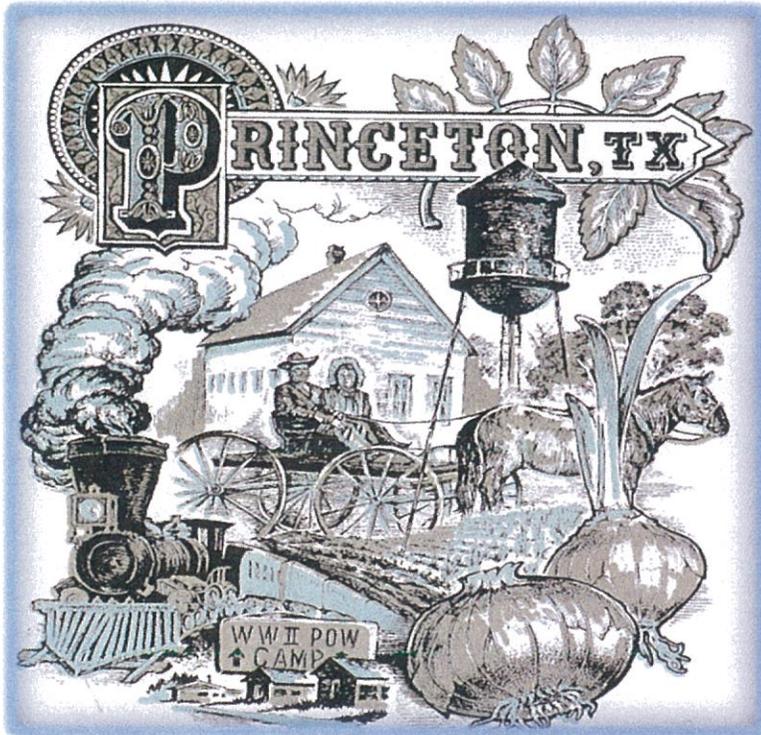




PRINCETON
Naturally Home

City of Princeton, Texas

Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2014



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, 2014

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, 2014**

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INTRODUCTORY SECTION

March 23, 2015

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, 2014, 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, 2014. The independent auditor's report is located in the beginning of the financial section of the CAFR.

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

GENERAL INFORMATION – CITY OF PRINCETON

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

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

Princeton is approximately 30 miles northeast of Dallas and 38 miles from DFW International Airport. The recently renamed McKinney National Airport is 6 miles southwest of Princeton and is the home of the largest and most active corporate flight department in the Dallas area.

The City is continuing to grow as the economy recovers over the past year, and several residential developments have started construction on new lots. There are several commercial projects including Big Box Retail, Aerospace and some low impact manufacturing facilities that are being reviewed for construction in the near future.

The population of 9,736 for 2014 and 10,413 projected in 2015 shows a steady growth according to North Central Texas Council of Governments.

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 of Texas, moving north and reaching Princeton and other small cities over the past decade.

Economic Indicators and Tax Base

- The Walmart Corporation is building one of their new Super Centers here in Princeton and will be constructing the new store this year. The plans are currently in review and are scheduled to start construction in the next 90 days. This should bring the City a substantial increase in the sales tax revenue the City receives.
- Domino's Pizza has started construction of one of their new style of restaurants and are scheduled to open in a few months.
- Express Wok and China Wok are opening a restaurant this year.
- Charlie's Concrete, a large concrete supplier in North Texas annexed one of their main plants into the City last year. This plant will generate additional sales tax revenue for the City.
- The Princeton Independent School District approved a 49.5 million bond election in 2014 to provide for the growth and expansion, and currently constructing a new elementary school that will serve the North West portion of the city. The ISD is developing plans for the next junior high school in the same area that is scheduled to be under construction in 2016. The ISD is also expanding the existing high school, tech centers and career centers to accommodate the growth.
- There is currently over 800 single family home sites being constructed within the city. Several other developments are under review and are expected to be approved for construction early this year. This includes a 300 unit luxury gated multifamily complex. These developments will bring additional property tax revenue to the city while driving the opportunity for local and corporate businesses to locate in Princeton.
- The City secured funding for street reconstruction and has reconstructed over a mile of old streets in the older part of the City. Currently the City is under construction on about ¼ of a mile of street projects, also in the older part of the City. In addition the City installed new thoroughfare lighting on Monte Carlo Blvd. and recently installed a new traffic light at the intersection at Monte Carlo and Hwy. 380.

