leases	133,651

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. Summary of Significant Accounting Policies

The City of Princeton, Texas ("City") is a municipality governed by an elected mayor and five-member council and provides the following services to the citizens of the City; public safety, public works, parks and recreation, water, sewer, and sanitation services, and general administration.

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. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipality governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matter. Therefore, the City is a financial reporting entity as defined by GASB Statement No.14, "The Financial Reporting Entity" and as amended by GASB Statement No.39, "Determining Whether Certain Organizations are Component Units".

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 Statement No. 39 added clarification to GASB Statement No.14 by including entities that meet all three of the following requirements:

- a. 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.
- b. 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.
- c. 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 $\frac{1}{4}$ of sales tax revenues collected by the City respectively to each corporation. The nature and significance of the relationship between the primary government and the CDC and EDC is such that exclusions would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the CDC or EDC.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP, 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 and business-type activities on the Statement of Net Position and Statement of Activities. Significantly, the City's Statement of Net Position includes both non-current assets and non-current liabilities. In addition, the government-wide Statement of Activities reflects depreciation expenses on the City's capital assets.

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 resource 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.

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

The City's basic financial statements include the accounts of all City operation. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which 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 statements to emphasize that they are legally separate from the City.

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.

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 a 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 operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. Internal dedicated resources are also reported as general revenues rather than as program revenues.

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 proprietary funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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 or 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 does not have any 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 Utility proprietary fund are charges to customers for sales and services. The Utility 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.

b. Measurement Focus, Basis of Accounting

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. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

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.

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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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.

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, not on a capital maintenance measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets, deferred inflows/outflows of resources, and liabilities associated with a proprietary fund's activities are included on its Statement of Net Position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) or providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes.

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.

3. 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".

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

c. Restricted Assets

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. Customer deposits received for water and wastewater services are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

d. 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 \$5,000 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.

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. No interest was capitalized during the current year.

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:

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

e. Deferred outflows/inflows of resources

In addition to assets, the financial statements will sometimes report a separate financial statement element, *deferred outflows of resources*, that represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City's has two items that qualifies in this category. First, is the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Second, is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, *deferred inflows of resources* that represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources described as *unavailable revenues* only arise under a modified accrual basis of accounting. Accordingly, the items labeled *unavailable revenues* are reported only in the governmental

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

funds balance sheet. The governmental funds report unavailable revenue from property taxes, court fines, and a note receivable. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary Statements of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

f. 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.

g. 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 Statement No. 65. Bonds payable are reported net of the applicable bond premium and discount.

h. Fund Balance Policy

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.

- i. *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.
- ii. *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.
- iii. *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.
- iv. *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The City Council has established a policy that authorizes the City Manager to assign fund balances.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

- v. *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 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 unassigned fund balance should be 90 days of the total maintenance and operation expenditures. Currently, the City is not in compliance with this policy.

- i. 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 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 net position to have been depleted before unrestricted net position is applied.

- j. 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.

- k. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed.

- l. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the individual fund financial statements and schedules 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.

- m. 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.

- n. Use of Estimates

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

- o. Program Revenues

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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p. 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:

<u>Violation</u>	<u>Action Taken</u>
Insufficient collateral pledges by City's depository bank at FYE2015.	Increased pledges in FY2016.

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:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

3. Budgets and Budgetary Accounting

The City annually adopts budgets for the General Fund and 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 basic financial statement section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to September 30, the budget is legally enacted through passage of an ordinance.
- d. Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- e. 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 \$7,982,257 and the bank balance was \$8,065,041. All bank balances except \$535,163 were covered by Federal Deposit Insurance or by collateral held by a third-party custodian. This \$535,163 was uninsured as of September 30, 2015.

**CITY OF PRINCETON, TEXAS
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Cash and investments as of September 30, 2015 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and cash equivalents	\$ 2,788,878
Restricted cash and cash equivalents	4,718,130
Total cash and cash equivalents	<u>\$ 7,507,008</u>
Cash on hand	\$ 1,210
Checking accounts	3,799,733
Certificate of deposit	509,573
Texpool & TexStar	3,196,492
Total cash and cash equivalents	<u>\$ 7,507,008</u>
<i>Restricted Cash</i>	
Governmental	
Municipal Court use	\$ 96,279
PEG funds	31,804
Capital projects	2,703,315
Debt	386,488
Total Governmental	<u>3,217,886</u>
Business	
Customer Deposits	505,746
Impact Fees	994,498
Total Business	<u>1,500,244</u>
Total Restricted Cash	<u>\$ 4,718,130</u>

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 basic 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. Portfolio disclosures as of September 30, 2015 are as follows:

- the portfolio contained 9.4% in fully collateralized or FDIC-insured certificate of deposit. All pledged collateral was held by an independent institution outside the bank's holding company
- the portfolio contained no repurchase agreements, and
- the portfolio contained two demand deposit accounts which were collateralized or fully insured by the FDIC.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy sets a maximum stated maturity limit of three years. The dollar-weighted maturity allowed based on the stated maturity date for the portfolio is 270 days. Investment maturities for the debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three (3) years.

Credit Risk

A primary stated objective of the City's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted investment policy includes only time and demand deposits, repurchase agreements, non-rated SEC register money market mutual funds, and commercial paper. All other investments are rated no lower than AAA or AAA-m, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies or instrumentalities.

**CITY OF PRINCETON, TEXAS
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State law and the City's adopted investment policy restricts investments in SEC registered mutual funds to money market funds striving to maintain a \$1 net asset value and defined by state law. Neither the state law nor the policy requires a rating.

Local government pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

The City is a voluntary participant in various investment pools. These pools include TexPool and TexSTAR.

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. To request a copy of TexPool's annual financial statements, go to their website www.texpool.com.

The City also invested in TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard & Poor's. To request a copy of TexSTAR's annual financial statements, go to their website www.texstar.org.

As of September 30, 2015, the amount of investment in investment pool accounts were as follows:

Investment	Amount	Minimum Legal Rating	Rating as of Year end	Weighted Average Maturity
TexPool	\$ 2,725,220	N/A	AAA-m	41 days
TexSTAR	1,183,603	N/A	AAA-m	40 days
	<u>\$ 3,908,823</u>			

Concentration of Credit Risk

The City recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted investment policy establishes diversification as a major objective of the investment program and set diversification limits for all authorized investment types which are monitored on at least a monthly basis.

**CITY OF PRINCETON, TEXAS
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 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Diversification limits are set by policy as:

	<u>% of portfolio</u>
US Treasury Obligation	100%
US Government Agency Securities & Instrumentalities of Government-sponsored corporations	80%
Authorized local government investment pools	100%
Full collateralized certificates of deposit	50%
SEC-regulated no-lead money market mutual funds	10%

As of September 30, 2015, holdings in two local government investment pools represented 49% of the total portfolio.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 100% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margin on a daily basis.

As of September 30, 2015, the City deposits with financial institutions in excess of federal depository insurance limits were not fully collateralized. The City had \$535,163 of their deposits with financial institutions uninsured at year end.

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 \$0.721800 per \$100 assessed valuation based upon the maximum rates described above.

**CITY OF PRINCETON, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

E. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Proprietary</u>	<u>Total</u>
Receivables:				
Taxes	\$ 232,956	\$ 29,488	\$ -	\$ 262,444
Fees and Charges	859,609	-	603,809	1,463,418
Gross Receivables	<u>1,092,565</u>	<u>29,488</u>	<u>603,809</u>	<u>1,725,862</u>
Less: Allowances for Uncollectible	(804,522)	(2,949)	(98,031)	(905,502)
Net Total Receivables	<u>\$ 288,043</u>	<u>\$ 26,539</u>	<u>\$ 505,778</u>	<u>\$ 820,360</u>

F. Note Receivable from Component Unit - Restricted

The City has a note receivable for the portion that the Community Development Corporation agreed to pay for the Series 2011 General Obligation debt. This note receivable matures in fiscal year 2029. This is a 0% interest note and proceeds from collections for this receivable are restricted in use to service the Series 2011 general obligation debt.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Note receivable-CDC	\$ 701,466	\$ -	\$ (86,721)	\$ 614,745

Requirements are as follows:

Year Ending September 30:	<u>Total Requirements</u>
2016	\$ 87,054
2017	81,983
2018	43,986
2019	43,199
2020	42,333
2021-2025	175,910
2026-2030	140,280
Totals	<u>\$ 614,745</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

G. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Decreases / Reclassifications	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 431,784	\$ 435,033	\$ -	\$ 866,817
Construction in Progress	1,260,744	1,480,679	(780,076)	1,961,347
Total capital assets, not being depreciated:	<u>1,692,528</u>	<u>1,915,712</u>	<u>(780,076)</u>	<u>2,828,164</u>
Capital assets, being depreciated:				
Buildings & Improvements	1,553,052	-	-	1,553,052
Drainage Improvement	-	68,350	-	68,350
Infrastructure	9,385,187	950,479	780,076	11,115,742
Park Improvements	1,213,391	188,068	-	1,401,459
Vehicles & Equipment	1,896,324	69,809	(18,036)	1,948,097
Total capital assets being depreciated	<u>14,047,954</u>	<u>1,276,706</u>	<u>762,040</u>	<u>16,086,700</u>
Less accumulated depreciation for:				
Buildings & Improvements	(629,612)	(37,775)	-	(667,387)
Infrastructure	(1,102,021)	(526,919)	-	(1,628,940)
Park Improvements	(120,597)	(86,469)	-	(207,066)
Vehicles & Equipment	(1,379,509)	(183,237)	18,036	(1,544,710)
Total accumulated depreciation	<u>(3,231,739)</u>	<u>(834,400)</u>	<u>18,036</u>	<u>(4,048,103)</u>
Total capital assets, being depreciated, net	<u>10,816,215</u>	<u>442,306</u>	<u>780,076</u>	<u>12,038,597</u>
Governmental activities capital assets, net	<u>\$ 12,508,743</u>	<u>\$ 2,358,018</u>	<u>\$ -</u>	<u>\$ 14,866,761</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 180,353	\$ -	\$ -	\$ 180,353
Construction in Progress (restated)	1,393,487	60,367	(1,393,487)	60,367
Total capital assets, not being depreciated:	<u>1,573,840</u>	<u>60,367</u>	<u>(1,393,487)</u>	<u>240,720</u>
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure	18,993,922	244,555	1,393,487	20,631,964
Vehicles & Equipment	392,949	133,654	-	526,603
Total capital assets being depreciated	<u>19,622,197</u>	<u>378,209</u>	<u>1,393,487</u>	<u>21,393,893</u>
Less accumulated depreciation for:				
Buildings & Improvements	(82,297)	(7,101)	-	(89,398)
Infrastructure	(3,644,801)	(582,500)	-	(4,227,301)
Vehicles & Equipment	(272,059)	(49,799)	-	(321,858)
Total accumulated depreciation	<u>(3,999,157)</u>	<u>(639,400)</u>	<u>-</u>	<u>(4,638,557)</u>
Total capital assets, being depreciated, net	<u>15,623,040</u>	<u>(261,191)</u>	<u>1,393,487</u>	<u>16,755,336</u>
Business-type activities capital assets, net	<u>\$ 17,196,880</u>	<u>\$ (200,824)</u>	<u>\$ -</u>	<u>\$ 16,996,056</u>

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

Governmental activities:

General Government	\$ 32,566
Public Safety	170,802
Public Works, including depreciation of general infrastructure assets	537,395
Culture and Recreation	93,637
Total depreciation expense - governmental activities	\$ 834,400

Business-type activities:

Utility Fund - utility services	\$ 639,400
Total depreciation expense - business-type activities	\$ 639,400

H. Construction Commitments

The City has active construction projects as of September 30, 2015. 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:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
2nd Str turn lane- R11 (R1030)	\$ 357,541	\$ 8,082
R-16 Street Improvements	907,559	56,283
R05 Beauchamp Blvd.	236,657	24,160
R01 Phase III	105,431	13,056
S15 Tickey Creek Waste WTR Line	60,367	162,558
11 R17 Woody ST	297,255	11,056
P14 Industrial Park & Roadways	141,806	5,025
Total	\$ 2,106,616	\$ 280,220

I. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental-type Activities					
General obligation bonds & certificates of obligation	\$ 5,431,200	\$ 1,360,000	\$ (298,000)	\$ 6,493,200	\$ 301,700
Plus:					
For issuance premiums	17,825	89,052	(5,641)	101,236	5,641
Less deferred amounts:					
For issuance discounts	(92,862)	(27,737)	6,021	(114,578)	(6,021)
Tax anticipation notes	1,110,000	-	(175,000)	935,000	180,000
Total Bonds Payable	6,466,163	1,421,315	(472,620)	7,414,858	481,320
Capital Lease Payable	204,915	29,809	(84,268)	150,456	67,634
Compensated absences	175,324	-	(4,245)	171,079	42,770
Governmental activity Long-term liabilities	\$ 6,846,402	\$ 1,451,124	\$ (561,133)	\$ 7,736,393	\$ 591,724

CITY OF PRINCETON, TEXAS
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Water & Sewer					
General obligation bonds & certificates of obligation	\$ 8,788,800	\$ -	\$ (272,000)	\$ 8,516,800	\$ 278,300
Plus:					
For issuance premiums	110,825	-	(4,818)	106,007	4,818
Less deferred amounts:					
For issuance discounts	(32,156)	-	2,473	(29,683)	(2,474)
GTUA bonds payable	4,340,000	-	(205,000)	4,135,000	215,000
Total Bonds Payable	13,207,469	-	(479,345)	12,728,124	495,644
Capital Lease Payable	-	133,651	(27,661)	105,990	25,352
Compensated absences	58,402	8,495	-	66,897	16,724
Business-type activity Long-term liabilities	<u>\$ 13,265,871</u>	<u>\$ 142,146</u>	<u>\$ (507,006)</u>	<u>\$ 12,901,011</u>	<u>\$ 537,720</u>

Governmental Activities

Description	Interest Rate Payable	Amounts Outstanding				Amounts Outstanding September, 30 2015	Due Within One Year
		Amounts Issued	September, 30 2014	Issued	Retired		
2009 Series, CO	4.13%	\$ 4,315,000	\$ 4,225,000	\$ -	\$ (95,000)	\$ 4,130,000	\$ 100,000
2011 Series, GO	2.00%	1,439,500	1,206,200	-	(148,000)	1,058,200	151,700
2014 Series, CO	2-3%	1,360,000	-	1,360,000	(55,000)	1,305,000	50,000
2013 Tax Note	1.90%	1,285,000	1,110,000	-	(175,000)	935,000	180,000
Total Bonds Payable		8,399,500	6,541,200	1,360,000	(473,000)	7,428,200	481,700
Capital Lease-2 F450	2.58%	100,861	60,813	-	(19,552)	41,261	20,262
Capital Lease-Dodge	5.45%	164,000	125,404	-	(40,155)	85,249	41,779
Capital Lease-Ford	4.50%	29,809	-	29,809	(5,860)	23,949	5,593
Capital Lease-1st Cap	5.65%	30,000	7,916	-	(7,916)	-	-
Capital Lease-Ford	6.10%	84,066	10,782	-	(10,782)	-	-
Total Long-term Obligations		<u>\$ 8,808,236</u>	<u>\$ 6,746,115</u>	<u>\$ 1,389,809</u>	<u>\$ (557,265)</u>	<u>\$ 7,578,659</u>	<u>\$ 549,334</u>

Governmental bonds debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2016	\$ 481,700	\$ 294,871	\$ 776,571
2017	479,300	283,307	762,607
2018	411,600	271,801	683,401
2019	421,600	260,741	682,341
2020	431,600	248,930	680,530
2021-2025	1,253,600	1,087,668	2,341,268
2026-2030	1,463,800	794,855	2,258,655
2031-2035	1,415,000	454,244	1,869,244
2036-2039	1,070,000	116,288	1,186,288
Totals	<u>\$ 7,428,200</u>	<u>\$ 3,812,705</u>	<u>\$ 11,240,905</u>

\$1,439,500 of Series 2011 General Obligation Refunding Bonds were 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.

**CITY OF PRINCETON, TEXAS
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\$4,315,000 of Series 2009 Combination Tax and Surplus Revenue Certificates of Obligation were issued August 25, 2009, for the purpose of construction and improvements of streets.

\$1,285,000 of Series 2013 tax notes were issued August 16, 2013, for the purpose of street improvements.

\$1,360,000 of Series 2014 Combination Tax and Surplus Revenue Certificates of Obligation were issued on October 23, 2014 to finance water system, sewer system, and street improvements

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding			Amounts Outstanding September, 30 2015	Due Within One Year
			September, 30 2014	Issued	Retired		
2007 Series, GO	4.00%	\$ 1,275,000	\$ 970,000	\$ -	\$ (55,000)	\$ 915,000	\$ 55,000
2007 Series, CO	4.00%	8,250,000	7,395,000	-	(165,000)	7,230,000	170,000
2011 Series, GO	2.00%	490,500	423,800	-	(52,000)	371,800	53,300
2009 GTUA CO	2.15% - 5.8%	5,290,000	4,340,000	-	(205,000)	4,135,000	215,000
Total Bonds Payable		15,305,500	13,128,800	-	(477,000)	12,651,800	493,300
Capital Lease-Caterpillar	2.50%	103,842	-	103,842	(21,801)	82,041	19,759
Capital Lease-Ford	4.50%	29,809	-	29,809	(5,860)	23,949	5,593
Total Long-term Obligations		\$ 15,439,151	\$ 13,128,800	\$ 133,651	\$ (504,661)	\$ 12,757,790	\$ 518,652

Business-type bonds debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2016	\$ 493,300	\$ 625,509	\$ 1,118,809
2017	510,700	604,807	1,115,507
2018	498,400	583,151	1,081,551
2019	523,400	560,511	1,083,911
2020	553,400	536,198	1,089,598
2021-2025	3,161,400	2,247,357	5,408,757
2026-2030	3,411,200	1,346,392	4,757,592
2031-2035	2,015,000	650,165	2,665,165
2036-2039	1,485,000	113,069	1,598,069
Totals	\$ 12,651,800	\$ 7,267,159	\$ 19,918,959

\$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.

\$5,290,000 Series 2009, GTUA Certificates of Obligation, issued January 19, 2009, for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

Under the terms of long term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA certificates of obligation.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the

CITY OF PRINCETON, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2015

administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

J. Capital Leases

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 matured in September 2015.