- The City issued 276 single family home building permits last year, and the expectation is for the trend to continue with at least an equal amount being issued this coming year.
- The Economic Development Corporation has started design and engineering on a Business park of 108 acres just south of the City and intends on constructing the infrastructure as soon as the design is complete. The EDC is also partnering with the City in order to design and construct a new thoroughfare, "Beauchamp Blvd." that runs from Hwy. 380 south to County Road 400. This incorporates a new traffic signal on Hwy. 380 at the intersection on which the new Walmart Super Center will be constructed. This boulevard will also run north to Monte Carlo and incorporate a new access to the west end of the Community Park.
- In the light of the upcoming development, "Trails at Riverstone", a development west of the Community Park, the Community Development Corporation has started the planning for new features and amenities at the west portion of the Community Park. This new development will incorporate a trail project that will bring residents from several subdivisions to a trail head at the park.
- Over the past two years the sales tax revenue has increased approximately 28% since FY2013. The projected sales tax revenue for the City is currently budgeted at \$673,463.
- Although the tax rate was reduced in FY 2014, the current budget will raise the tax revenues of the City by, \$227,597 or 10.95%, of that amount \$88,280 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

OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of LaFollett & 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, 2014 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

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

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

Respectfully submitted,



Derek Borg
City Manager



Government Finance Officers Association

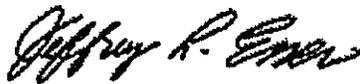
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Princeton
Texas**

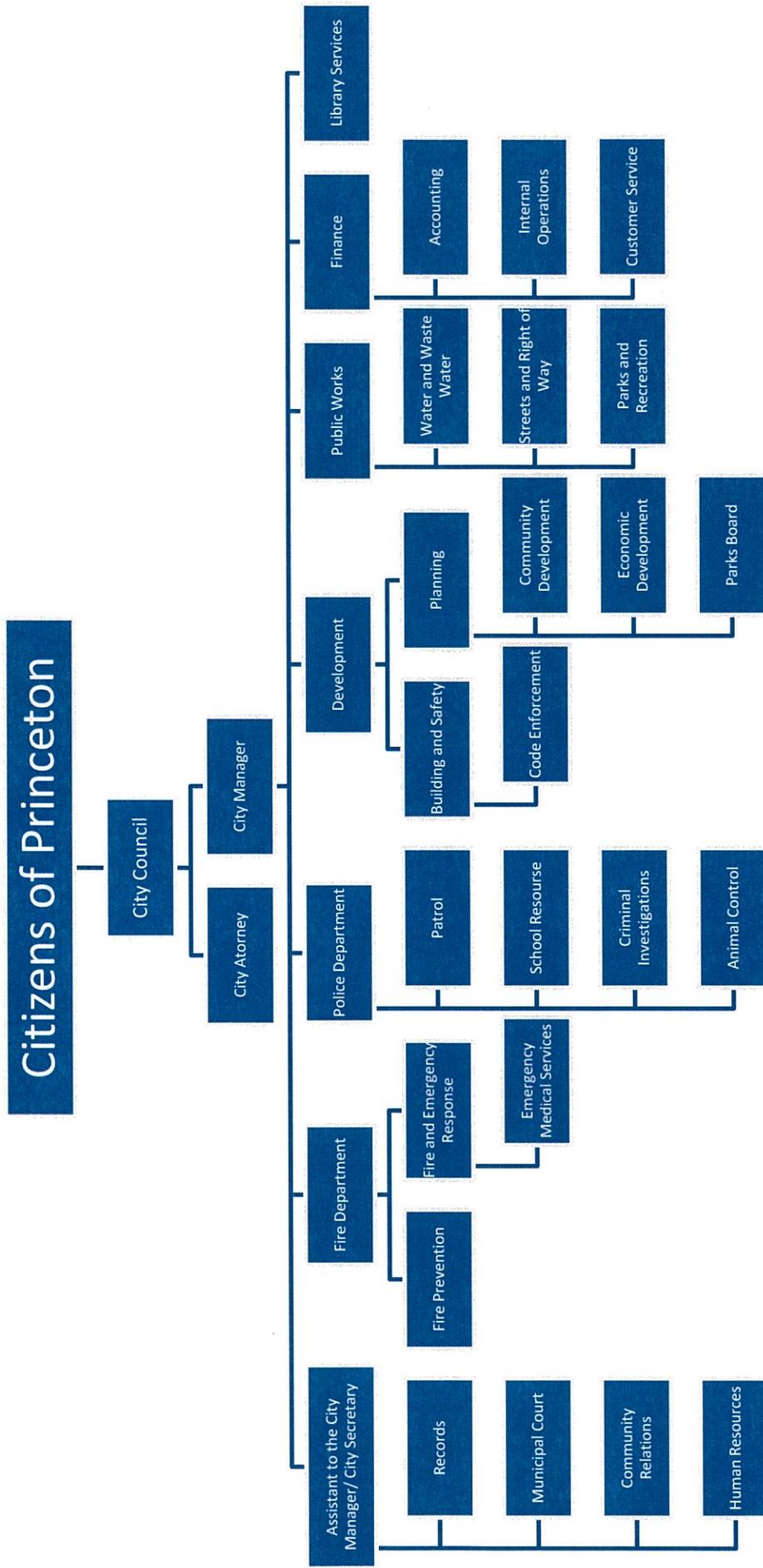
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013