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.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2013 in the amount of \$43,000 for the purchase of 2013 Dodge Charger with video and police uplifts. The lease is to be repaid over four years with an interest rate of 5.453%. The lease matures in July 2017.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in September 2013 in the amount of \$121,000 for the purchase of three 2013 Dodge Chargers with video and police uplifts. The lease is to be repaid over four years with an interest rate of 3.548%. The lease matures in September 2018.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in January 2013 in the amount of \$100,861 for the purchase of two 2013 Ford F450 trucks and one generator. The lease is to be repaid over five years. The lease matures in March 2017.

The City entered into a capital lease agreement with Caterpillar Financial Services Corporation in November 2014 in the amount of \$103,842 for the purchase of equipment. This lease is to be repaid over five years with an interest rate of 2.5%. The lease matures in November 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in February 2015 in the amount of \$59,618. This lease is to be repaid over four years with an interest rate of 4.5% and is allocated evenly between the governmental and business type debt. The lease matures in October 2019.

Governmental debt service requirements are as follows:

Year Ending September 30:		
	2016	\$ 73,679
	2017	73,679
	2018	6,684
	2019	6,684
Total minimum lease payments		<u>160,726</u>
Less: amount representing interest		<u>(10,270)</u>
Present value of lease payments		<u>\$ 150,456</u>

Business-type debt service requirements are as follows:

Year Ending September 30:		
	2016	\$ 28,486
	2017	28,486
	2018	28,486
	2019	28,486
Total minimum lease payments		<u>113,944</u>
Less: amount representing interest		<u>(7,954)</u>
Present value of lease payments		<u>\$ 105,990</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 obligation for relate to office equipment, web services, and internet services. The future minimum lease payments for these leases are as follows:

FYE Sept. 30	Building	Office Equip. & Services
2016	\$ 103,584	\$ 9,431
2017	103,584	-
Total	<u>\$ 207,168</u>	<u>\$ 9,431</u>

L. Pension Plan

1. Plan Description

The City of Princeton participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

All TMRS balances in these footnotes and other schedules are inclusive of balances allocated to the City's discretely presented component units.

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Employee Deposit Rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	60/5, 0/20
Updated service credits	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	21
Active employees	44
	Total: 78

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.15% and 11.33% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$166,351, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Salary Increases	3.0%
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 98%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of

CITY OF PRINCETON, TEXAS
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Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total:	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	\$ 3,987,431	\$ 3,789,223	\$ 198,208
Changes for the year:			
Service Cost	270,343	-	270,343
Interest	281,321	-	281,321
Change of benefit terms	-	-	-
Difference between expected and actual experience	(89,706)	-	(89,706)
Changes of assumptions	-	-	-
Contributions - employer	-	166,531	(166,531)
Contributions - employee	-	127,401	(127,401)
Net investment income	-	216,789	(216,789)
Benefit payments, including refunds of employee contributions	(207,466)	(207,466)	-
Administrative expense	-	(2,263)	2,263
Other Changes	-	(186)	186
Net Changes	254,492	300,806	(46,314)
Balance at 12/31/2014	\$ 4,241,923	\$ 4,090,029	\$ 151,894

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following presents the net pension liability of the City, calculated using the discount rate of 7.0% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 6.00%	Current Single Rate assumption 7.00%	1% Increase 8.00%
\$871,024	\$151,894	(\$421,553)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$150,896.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred (Inflows) / Outflows in Future Expense
Differences between expected and actual economic experience	\$ (69,445)
Changes in actuarial assumptions	\$ -
Difference between projected and actual investment earnings	\$ 38,766
Contributions subsequent to the measurement date	\$ 166,573
Total	\$ 135,894

\$166,573 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net deferred outflows (inflows) of resources
2015	\$ (10,570)
2016	(10,570)
2017	(10,570)
2018	1,031
2019	-
Thereafter	-
Total	\$ (30,679)

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. Other Postemployment Benefit

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) known 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 payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," 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 years ended 2015, 2014 and 2013 were \$2,885, \$2,215 and \$2,011, respectively, which equaled the required contributions each year.

M. Health Care Coverage

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$524.84 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.

N. 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, 2014, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

O. 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.

P. 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Q. 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 \$1.87 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$950,916.

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

Gallons Pumped	398,615,000
Gallons Billed	381,603,000

R. Transfers

The transfers during fiscal year 2015 are as follows:

Transfer In	Transfer Out	Amount	Reason for transfer
General Fund	Utility Fund	\$ 11,815	Project P15 Park Bridge & Road Collaspe
Utility Fund	Debt Service Fund	\$ 144,234	2007 g/o debt service support

S. Prior Period Adjustments

Prior period adjustments were made as follows:

	Business-type Activities
<u>Wastewater Fund</u>	
Unrestricted Net Position - beginning	\$ 7,524,208
Prior period adjustment - deferred outflows for TMRS contributions	66,534
Prior period adjustment - net pension liability per GASB 68	(39,721)
Unrestricted Net Position - beginning as adjusted	\$ 7,551,021
<u>Government-wide effects</u>	Governmental Activities
Unrestricted Net Position - beginning	\$ 10,113,834
Prior period adjustment - deferred outflows for TMRS contributions	76,593
Prior period adjustment - net pension liability per GASB 68	(127,628)
Unrestricted Net Position - beginning as adjusted	\$ 10,062,799

T. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2015 up through March 28, 2016, the date the financial statements were available to be issued.

**CITY OF PRINCETON, TEXAS
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During this period, management has identified two subsequent events as follows:

\$6,100,000 of Series 2015 General Obligation Refunding Bonds were issued on October 23, 2015. These bonds will refund \$5,930,000 of principal on the City's Series 2007 Combination Tax and Surplus Revenue Certificates of Obligation, pay the costs associated with the issuance of the Bonds, and pay interest on the Series 2007 certificates of obligation until their February 15, 2017 redemption date.

\$3,245,000 of Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015 Bonds were issued on October 23, 2015 to pay the City's contractual obligations to be incurred in connection with the design, construction, engineering and equipping of improvements to infrastructure and buildings.

Future debt service requirements for these two subsequent debt issuances are as follows:

Fiscal Year	Principal	Interest
2016	\$ 170,000	\$ 256,789
2017	95,000	319,888
2018	160,000	317,338
2019	160,000	314,138
2020	165,000	310,063
2021-2025	1,765,000	1,426,713
2026-2030	2,490,000	1,059,431
2031-2035	2,990,000	558,750
2036-2038	1,350,000	82,600
	\$ 9,345,000	\$ 4,645,708

U. 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.

1. Stewardship, Compliance and Accountability

a. 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.

b. 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:

Violation

The government-wide net position of the CDC is a deficit (\$477,783).

Action taken

The deficit will decrease as the CDC receives future sales tax revenue and makes its annual payments to the City for the CDC's note payable with the City to assist with Series 2011 GO Refunding Bond debt service. The deficit was reduced by \$283,153 during fiscal year 2015.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2015 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position - unrestricted cash	
Cash and cash equivalents	\$ (211,985)
Texpool	248,899
Total cash and cash equivalents	<u>\$ 36,914</u>

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.

As of September 30, 2015, CDC had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year end</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 248,899</u>	N/A	AAA-m	41 days

b. Receivables

Receivables as of year-end for the CDC were \$63,254 representing sales tax owed from the State. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2015.

c. Capital Assets

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Component unit activities:				
Capital assets, being depreciated:				
Office equipment	\$ 9,275	\$ -	\$ -	\$ 9,275
Buildings & Improvements	-	138,557	-	138,557
CIP	-	2,916	-	2,916
Total capital assets being depreciated	<u>9,275</u>	<u>141,473</u>	<u>-</u>	<u>150,748</u>
Less accumulated depreciation for:				
Buildings & Improvements	-	(1,443)	-	(1,443)
Office equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	<u>(9,275)</u>	<u>(1,443)</u>	<u>-</u>	<u>(10,718)</u>
Community Development Corporation capital assets, net	<u>\$ -</u>	<u>\$ 140,030</u>	<u>\$ -</u>	<u>\$ 140,030</u>

d. Due to/from

The short-term advance between the CDC and the City is accounted for in the appropriate payable account and is reported as "due to primary government".

**CITY OF PRINCETON, TEXAS
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e. 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	\$ 4,665	\$ -	\$ (3,574)	\$ 1,091	\$ -

f. Health Care Coverage

During the year ended September 30, 2015, CDC employees were covered by the City's health insurance plan. The City contributed \$524.84 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

g. Pension Plan

During the year ended September 30, 2015, CDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS"). See City's Note M for detailed disclosures.

h. Prior Period Adjustments

Prior period adjustments are as follows:

<u>Government-wide effects</u>	CDC Activities
Unrestricted Net Position - beginning	\$ (760,936)
Prior period adjustment - Deferred outflows for TMRS contributions	1,184
Prior period adjustment - Net pension liability per GASB 68	(2,023)
Unrestricted Net Position - beginning as adjusted	\$ (761,775)

i. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30, 2014	Issued	Retired	Outstanding September 30, 2015	Due Within One Year
Note payable-City	0.0%	\$ 941,259	\$ 701,466	\$ -	\$ (86,721)	\$ 614,745	\$ (87,054)

Requirements are as follows:

Year Ending September 30:	Total Requirements
2016	\$ 87,054
2017	81,983
2018	43,986
2019	43,199
2020	42,333
2021-2025	175,910
2026-2030	140,280
Totals	\$ 614,745

**CITY OF PRINCETON, TEXAS
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CDC agreed to reimburse the City for a portion of their Series 2011 General Obligation Refunding Bonds issued in May, 2011. This note will be paid in full in FY 2029.

j. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

k. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2015 up through March 28, 2016, the date the financial statements were available to be issued. During this period, management was unaware of any 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.

1. Stewardship, Compliance and Accountability

a. 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:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

b. 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:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2015 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash

Cash and cash equivalents	\$	(23,821)
Texpool		463,432
Total cash and cash equivalents	\$	<u>439,611</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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.

As of September 30, 2015, EDC had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year end</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 463,432</u>	N/A	AAA-m	41 days

b. Receivables

Receivables as of year-end for the EDC were \$48,114 representing sales tax owed from the State. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2015.

c. Capital Assets

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,242,000	\$ -	\$ -	\$ 1,242,000
Construction in Progress	37,901	104,715	-	142,616
Total capital assets, not being depreciated	<u>1,279,901</u>	<u>104,715</u>	<u>-</u>	<u>1,384,616</u>
Capital assets, being depreciated:				
Equipment	9,275	-	-	9,275
Total capital assets being depreciated	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>9,275</u>
Less accumulated depreciation for:				
Equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	<u>(9,275)</u>	<u>-</u>	<u>-</u>	<u>(9,275)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development Corporation capital assets, net	<u>\$ 1,279,901</u>	<u>\$ 104,715</u>	<u>\$ -</u>	<u>\$ 1,384,616</u>

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.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 4,665</u>	<u>\$ -</u>	<u>\$ (3,574)</u>	<u>\$ 1,091</u>	<u>\$ -</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

e. Health Care Coverage

During the year ended September 30, 2015, EDC employees were covered by the City's health insurance plan. The City contributed \$524.84 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, 2015, EDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS"). See City's Note M for detailed disclosures.

g. Prior Period Adjustments

Prior period adjustments are as follows:

	EDC Activities
<u>Government-wide effects</u>	
Unrestricted Net Position - beginning	\$ (760,936)
Prior period adjustment - Deferred outflows for TMRS contributions	1,184
Prior period adjustment - Net pension liability per GASB 68	(2,022)
Unrestricted Net Position - beginning as adjusted	<u>\$ (761,774)</u>

h. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30, 2014	Issued	Retired	Outstanding September 30, 2015	Due Within One Year
Note Payable	6.00%	\$ 1,152,000	992,436	-	(38,071)	954,365	\$ (40,426)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2016	\$ 40,426	\$ 56,049	\$ 96,475
2017	42,927	53,549	96,476
2018	45,582	50,893	96,475
2019	48,401	48,074	96,475
2020	51,395	45,080	96,475
2021-2025	308,783	173,593	482,376
2026-2030	416,851	65,525	482,376
Totals	<u>\$ 954,365</u>	<u>\$ 492,763</u>	<u>\$ 1,447,128</u>

i. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2015 up through March 28, 2016, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRINCETON
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	2014
Total pension liability	
Service Cost	\$ 270,343
Interest (on the Total Pension Liability)	281,321
Changes of benefit terms	-
Difference between expected and actual experience	(89,706)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(207,466)
Net Change in Total Pension Liability	254,492
Total Pension Liability - Beginning	3,987,431
Total Pension Liability - Ending (a)	\$ 4,241,923
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 166,531
Contributions - Employee	127,401
Net Investment Income	216,789
Benefit payments, including refunds of employee contributions	(207,466)
Administrative Expense	(2,263)
Other	(186)
Net Change in Plan Fiduciary Net Position	300,806
Plan Fiduciary Net Position - Beginning	3,789,223
Plan Fiduciary Net Position - Ending (b)	\$ 4,090,029
Net Pension Liability - Enging (a) - (b)	\$ 151,894
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.42%
Covered Employee Payroll	\$ 1,820,011
 Net Pension Liability as a Percentage of Covered Employee Payroll	 8.35%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this shcedule over the next 10 year period.

CITY OF PRINCETON
SCHEDULE OF T.M.R.S.CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2015
Actuarially Determined Contribution	\$ 217,324
Contributions in relation to the actuarially determined	\$ 217,324
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 2,364,963
Contributions as a percentage of covered employee payroll	9.19%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 731,558	\$ 731,558	\$ 789,286	\$ 57,728
Intergovernmental	-	-	86,721	86,721
Investment income	200	200	229	29
Total Revenues	<u>731,758</u>	<u>731,758</u>	<u>876,235</u>	<u>144,477</u>
EXPENDITURES				
Current:				
Administrative	2,766	2,766	3,538	(772)
Debt service:				
Principal retirement	533,526	533,526	473,000	60,526
Interest	306,467	306,467	298,576	7,891
Total expenditures	<u>842,759</u>	<u>842,759</u>	<u>775,114</u>	<u>67,645</u>
Excess (deficiency) of revenues over (under) expenditures	(111,001)	(111,001)	101,121	212,122
Other revenues and financing sources (uses)				
Transfers	-	-	(144,234)	(144,234)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(144,234)</u>	<u>(144,234)</u>
Net change in fund balance	(111,001)	(111,001)	(43,112)	67,889
Fund Balances/Equity, October 1	431,132	431,132	431,132	
Fund Balances/Equity, September 30	<u>\$ 320,131</u>	<u>\$ 320,131</u>	<u>\$ 388,020</u>	

CITY OF PRINCETON, TEXAS
 BALANCE SHEET - COMPONENT UNIT
 COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2015

	<u>CDC Fund</u>
ASSETS	
Cash and cash equivalents	\$ 36,913
Receivables (net of allowances for uncollectibles)	63,254
Total assets	<u>100,167</u>
LIABILITIES	
Accounts payable	408
Due to primary government	101,147
Accrued expenses	521
Total Liabilities	<u>102,076</u>
FUND BALANCE	
Unassigned	<u>(1,909)</u>
Total fund balance	<u>(1,909)</u>
Total liabilities and fund balance	<u>\$ 100,167</u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015**

Total fund balances - governmental funds balance sheet	<u>\$ (1,909)</u>
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.	150,748
Accumulated depreciation has not been included in the governmental fund financial statements.	(10,718)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(384)
Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is:	(71)
TMRS pension contributions after the December 31, 2014 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position.	387
Notes payable to the primary government are not included in the governmental fund financial statements.	(614,745)
Accrued liabilities for compensated absences are not included in the fund financial statements.	(1,091)
Net position of governmental activities - Statement of Net Position	<u><u>\$ (477,783)</u></u>

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>CDC Fund</u>
REVENUE	
Sales and use tax	\$ 313,491
Investment income	116
Total revenues	<u>313,607</u>
EXPENDITURES	
Current:	
Personnel costs	8,866
Contract services	1,452
Repairs and maintenance	3,620
Supplies and materials	350
Administration	8,230
Community contributions	10,000
Debt service:	
Principal retirement	86,721
Capital Outlay	<u>141,473</u>
Total expenditures	<u>260,711</u>
Excess (deficiency) of revenues over (under) expenditures	52,896
Fund balance - beginning of year	<u>(54,805)</u>
Fund balance - end of year	<u>\$ (1,909)</u>

**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
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance - total governmental fund \$ 52,896

Amounts reported for governmental activities in the Statement of Activities are different because:

Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. 141,473

Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year is to decrease net position. 3,574

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. (1,443)

Current year long-term debt principal payments on tax notes payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 86,721

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include changes in property tax receivables, court receivables, and pension expense. The net effect of these reclassifications and recognitions is to decrease net position. 771

Change in net position of governmental activities - Statement of Activities \$ 283,992

**CITY OF PRINCETON, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015**

	<u>EDC Fund</u>
ASSETS	
Cash and cash equivalents	\$ 439,611
Receivables (net of allowance for uncollectibles)	63,254
Total assets	<u>502,864</u>
LIABILITIES	
Accounts payable	460
Accrued expenses	530
Total liabilities	<u>989</u>
FUND BALANCE	
Unassigned	501,875
Total fund balance	<u>501,875</u>
Total liabilities and fund balance	<u>\$ 502,864</u>

**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, 2015**

Total fund balance - governmental fund balance sheet	\$ 501,875
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.	1,393,891
Accumulated depreciation has not been included in the governmental fund financial statements.	(9,275)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(363)
Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is:	(66)
TMRS pension contributions after the December 31, 2014 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position.	359
Tax notes payable and contractual obligations are not included in the governmental fund financial statements.	(954,365)
Accrued liabilities for compensated absences are not included in the fund financial statements.	(1,091)
Net position of governmental activities - Statement of Net Position	<u>\$ 930,965</u>

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>EDC Fund</u>
REVENUE	
Sales and use tax	\$ 313,491
Investment income	230
Total revenues	<u>313,720</u>
EXPENDITURES	
Current:	
Personnel costs	8,523
Administrative Costs	7,208
Contract Services	1,168
Supplies and materials	279
Repairs and maintenance	2,676
Contributions	226,389
Debt Service:	
Principal retirement	38,071
Interest	49,306
Capital Outlay	<u>104,715</u>
Total expenditures	<u>438,335</u>
Excess (deficiency) of revenues over (under) expenditures	(124,615)
Fund Balance, beginning of year	<u>626,490</u>
Fund Balance, end of year	<u><u>\$ 501,875</u></u>