Executive Director/CEO

2014
City of Princeton Organizational Chart



CITY OF PRINCETON COUNCIL MEMBERS

Mayor

The Honorable Ken Bowers

City Council Members

Steve Deffibaugh - Mayor Pro-Tem

Rick Wheeler

Bill Glass

John Mark Caldwell

Bruce Beauchamp

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, 2014, 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.

CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$17,638,042 (net position). Of this amount, \$2,322,906, (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 \$3,798,405 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 \$983,338. This is lower than the prior year increase of \$1,918,131, largely due to decreased operating grants and contributions combined with increased operating expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,681,751, and increase of \$220,707 in comparison with the prior year. The increase in combined ending fund balances is attributable to the decrease in outlay for capital projects.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$517,024. This \$508,813 increase in unassigned fund balance was largely due to the decrease in capital outlays, with revenues remaining relatively constant.
- The City's total bonded debt decreased by \$(928,785), or -4.5%, 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, and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant and contributions finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the utility services offered by the City. 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 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 – 50 of this report.

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

City of Princeton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,687,277	\$ 4,471,323	\$ 4,382,737	\$ 4,923,267	\$ 9,070,014	\$ 9,394,590
Capital assets	12,508,742	12,646,035	17,196,877	16,426,605	29,705,619	29,072,640
Total assets	17,196,019	17,117,358	21,579,614	21,349,872	38,775,633	38,467,230
Long-term liabilities outstanding	6,408,783	7,342,395	12,744,847	13,678,895	19,153,630	21,021,290
Other Liabilities	673,402	188,998	1,310,559	602,238	1,983,961	791,236
Total liabilities	7,082,185	7,531,393	14,055,406	14,281,133	21,137,591	21,812,526
Net position:						
Net investment in capital assets	6,640,399	6,626,161	4,876,332	2,896,835	11,516,731	9,522,996
Restricted	2,990,341	642,768	808,064	2,807,227	3,798,405	3,449,995
Unrestricted	483,094	2,317,036	1,839,812	1,364,677	2,322,906	3,681,713
Total net position	\$ 10,113,834	\$ 9,585,965	\$ 7,524,208	\$ 7,068,739	\$ 17,638,042	\$ 16,654,704

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by \$17,638,042 as of September 30, 2014.

Net Investment in capital assets:

The City's net position increased by \$983,338 for the fiscal year ended September 30, 2014. However a large portion, 65%, 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 21.5% of total net position that is subject to external restriction on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) \$431,132 for debt requirements, (b) \$914,292 for state imposed restrictions, and (c) \$2,452,981 for capital projects.

Unrestricted net position

Unrestricted net position in the amount of \$2,322,906 or 13.2% of total net position is available to fund City programs to citizens and creditors.

City of Princeton's Changes in Net Position

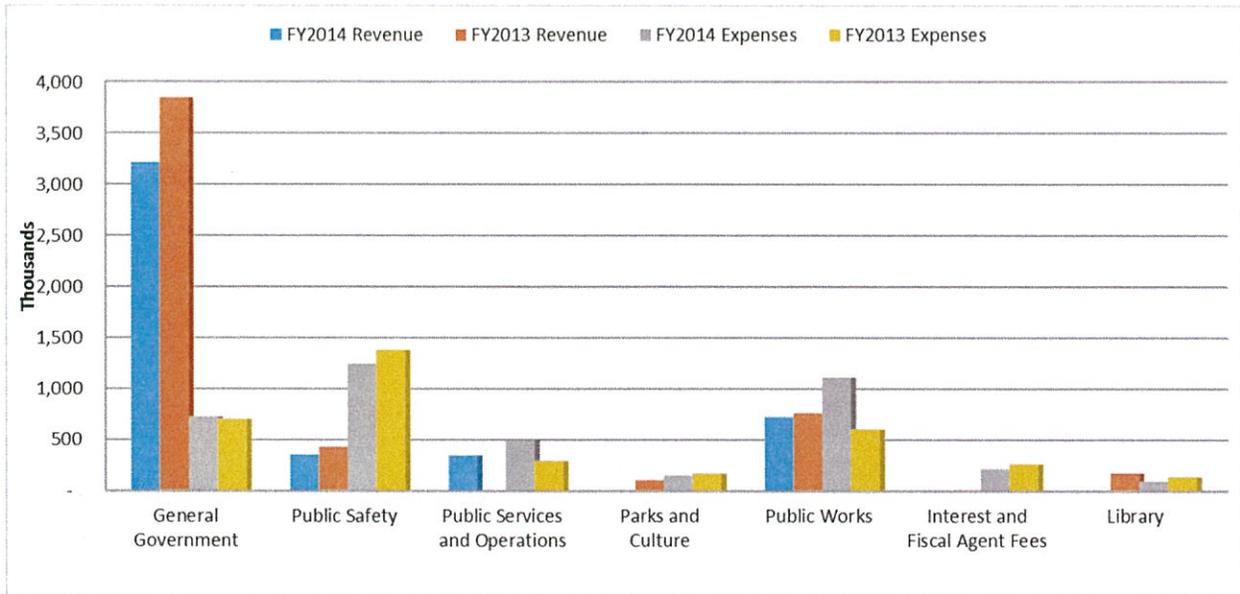
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUE:						
Program Revenues:						
Charge for Services	\$ 1,161,217	\$ 581,415	\$ 4,812,038	\$ 4,382,048	\$ 5,973,255	\$ 4,963,463
Operating Grants and Contributions	148,283	1,015,344	-	-	148,283	1,015,344
Capital Grants and Contributions	266,308	849,804	-	74,680	266,308	924,484
General Revenues:						
Property taxes	2,228,700	2,131,994	-	-	2,228,700	2,131,994
Franchise tax	216,724	189,738	-	-	216,724	189,738
Sales and use tax	572,515	501,970	-	-	572,515	501,970
Investment income	6,702	11,114	4,167	332	10,869	11,446
Donations-not restricted for specific purposes	17,010	8,800	-	-	17,010	8,800
Miscellaneous	39,211	41,416	3,856	1,931	43,067	43,347
Total Revenues	4,656,670	5,331,595	4,820,061	4,458,991	9,476,731	9,790,586
EXPENSES:						
Program Expenses:						
General Government	728,324	704,619	-	-	728,324	704,619
Public Safety	1,244,648	1,380,786	-	-	1,244,648	1,380,786
Public Works	1,113,223	603,570	-	-	1,113,223	603,570
Public Services and Operations	497,095	294,647	-	-	497,095	294,647
Parks and Recreation	150,911	169,302	-	-	150,911	169,302
Library	95,039	138,631	-	-	95,039	138,631
Interest and Fiscal Agent Fees	215,011	262,039	-	-	215,011	262,039
Water and Sewer	-	-	4,449,142	4,318,861	4,449,142	4,318,861
Total Expenses	4,044,251	3,553,594	4,449,142	4,318,861	8,493,393	7,872,455
 Increase in Net Position before transfers	 612,419	 1,778,001	 370,919	 140,130	 983,338	 1,918,131
Transfers	(84,550)	(32,841)	84,550	32,841	-	-
 Increase in Net Position	 527,869	 1,745,160	 455,469	 172,971	 983,338	 1,918,131
Net Position, beginning	9,585,965	7,980,405	5,418,436	5,308,865	15,004,401	13,289,270
Prior Period Adjustments	-	(139,600)	1,650,303	(63,400)	1,650,303	(203,000)
Net Position, ending	\$ 10,113,834	\$ 9,585,965	\$ 7,524,208	\$ 5,418,436	\$ 17,638,042	\$ 15,004,401