**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, 2015**

Net change in fund balance - total governmental funds **\$ (124,615)**

Amounts reported for governmental activities in the Statement of Activities are different because:

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. 104,715

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. 38,071

Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year is to increase net position. 3,574

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include changes in property tax receivables, court receivables, and pension expense. The net effect of these reclassifications and recognitions is to decrease net position. 768

Change in net position of governmental activities - Statement of Activities \$ 22,513

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales and use tax	\$ 336,732	\$ 336,732	\$ 313,491	\$ (23,241)
Investment income	64	64	116	52
Total revenues	<u>336,796</u>	<u>336,796</u>	<u>313,607</u>	<u>(23,189)</u>
EXPENDITURES				
Current:				
Personnel costs	22,715	22,715	8,866	13,849
Contract services	36,000	36,000	1,452	34,548
Repairs and maintenance	5,000	5,000	3,620	1,380
Supplies and materials	670	670	350	320
Administration	13,945	13,945	8,230	5,715
Community contributions	10,000	10,000	10,000	-
Debt service:				
Principal retirement	70,000	70,000	86,721	(16,721)
Interest	16,721	16,721	-	16,721
Capital Outlay	228,557	228,557	141,473	87,084
Total expenditures	<u>403,608</u>	<u>403,608</u>	<u>260,711</u>	<u>142,897</u>
Excess (deficiency) of revenues over (under) expenditures	(66,812)	(66,812)	52,896	119,708
Other revenues and financing sources (uses)				
Transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(66,812)	(66,812)	52,896	119,708
Fund balance - beginning of year	(54,805)	(54,805)	(54,805)	
Fund balance - end of year	<u>\$ (121,617)</u>	<u>\$ (121,617)</u>	<u>\$ (1,909)</u>	

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales and use tax	\$ 336,732	\$ 336,732	\$ 313,491	\$ (23,241)
Investment income	187	187	230	43
Total revenues	<u>336,919</u>	<u>336,919</u>	<u>313,720</u>	<u>(23,199)</u>
EXPENDITURES				
Current:				
Personnel costs	22,715	22,715	8,523	14,192
Administrative Costs	10,845	10,845	7,208	3,637
Contract Services	41,000	41,000	1,168	39,832
Supplies and materials	620	620	279	341
Repairs and maintenance	3,000	3,000	2,676	324
Contributions	226,389	226,389	226,389	-
Debt Service:				
Principal retirement	38,071	38,071	38,071	-
Interest	58,404	58,404	49,306	9,098
Capital Outlay	183,611	183,611	104,715	78,896
Total expenditures	<u>584,655</u>	<u>584,655</u>	<u>438,335</u>	<u>146,320</u>
Excess (deficiency) of revenues over (under) expenditures	(247,736)	(247,736)	(124,615)	123,121
Other Revenues and Financing Sources (uses)				
Transfers	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(247,736)	(247,736)	(124,615)	123,121
Fund Balance/Equity, beginning of year	626,490	626,490	626,490	
Fund Balance/Equity, end of year	<u>\$ 378,754</u>	<u>\$ 378,754</u>	<u>\$ 501,875</u>	

STATISTICAL SECTION (UNAUDITED)

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	66
Revenue Capacity	
These schedules contain information to help the reader assess the City's ability to generate its property and sales taxes.	73
Debt Capacity	
These schedules 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.	77
Economic and Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	82
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	84

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

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ (180,691)	\$ 78,809	\$ 629,151	\$ 582,670	\$ 3,603,140	\$ 2,472,934	\$ 5,151,105	\$ 6,626,161	\$ 6,640,339	\$ 7,305,692
Restricted	2,194,006	2,504,528	601,405	935,212	354,706	5,128,261	2,162,925	642,768	2,990,401	3,152,746
Unrestricted	(252,092)	(1,505,169)	162,639	344,025	731,737	70,229	666,375	2,317,036	483,094	1,357,720
Total governmental activities net position	1,761,223	1,078,168	1,393,195	1,861,907	4,689,583	7,671,424	7,980,405	9,585,965	10,113,834	11,816,158
Business-type activities										
Net investment in capital assets	311,908	2,530,802	2,268,482	3,060,969	1,924,566	3,828,257	3,572,269	3,460,166	4,876,332	5,104,136
Restricted	44,135	567,909	431,377	124,237	323,770	734,362	620,769	766,049	808,084	994,498
Unrestricted	3,663,659	1,199,545	2,074,815	2,279,014	2,983,938	968,438	1,115,827	1,192,221	1,839,812	2,197,241
Total business-type activities net position	4,019,702	4,298,256	4,774,674	5,464,220	5,232,274	5,531,057	5,308,865	5,418,436	7,524,208	8,295,875
Primary government										
Net investment in capital assets	131,217	2,609,611	2,897,633	3,643,639	5,527,706	6,301,191	8,723,374	10,086,327	11,516,671	12,409,828
Restricted	2,238,141	3,072,437	1,032,782	1,059,449	678,476	5,862,623	2,783,694	1,408,817	3,798,485	4,147,244
Unrestricted	3,411,567	(305,624)	2,237,454	2,623,039	3,715,675	1,038,667	1,782,202	3,509,257	2,322,906	3,554,961
Total primary government net position	\$ 5,780,925	\$ 5,376,424	\$ 6,167,869	\$ 7,326,127	\$ 9,921,857	\$ 13,202,481	\$ 13,289,270	\$ 15,004,401	\$ 17,638,042	\$ 20,112,033

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

Table 2

	FISCAL YEAR				
	2006	2007	2008	2009	2010
EXPENSES					
Government Activities					
General Government	\$ 635,509	\$ 699,201	\$ 650,757	\$ 444,068	\$ 525,180
Public Safety	1,207,121	1,202,927	1,203,205	1,308,389	1,233,166
Public Works	342,815	687,112	763,902	539,521	409,971
Public Services and Operations	295,156	267,581	282,444	254,443	246,159
Parks and Recreation	117,000	120,946	94,347	184,002	242,239
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Economic Development	27,201	-	-	-	-
Interest Expense	107,601	147,574	162,894	210,986	328,953
Total government activities expenses	<u>2,732,403</u>	<u>3,125,341</u>	<u>3,157,549</u>	<u>2,941,409</u>	<u>2,985,668</u>
Business-Type Activities					
Water and Sewer	1,771,179	2,107,528	2,308,804	2,670,635	3,220,575
Total Business-Type Activities	<u>1,771,179</u>	<u>2,107,528</u>	<u>2,308,804</u>	<u>2,670,635</u>	<u>3,220,575</u>
Total Primary Government Expenses	<u>4,503,582</u>	<u>5,232,869</u>	<u>5,466,353</u>	<u>5,612,044</u>	<u>6,206,243</u>
PROGRAM REVENUES					
Governmental Activities					
Charge for Services:					
General Government	54,472	2,657	97,644	2,240	-
Public Safety	463,018	419,736	271,835	309,225	249,280
Public Works	390,388	321,266	227,078	240,098	246,784
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Parks and Recreation	-	180	32,230	8,325	14,119
Operating Grants and Contributions	-	8,998	242,133	55,802	16,321
Capital Grants and Contributions	35,314	64,307	-	-	21,045
Total Governmental Activities Program Revenues	<u>943,192</u>	<u>817,144</u>	<u>870,920</u>	<u>615,690</u>	<u>547,549</u>
Business-Type Activities					
Charge for Services:					
Water and Sewer	2,470,716	2,292,262	2,598,224	2,540,971	3,191,055
Capital Grants and Contributions	-	-	23,332	300,121	-
Total Business-Type Activities Program Revenues	<u>2,470,716</u>	<u>2,292,262</u>	<u>2,621,556</u>	<u>2,841,092</u>	<u>3,191,055</u>
Total Primary Government Program Revenues	<u>3,413,908</u>	<u>3,109,406</u>	<u>3,492,476</u>	<u>3,456,782</u>	<u>3,738,604</u>
NET (EXPENSE) REVENUES					
Governmental Activities	(1,789,211)	(2,308,197)	(2,286,629)	(2,325,719)	(2,438,119)
Business-Type Activities	699,537	184,734	312,752	170,457	(29,520)
Total Primary Government Program Revenues	<u>(1,089,674)</u>	<u>(2,123,463)</u>	<u>(1,973,877)</u>	<u>(2,155,262)</u>	<u>(2,467,639)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Property	\$ 1,088,605	\$ 1,512,827	\$ 1,620,974	\$ 2,065,415	\$ 2,082,305
Sales	604,080	341,644	365,080	342,593	368,307
Franchise	122,484	127,119	152,796	190,349	211,703
Beverage	2,257	2,539	3,137	3,113	2,724
Investment Income	121,844	186,603	129,242	34,295	18,541
Donations	-	-	-	22,883	11,496
Miscellaneous	13,716	25,160	25,996	47,680	19,368
Insurance refunds	-	-	4,309	-	-
Intergovernmental	19,372	89,315	-	138,019	2,592,361
Transfers	23,096	25,142	24,476	(350,449)	(54,097)
Total Governmental Activities	<u>1,995,454</u>	<u>2,310,349</u>	<u>2,326,010</u>	<u>2,493,898</u>	<u>5,252,708</u>
Business-Type Activities:					
Investment Income	69,392	71,135	185,504	41,805	3,293
Miscellaneous	61,376	139	2,638	31,911	22,381
Donations/Contributions	-	-	-	-	-
Extraordinary Items	-	-	-	-	75,000
Transfers	(23,096)	(25,142)	(24,476)	350,449	54,097
Total Business-Type Activities	<u>107,672</u>	<u>46,132</u>	<u>163,666</u>	<u>424,165</u>	<u>154,771</u>
Total Primary Government Revenues	<u>2,103,126</u>	<u>2,356,481</u>	<u>2,489,676</u>	<u>2,918,063</u>	<u>5,407,479</u>
CHANGE IN NET POSITION					
Governmental Activities:	206,243	2,152	39,381	168,179	2,814,589
Business-Type Activities:	807,209	230,866	476,418	594,622	125,251
Total Primary Government Program Net Expenses	<u>\$ 1,013,452</u>	<u>\$ 233,018</u>	<u>\$ 515,799</u>	<u>\$ 762,801</u>	<u>\$ 2,939,840</u>