The governmental activities consistently show an increase in net position, with the current year increasing by \$527,869. The Governmental revenues decreased from the prior year by \$(674,925), or 12.7%, due to a decrease in both operating and capital grants and contributions. The Governmental expenses increased from the prior year by \$490,657 mostly due to increase expenditures in the public works department.

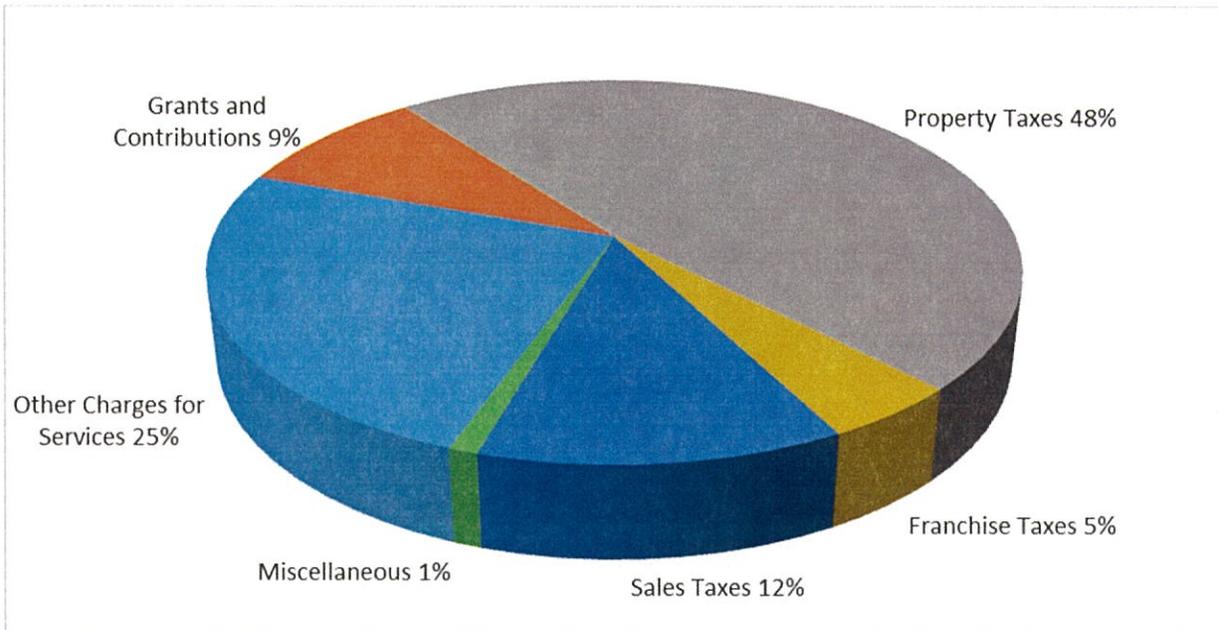
The Business-type activities had an increase of \$455,469 in net position at fiscal year-end. The charge for services revenues increased \$361,070, or 8.1%, and the business-type expenditures increased \$130,281 or 3%. The City had a slight increase in the number of customers that relates directly to the increase in utility charge for services revenues.

Governmental-type activities - Governmental-type activities increased the City's net position by \$527,869. One key element of this increase is as follows: Charges for services increased \$579,802 or 99%.

Expenses and Program Revenues – Governmental Activities

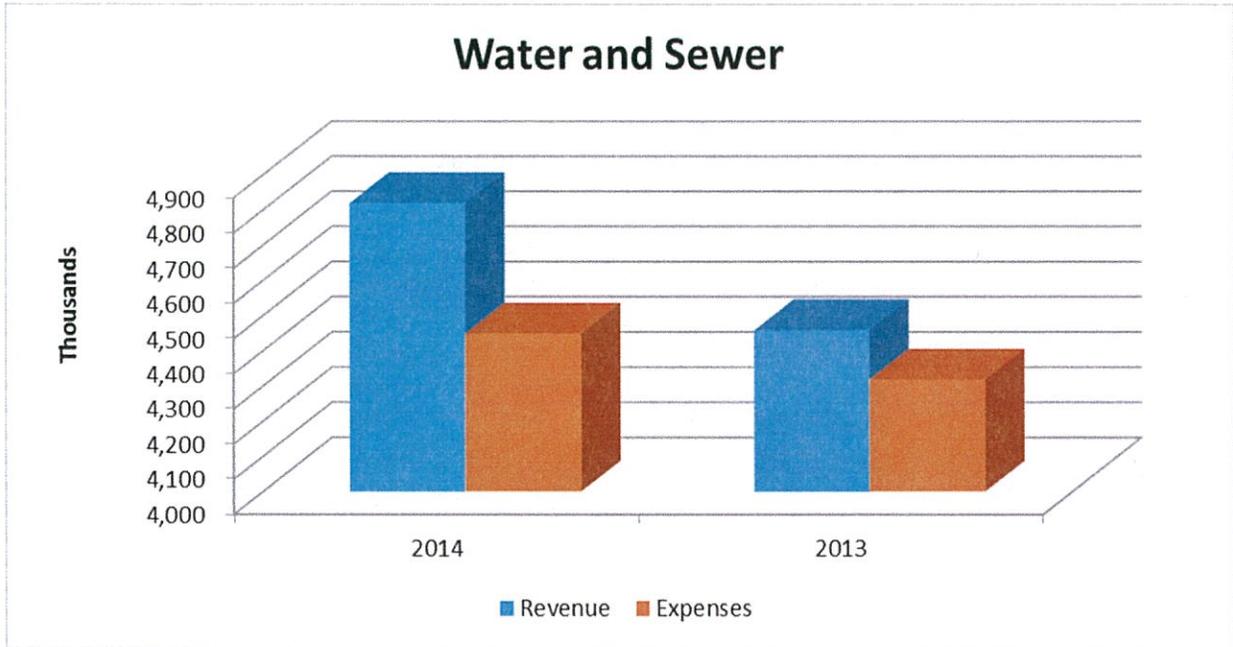


Revenue by Source – Governmental Activities

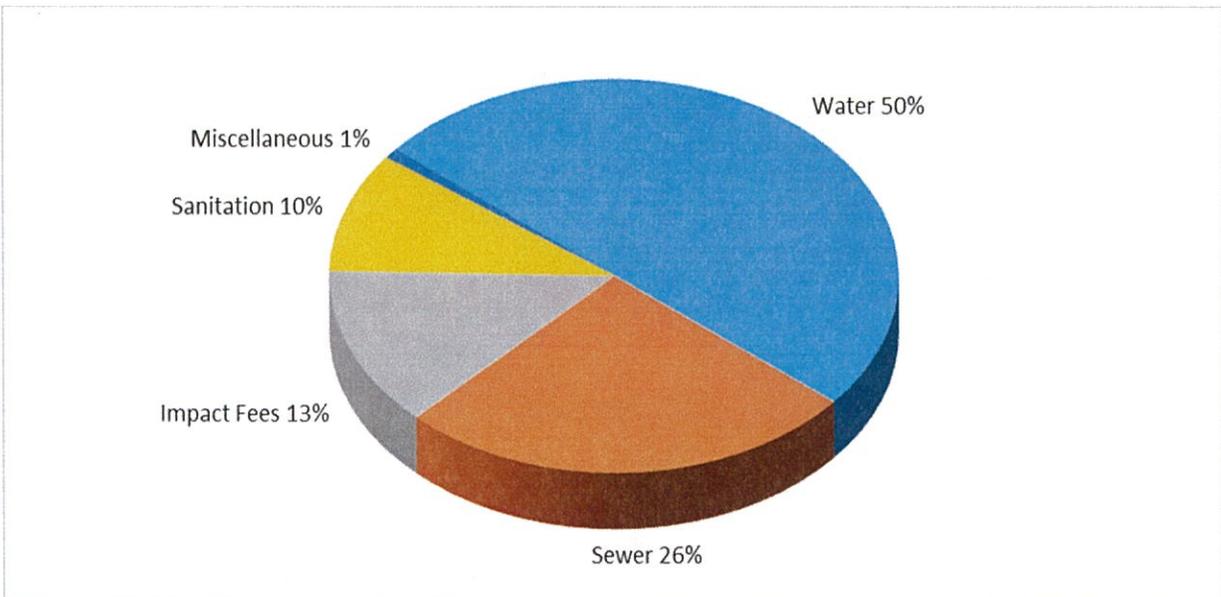


Business-type Activities - Business-type activities increased the City of Princeton's net position by \$455,469, excluding prior period adjustments. One key element of this increase is as follows: Charge for services increased \$429,990, or 9%.

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, 2014, the governmental funds of the City reported a combined fund balance of \$3,681,751, a 6.4% increase over last year. This increase is largely due to favorable operating results for the General Fund.

The components of total fund balance are as follows:

Restricted fund balance of \$2,452,981 is for capital projects that has been restricted by a third party. Restricted fund balances of \$106,228, are amounts restricted by external laws for other third party restrictions.

Committed fund balance of \$99,824, 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 \$69,761 has been set aside by the City Council for park projects.

Assigned fund balances of \$2,439 and \$2,362, are the amounts set aside for use by a special revenue fund of the police department and scholarships, respectively.

The General Fund had an ending fund balance of \$797,638, a 459% increase over last year. This increase is largely due to the increase in licenses and permits revenue.

At the end of the current fiscal year, the Debt Service Fund had a total restricted fund balance of \$431,132 for the payment of debt, a decrease of (\$5,851), or -1.3%.

At the end of the current fiscal year, the Capital Projects Fund had a total restricted fund balance of \$2,452,981. This is a decrease of (\$428,368), or -14.87%. The decrease was due to significant capital outlay expenditures offset by only moderate revenues.