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

Table 2
 (continued)

	FISCAL YEAR				
	2011	2012	2013	2014	2015
EXPENSES					
Government Activities					
General Government	\$ 787,033	\$ 541,838	\$ 704,619	\$ 728,324	\$ 666,193
Public Safety	1,310,826	1,374,721	1,380,786	1,244,648	1,335,532
Public Works	562,550	442,915	603,570	1,113,223	1,232,485
Public Services and Operations	272,659	274,184	294,647	497,095	697,081
Parks and Recreation	197,735	294,768	307,933	245,950	595,210
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Economic Development	-	-	-	-	-
Interest Expense	322,897	289,026	262,039	215,011	311,418
Total government activities expenses	<u>3,453,700</u>	<u>3,217,452</u>	<u>3,553,594</u>	<u>4,044,251</u>	<u>4,837,919</u>
Business-Type Activities					
Water and Sewer	3,837,065	3,837,603	4,318,861	4,449,142	4,676,918
Total Business-Type Activities	<u>3,837,065</u>	<u>3,837,603</u>	<u>4,318,861</u>	<u>4,449,142</u>	<u>4,676,918</u>
Total Primary Government Expenses	<u>7,290,765</u>	<u>7,055,055</u>	<u>7,872,455</u>	<u>8,493,393</u>	<u>9,514,837</u>
PROGRAM REVENUES					
Governmental Activities					
Charge for Services:					
General Government	-	-	-	-	-
Public Safety	267,848	234,570	271,837	353,545	294,989
Public Works	224,209	259,738	291,606	724,455	763,325
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Parks , Recreation, and Public Services	9,421	15,489	17,972	83,217	45,086
Operating Grants and Contributions	39,182	213,574	1,015,344	148,283	20,258
Capital Grants and Contributions	3,400	200,014	849,804	266,308	2,112,676
Total Governmental Activities Program Revenues	<u>544,060</u>	<u>923,385</u>	<u>2,446,563</u>	<u>1,575,808</u>	<u>3,236,334</u>
Business-Type Activities					
Charge for Services:					
Water and Sewer	3,850,211	3,694,915	4,382,048	4,812,038	5,214,972
Capital Grants and Contributions	239,917	145,353	74,680	-	118,855
Total Business-Type Activities Program Revenues	<u>4,090,128</u>	<u>3,840,268</u>	<u>4,456,728</u>	<u>4,812,038</u>	<u>5,333,827</u>
Total Primary Government Program Revenues	<u>4,634,188</u>	<u>4,763,653</u>	<u>6,903,291</u>	<u>6,387,846</u>	<u>8,570,161</u>
NET (EXPENSE) REVENUES					
Governmental Activities	(2,909,640)	(2,294,067)	(1,107,031)	(2,468,443)	(1,601,585)
Business-Type Activities	253,063	2,665	137,867	362,896	656,909
Total Primary Government Program Revenues	<u>(2,656,577)</u>	<u>(2,291,402)</u>	<u>(969,164)</u>	<u>(2,105,547)</u>	<u>(944,676)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Property	\$ 2,060,352	\$ 2,072,551	\$ 2,131,994	\$ 2,228,700	\$ 2,483,190
Sales	387,708	447,973	501,970	572,515	626,981
Franchise	227,551	225,711	189,738	216,724	313,430
Beverage	-	2,368	3,190	1,861	-
Investment Income	9,552	15,913	11,114	6,702	3,938
Donations	306,348	7,135	8,800	17,010	14,448
Miscellaneous	30,382	38,630	38,226	37,350	45,372
Insurance refunds	-	-	-	-	-
Intergovernmental	2,896,341	-	-	-	-
Transfers	(26,753)	609	(32,841)	(84,550)	(132,418)
Total Governmental Activities	<u>5,891,481</u>	<u>2,810,890</u>	<u>2,852,191</u>	<u>2,996,312</u>	<u>3,354,941</u>
Business-Type Activities:					
Investment Income	757	256	332	4,167	6,005
Miscellaneous	18,210	1,491	1,931	3,856	3,148
Donations/Contributions	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
Transfers	26,753	(609)	32,841	84,550	132,418
Total Business-Type Activities	<u>45,720</u>	<u>1,138</u>	<u>35,104</u>	<u>92,573</u>	<u>141,571</u>
Total Primary Government Revenues	<u>5,937,201</u>	<u>2,812,028</u>	<u>2,887,295</u>	<u>3,088,885</u>	<u>3,496,512</u>
CHANGE IN NET POSITION					
Governmental Activities:	2,981,841	516,823	1,745,160	527,869	1,753,356
Business-Type Activities:	298,783	3,803	172,971	455,469	798,480
Total Primary Government Program Net Expenses	<u>\$ 3,280,624</u>	<u>\$ 520,626</u>	<u>\$ 1,918,131</u>	<u>\$ 983,338</u>	<u>\$ 2,551,836</u>

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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2006	\$ 1,088,605	\$ 604,080	\$ 112,484	\$ 2,257 *	\$ 1,807,426
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
2013	2,131,994	501,970	189,738	3,190	2,826,892
2014	2,228,700	572,515	216,724	1,861	3,019,800
2015	\$ 2,483,190	\$ 626,981	\$ 313,430	\$ 2,614	\$ 3,426,215

* First year of beverage tax

Table 4

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

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,751	\$ -	\$ -	\$ -
Nonspendable-prepaid										
Restricted for:										
Court and Child Safety	44,445	-	-	74,217	64,418	8,828	11,136	13,472	82,263	96,279
Park Improvements	-	-	-	-	-	-	-	-	69,761	48,019
PEG Capital	-	-	-	-	-	-	7,478	16,915	23,965	31,804
Committed for:										
Fire	-	-	-	-	-	18,731	89,034	101,675	99,824	62,352
Capital Improvements	1,641,735	1,853,864	1,612,820	5,431,819	3,468,661	-	-	-	-	-
Assigned for:										
Police	-	-	-	-	1,084	1,084	4,015	2,439	2,439	3,657
Scholarships	-	-	-	-	-	-	-	-	2,362	2,362
Unassigned	716,592	348,902	351,407	245,609	402,869	(273,162)	(144,933)	8,211	517,024	733,619
Total General Fund	2,402,772	2,212,766	1,964,227	5,751,645	3,937,032	(244,519)	(23,519)	142,712	797,638	978,092
All Other Government Funds *										
Restricted for:										
Debt Service	507,826	640,664	590,964	277,778	290,288	342,532	372,018	436,983	431,132	388,020
Capital Improvements	518,878	-	(152,474)	(203,476)	122,361	4,771,097	2,496,018	2,641,610	2,452,981	2,636,643
Committed for:										
Capital Improvements Parks	-	-	-	-	-	-	-	239,739	-	-
Total All Other Governmental Fund	\$ 1,026,704	\$ 640,664	\$ 438,490	\$ 74,302	\$ 412,649	\$ 5,113,629	\$ 2,868,036	\$ 3,318,332	\$ 2,884,113	\$ 3,024,663

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

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

Table 5

	FISCAL YEAR				
	2006	2007	2008	2009	2010
REVENUES					
Property Taxes	\$ 1,076,646	\$ 1,512,827	\$ 1,620,974	\$ 2,075,209	\$ 2,102,158
Non-Property Taxes	728,821	471,302	521,013	536,055	582,734
License and Permits	-	321,266	227,078	240,298	246,784
Development	603,408	-	-	-	-
Sanitation	252,500	-	-	-	-
Impact Fees	-	-	-	-	-
Fines/Court	304,006	375,862	241,470	267,448	210,408
Investment Income	121,844	186,604	129,242	34,296	18,542
Intergovernmental	-	89,316	87,927	139,520	2,592,361
Parks	435	180	-	-	-
Library	16,825	-	-	-	-
Public Safety	2,576	46,531	-	-	-
Grants	-	73,305	242,133	55,802	37,366
Charge for Services	-	-	72,312	50,641	52,991
Donations	-	-	-	22,883	11,496
Miscellaneous	49,030	25,160	25,996	47,679	19,367
Total Revenues	<u>3,156,091</u>	<u>3,102,353</u>	<u>3,168,145</u>	<u>3,469,831</u>	<u>5,874,207</u>
EXPENDITURES					
General Government	623,429	659,547	630,669	437,374	469,005
Public Safety	1,094,516	1,141,785	1,233,888	1,125,917	1,144,097
Public Works	296,310	615,888	692,185	555,308	342,198
Sanitation	204,812	-	-	-	-
Public Services and Operations	-	270,878	280,392	251,771	244,025
Development	293,217	-	-	-	-
Parks	82,504	84,303	22,879	141,724	190,555
Library	33,447	31,962	78,828	26,052	40,913
Community Development*	1,939	-	-	-	-
Economic Development*	27,201	-	-	-	-
Capital Outlay	25,795	-	392,433	1,002,291	4,386,064
Debt Service:					
Principal	153,647	183,000	204,000	1,581,501	386,840
Interest and Other Charges	96,270	147,574	151,353	160,197	355,766
Issuance Cost and Bond Refunding	-	-	-	-	-
Total Expenditures	<u>2,933,087</u>	<u>3,134,937</u>	<u>3,686,627</u>	<u>5,282,135</u>	<u>7,559,463</u>
OTHER FINANCING SOURCES (USES)					
Note/Bond Proceeds	1,635,000	-	-	5,431,819	250,000
Payments to Bond Refunding Escrow Agent	-	-	-	-	-
Insurance Refund	-	-	15,241	-	-
Bond Premiums	-	-	-	-	-
Sale of Assets	-	-	-	-	-
Capital Leases	-	-	28,052	-	-
Transfers	23,096	25,142	24,476	(350,449)	(54,097)
Total Other Financing Sources (Uses)	<u>1,658,096</u>	<u>25,142</u>	<u>67,769</u>	<u>5,081,370</u>	<u>195,903</u>
NET CHANGE IN FUND BALANCES	<u>1,881,100</u>	<u>(7,442)</u>	<u>(450,713)</u>	<u>3,269,066</u>	<u>(1,489,353)</u>
Debt Service as a percentage of Non-Capital Expenditures	<u>8.60%</u>	<u>10.54%</u>	<u>10.79%</u>	<u>40.70%</u>	<u>23.40%</u>

Note: With the adoption of GASB63 which issued a change in accounting principles, bond issuance costs have been expensed.

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

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

Table 5
 (continued)

	FISCAL YEAR				
	2011	2012	2013	2014	2015
REVENUES					
Property Taxes	\$ 2,052,550	\$ 2,108,665	\$ 2,148,647	\$ 2,229,646	\$ 2,496,373
Non-Property Taxes	618,801	676,052	694,898	791,100	943,025
License and Permits	222,194	259,738	291,606	724,455	763,325
Development	-	-	-	-	-
Sanitation	-	-	-	-	-
Impact Fees	-	-	-	-	-
Fines/Court	204,011	195,497	223,980	325,175	266,473
Investment Income	9,552	15,913	11,114	6,702	3,938
Intergovernmental	2,862,740	246,248	768,746	217,809	1,212,846
Parks	-	-	-	-	-
Library	-	-	-	-	-
Public Safety	-	-	-	-	-
Grants	40,484	159,988	85,994	11,525	20,258
Charge for Services	48,252	69,510	91,097	83,217	45,086
Donations	306,348	11,722	17,680	17,010	14,448
Miscellaneous	26,843	38,630	40,186	29,947	42,759
Total Revenues	6,391,775	3,781,963	4,373,948	4,436,586	5,808,532
EXPENDITURES					
General Government	744,937	490,861	609,017	725,630	571,945
Public Safety	1,304,248	1,174,580	1,151,292	1,293,428	1,445,434
Public Works	444,451	333,393	429,004	460,504	700,550
Sanitation	-	-	-	-	-
Public Services and Operations	268,658	269,557	291,680	276,377	476,654
Development	-	-	-	-	-
Parks	185,225	229,804	109,854	95,038	403,473
Library	-	210	133,852	95,733	103,605
Community Development*	-	-	-	-	-
Economic Development*	-	-	-	-	-
Capital Outlay	2,234,246	2,604,944	1,696,947	494,965	2,205,877
Debt Service:					
Principal	638,357	494,283	566,061	478,089	550,866
Interest and Other Charges	324,670	287,818	258,593	211,565	307,171
Issuance Costs	65,000	-	28,143	-	68,397
Total Expenditures	6,209,792	5,885,450	5,274,443	4,131,329	6,833,971
OTHER FINANCING SOURCES (USES)					
Note/Bond Proceeds	1,481,682	114,066	1,549,861	-	1,360,000
Payments to Bond Refunding Escrow Agent	(1,144,500)	-	-	-	-
Insurance Refund	-	-	-	-	-
Bond Premiums	-	-	-	-	89,052
Sale of Assets	27,021	-	-	-	-
Capital Leases	-	-	-	-	29,809
Transfers	(26,753)	609	(32,841)	(84,550)	(132,418)
Total Other Financing Sources (Uses)	337,450	114,675	1,517,020	(84,550)	1,346,443
NET CHANGE IN FUND BALANCES	519,433	(1,988,812)	616,525	220,707	321,004
Debt Service as a percentage of Non-Capital Expenditures	24.22%	23.84%	23.05%	18.97%	18.54%

Note: With the adoption of GASB63 which issued a change in accounting principles, bond issuance costs have been expensed.

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

Table 6

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

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 as a Percentage of Actual Value
	Residential Property	Commercial Property						
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%
2013	293,259,335	44,359,953	2,333,729	(62,018,127)	277,934,890	0.756320	339,953,017	81.76%
2014	313,596,419	49,171,779	2,510,382	(63,673,035)	301,605,545	0.738999	365,278,580	82.57%
2015	\$ 364,887,976	\$ 52,483,026	\$ 2,471,089	\$ (75,771,626)	\$ 344,070,465	\$ 0.721800	\$ 419,842,091	81.95%

Source: Collin County Appraisal District

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

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

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates*		
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
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	0.086300
2011	0.439990	0.288404	0.728394	1.490000	0.240000	0.863000
2012	0.439990	0.288404	0.728394	1.473600	0.240000	0.863000
2013	0.489487	0.267445	0.756932	1.480000	0.240000	0.862990
2014	0.511969	0.227030	0.738999	1.510000	0.237500	0.836430
2015	\$ 0.492830	\$ 0.228970	\$ 0.721800	\$ 1.620000	\$ 0.235000	0.081960

CITY OF PRINCETON, TEXAS
 PRINCIPAL TAXPAYERS
 SEPTEMBER 30, 2015
 (unaudited)

Table 8

Taxpayer	Assessed Taxable Value FY2015	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value FY2006	Rank	Percentage of Assessed Taxable Value
D.R. HORTON - TEXAS LTD	6,883,181	1	2.00%			
EDISON DEVELOPMENT CO.	4,872,692	2	1.42%			
CHARLEY'S CONCRETE CO.	4,250,974	3	1.24%			
311 PRINCETON DRIVE LLC	2,667,700	4	0.78%			
LGI HOMES - TEXAS LLC	2,025,463	5	0.59%			
FIRST BANK OF FARMERSVILLE	1,898,694	6	0.55%			
WAL-MART REAL ESTATE BUSINESS TRUST	1,781,056	7	0.52%			
CAROLINA REAL ESTATE HOLDINGS LLC	1,479,908	8	0.43%			
CREEKVIEW AT 380 LLC	1,447,896	9	0.42%			
PRINCETON VILLAGE LLC	1,378,892	10	0.40%			
	<u>\$ 28,686,456</u>		<u>8.34%</u>			
Total Assessed Valuation	<u>344,070,465</u>					
				\$ 2,583,251	1	1.91%
				2,262,544	2	1.68%
				2,170,063	3	1.61%
				2,124,403	4	1.57%
				2,001,048	5	1.48%
				1,887,402	6	1.40%
				1,844,085	7	1.37%
				1,836,967	8	1.36%
				1,615,443	9	1.20%
				<u>1,406,920</u>	10	<u>1.04%</u>
				<u>\$ 19,732,126</u>		<u>14.63%</u>
Total Assessed Valuation				<u>\$ 134,899,323</u>		

Source: Collin County Appraisal District

**CITY OF PRINCETON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
(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
2006	\$ 1,061,587	\$ 1,025,639	96.61%	\$ 26,406	1,052,045	99.10%
2007	1,321,213	1,272,627	96.32%	40,082	1,312,709	99.36%
2008	1,608,415	1,550,664	96.41%	52,732	1,603,396	99.69%
2009	1,997,108	1,955,460	97.91%	35,938	1,991,398	99.71%
2010	2,046,391	1,997,250	97.60%	41,580	2,038,830	99.63%
2011	2,041,553	1,999,672	97.95%	35,819	2,035,491	99.70%
2012	2,048,174	2,024,856	98.86%	17,616	2,042,472	99.72%
2013	2,101,230	2,093,767	99.64%	784	2,094,551	99.68%
2014	2,210,407	2,198,054	99.44%	2,356	2,200,410	99.55%
2015	\$ 2,449,973	\$ 2,440,330	99.61%	\$ -	\$ 2,440,330	99.61%

Source: Collin County Appraisal District

Table 10

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (1)	
	General Obligation Bonds	Certificates of Obligations	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligations				Other Obligations
2006	\$ 351,000	\$ 1,235,000	\$ 34,524	\$ 1,635,000	\$ -	\$ 1,865,000	\$ -	\$ 41,000	N/A	\$ 894
2007	130,000	1,215,000	128,000	1,565,000	-	1,790,000	-	21,000	3.86%	673
2008	99,000	1,190,000	65,000	1,480,000	1,250,000	8,805,000	-	-	9.82%	2,242
2009	1,270,500	4,315,000	19,236	1,325,000	1,754,500	8,120,000	-	-	13.44%	2,675
2010	1,218,000	4,565,000	9,896	1,025,000	1,687,000	7,985,000	-	-	12.95%	2,577
2011	1,439,500	4,315,000	31,521	695,000	1,610,500	7,845,000	17,756	-	11.78%	2,344
2012	1,325,600	4,315,000	105,204	355,000	1,521,400	7,700,000	11,482	-	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,285,000	1,455,971	7,665,640	3,516	-	9.64%	2,178
2014	1,206,200	4,149,963	204,915	1,110,000	1,361,644	11,845,825	-	-	10.59%	2,290
2015	\$ 1,058,200	\$ 5,421,659	\$ 150,456	\$ 935,000	\$ 1,286,800	\$ 11,441,325	\$ 105,990	\$ -	10.65%	2,180

Note: 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.