General Fund Budgetary Highlights: During the fiscal year, the City revised the 2014 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.

The largest portion of amendments to the budget were made to adjust estimates that were used to prepare the budget. Revenues were more than the budgeted amounts mainly in the area of permits and public safety collections. Expenditures were slightly less than the budgeted amounts.

Proprietary Funds – The City of Princeton's proprietary fund financial statements provide overall the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the Fiscal year amounted to \$1,839,812, a 54.3% 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, 2014, totals \$29,705,619 (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 2%.

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

- On-going street infrastructure projects continued such as the turn lanes for 2nd street
- Improvements to Willow Lane
- Water/sewer infrastructure improvements along College & 3rd Streets

**City of Princeton
Capital Assets
As of September 30, 2014
(2013 as restated, net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 431,784	\$ 416,784	\$ 180,353	\$ 180,353	\$ 612,137	\$ 597,137
Buildings and improvements	923,440	1,094,426	153,029	158,615	1,076,469	1,253,041
Infrastructure	8,283,166	8,493,948	15,349,119	15,675,985	23,632,285	24,169,933
Machinery & equipment	516,815	721,821	120,888	142,873	637,703	864,694
Park Improvements	1,092,794	849,115	-	-	1,092,794	849,115
Construction in progress	1,260,744	1,069,942	1,393,487	268,780	2,654,231	1,338,722
Total	\$ 12,508,743	\$ 12,646,036	\$ 17,196,876	\$ 16,426,606	\$ 29,705,619	\$ 29,072,642

A variety of street improvements projects were in progress during the year along with the completion of the Monte Carlo Project 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, 2014, the City had total long-term debt outstanding of \$19,882,063. The total debt decreased by \$928,788 from the previous year. This represents a decrease of 4% due to no new long-term debt being issued in fiscal year 2014.