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

Table 11

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Property Value (1)</u>	<u>Gross Bonded Debt (2)</u>	<u>Less Debt Service Funds (3)</u>	<u>Net Bonded Debt</u>	<u>% Net Bonded Debt to Assessed Property Value</u>	<u>Net Bonded Debt Per Capita</u>
2006	5,773	\$ 156,940,450	\$ 5,127,000	\$ 473,638	\$ 4,653,362	2.96%	\$ 806
2007	5,843	203,357,418	4,721,000	640,664	4,080,336	2.01%	698
2008	5,750	270,611,874	12,824,000	590,964	12,233,036	4.52%	2,127
2009	6,282	281,366,199	16,785,000	277,778	16,507,222	5.87%	2,628
2010	6,400	281,174,941	16,479,000	328,806	16,150,194	5.74%	2,523
2011	6,807	280,866,773	15,905,000	342,532	15,562,468	5.54%	2,286
2012	7,440	281,488,698	15,217,000	372,018	14,844,982	5.27%	1,995
2013	7,469	277,934,890	15,982,528	429,895	15,552,633	5.60%	2,082
2014	8,769	280,137,578	19,673,632	431,132	19,242,500	7.02%	2,217
2015	9,356	\$ 319,513,047	\$ 20,142,982	\$ 386,489	\$ 19,756,493	6.30%	\$ 2,112

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

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF PRINCETON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(unaudited)**

Table 12

<u>Governmental Subdivision</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to Area</u>	<u>City Share of Overlapping Debt</u>
Collin County	\$ 402,795,000	0.46%	\$ 1,852,857
Collin County CCD	31,600,000	0.46%	145,360
McKinney Independent School District	485,660,000	0.10%	485,660
Princeton Independent School District	102,277,732	56.05%	57,326,669
	<u>\$ 1,022,332,732</u>		<u>\$ 59,810,546</u>
City of Princeton			<u>\$ 7,428,200</u>
			<u>\$ 67,238,746</u>
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			<u>16.02%</u>
Per capita overlapping bonded debt			<u>\$ 7,187</u>

Source: "Texas Municipal Report" as of September 30, 2015, 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)

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tax Limit Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.6750	0.6497	0.728394	0.728394	0.728394	0.728394	0.728394	0.756932	0.738999	0.721800
Available Tax Rate	<u>\$ 1.8250</u>	<u>\$ 1.8503</u>	<u>\$ 1.7716</u>	<u>\$ 1.7431</u>	<u>\$ 1.7610</u>	<u>\$ 1.7782</u>				

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 344,070,465
Add back exempt real property	75,771,626
Total assessed value	<u>\$ 419,842,091</u>
Debt limit (10% of total assessed value)	\$ 41,984,209
Debt applicable to limit:	\$ 7,428,200
Property tax supported debt	
Less: Amount set aside for repayment of general debt	(386,489)
Total net debt applicable to limit	<u>\$ 7,041,711</u>
Legal debt margin	<u>1.68%</u>

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

Table 14

Fiscal Year	Water and Sewer Revenue Bonds					
	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Annual Requirements		Times Coverage
				Principal	Interest	
2006	\$ 2,218,216	\$ 1,566,367	\$ 651,849	\$ 115,000	\$ 95,162	3.1
2007	2,292,262	1,911,852	380,410	113,000	86,719	1.90
2008	2,600,862	2,127,043	473,819	101,000	98,719	2.37
2009	2,546,595	2,534,718	11,877	220,000	479,206	0.02
2010	3,198,875	2,567,725	631,150	352,500	345,119	0.90
2011	3,868,421	3,324,228	544,193	216,500	463,160	0.80
2012	3,841,759	3,094,483	747,276	239,100	436,766	1.11
2013	4,383,979	3,449,737	934,242	251,800	429,508	1.37
2014	4,815,894	3,223,135	1,592,759	477,000	643,890	1.42
2015	5,218,120	3,418,349	1,799,771	493,300	625,509	1.61

Note: (1) Total Revenues does not include non-operating revenues
 (2) Operating Expenses only - does not include transfers or depreciation

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

Table 15

<u>Fiscal Year</u>	<u>Estimated Population</u> ¹	<u>Personal Income</u>	<u>Per Capita Income</u> ²	<u>Average Age</u> ³	<u>Grade School Enrollment</u> ⁴	<u>Unemployment Rate</u> ⁵
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%
2013	7,469	168,844,214	22,606	31	1,853	8.30%
2014	8,679	\$ 187,761,486	\$ 21,634	34	1,954	5.70%
2015	9,356	\$ 191,461,184	\$ 20,464	36	4,585	4.20%

Sources:

- 1 Kimley Horn Engineers
 - 2 United States Census Bureau
 - 3 Collin County
 - 4 Princeton I.S.D.
 - 5 Texas Workforce Commission - (data for Collin County)
- N/A - per NCTCOG, data not available for some small population cities
 * - Estimated by NCTCOG

CITY OF PRINCETON, TEXAS
 PRINCIPAL EMPLOYERS
 SEPTEMBER 30, 2015
 (unaudited)

Table 16

Name of Employer	2015	
	No. of Employees	Rank
Princeton Independent School District	480	1
City of Princeton	83	3
Villa Asuncion Independent	60	2
McDonalds	50	4
Jack in the Box	27	5
Taco Bell	21	6
Citizens State Bank	10	7
Dollar General	10	8
CVS	10	9
Golden Chick	10	10
Totals	761	

Note: Total employment within City is not available.

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

Table 17

Function / Program	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	5	6	6	5	5	5	5	5	5	5
Police	12	12	12	12	12	12	11	12	12	13
Fire	0	0	0	0	0	0	0	1	1	1
Municipal Court	3	3	3	2	2	2	2	3	3	2
Code Enforcement	1	1	1	2	1	2	2	1	1	1
Library	0	0	0	1	1	1	1	1	1	1
Community Relations	0	0	0	0	0	0	0	0	0	1
Development Services	2	2	1	1	1	2	2	1	3	3
Municipal Services	3	3	3*	8*	8	3	3	0	0	0
Streets	1	1	0*	0*	1	2	2	2	2	2
Parks and Recreation	1	1	0*	0*	1	2	2	2	2	5
Utility Administration	3	4	4	4	4	3	3	3	3	3
Water, Wastewater	3	3	3	12	10	2	3	5	6	6
	34	36	30	39	46	36	36	36	39	43

Source: City of Princeton Finance Director

* - Beginning in fiscal year 2008, Parks, Streets, and Municipal Services were combined.

Table 18

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

Function/Program	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical Arrests	261	304	768	245	293	267	291	296	352	236
Parking Violations	n/a	n/a	n/a	1	2	4	-	-	-	-
Traffic Violations	1,818	2,777	3,015	2,911	2,142	2,210	2,775	2,750	2,706	1992
Fire										
Number of calls answered	799	858	553	1,032	973	1,215	1,254	1,355	1,536	1555
Inspections	44	57	43	32	60	35	42	33	155	168
Highways and Streets										
Potholes repaired	1	14	1	354	2,500	600	540	712	690	700
Water										
New Connections	572	389	301	95	114	316	282	593	568	301
Water Main Breaks	1	7	1	4	24	50	100	175	188	193
Avg Daily Consumption (gallons)	246	223	260	219	6,155	373	1,163	1,153	1,054	1149

Source: City departments, North Texas Municipal Water District

Table 19

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	7	8	8	8	9	10	12	12	11	12
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	23	23	23	23	23	23	23	24	26	28
Streetlights	175	175	175	175	175	175	175	202	232	246
Culture and Recreation										
Parks (acreage)	104	104	104	104	125	125	125	126	126	126
Parks	2	2	2	2	3	3	3	4	4	4
Water										
Water Mains (miles)	23	23	24	24	27	27	27	27.5	27.5	30
Fire Hydrants	354	354	354	354	360	275	275	280	290	303
Maximum Daily Capacity (thousands gallons)	2,430	3,024	3,024	3,024	1M	1.37M	1.5M	1.9M	1.9M	1.9M
Sewer										
Sanitary Sewer (miles)	20	20	20	20	50	50	50	50.5	50.5	53

Sources:
City departments, North Texas Municipal Water District