**City of Princeton
Outstanding Debt
As of September 30, 2014
(2013 as restated)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds and Certificates of Obligation	\$ 5,356,163	\$ 5,575,917	\$ 8,867,469	\$ 9,121,611	\$ 14,223,632	\$ 14,697,528
Tax Note	1,110,000	1,285,000	-	-	1,110,000	1,285,000
GTUA bonds payable	-	-	4,340,000	4,540,000	4,340,000	4,540,000
Capital Leases	204,915	284,804	3,516	3,516	208,431	288,320
Total	\$ 6,671,078	\$ 7,145,721	\$ 13,210,985	\$ 13,665,127	\$ 19,882,063	\$ 20,810,848

Economic Factors and Next Year's Budgets and Rates

The FY 2014-15 budgets incorporates the effective property tax rate of \$0.721800 per \$100 valuation as compared to the 2014 property tax rate of 0.738999. The budget will raise more total property taxes by \$227,597 or 10.95%. Of that amount, \$88,280 is from new property added to the tax roll this year.

The FY 2014-15 revenue budget has a 5% increase budgeted over the FY 2013-14 amended budget. The City is projecting the development growth and sales tax revenue increase slightly in FY 2014-15.

The FY 2014-15 expenditures budget is a 23% increase over the FY 2013-14 budget. The City has also created a Storm Sewer Division in the FY 2014-15 budget. The City added another School Resource Officer for the school, and additional personnel in the park and recreation department were also added. Additionally, a 3% increase was budgeted for existing staff in FY 2014-15.

The proprietary fund (water & sanitary sewer) operating revenues are budgeted in FY2014-15 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 6% increase over FY2013-14, with the added cost in supplies and services due to customer growth. One additional water maintenance worker position was added and a 3% salary increase for existing staff. 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.

BASIC FINANCIAL STATEMENTS

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	CDC	EDC
Assets					
Cash and Cash equivalents	\$ 592,522	\$ 1,763,315	\$ 2,355,837	\$ -	\$ 580,386
Receivables (Net of allowance for uncollectibles)	274,558	376,795	651,353	48,114	48,114
Unbilled Revenue	-	166,578	166,578	-	-
Due from component unit	101,147	-	101,147	-	-
Restricted assets:					
Cash and Cash equivalents	3,017,584	1,189,125	4,206,709	-	-
Deposits held in trust - GTUA	-	886,924	886,924	-	-
Note receivable-component unit	701,466	-	701,466	-	-
Capital assets not being depreciated:					
Land	431,784	180,353	612,137	-	1,242,000
Construction in process	1,260,744	1,393,487	2,654,231	-	37,901
Capital assets net of accumulated depreciation:					
Infrastructure	8,283,166	15,349,121	23,632,287	-	-
Parks & Recreation	1,092,794	-	1,092,794	-	-
Buildings and improvements	923,439	153,029	1,076,468	-	-
Machinery and Equipment	516,815	120,887	637,702	-	-
Total Assets	17,196,019	21,579,614	38,775,633	48,114	1,908,401
Liabilities					
Accounts payable	89,943	239,338	329,281	927	1,179
Retainage payable	-	48,939	48,939	-	-
Due to primary government	-	-	-	101,147	-
Accrued liabilities	66,955	28,289	95,244	845	831
Other liabilities	45,893	18,172	64,065	-	-
Customer deposits	-	381,061	381,061	-	-
Accrued interest payable	32,992	73,736	106,728	-	-
Noncurrent liabilities:					
Due within one year:					
Compensated Absences	35,065	11,680	46,745	-	-
Lease payable	78,405	-	78,405	-	-
Note payable to primary government	-	-	-	86,721	-
GTUA certificates of obligation	-	205,000	205,000	-	-
Tax note payable	175,000	-	175,000	-	38,071
Bonds payable	227,554	274,344	501,898	-	-
Due in more than one year:					
Compensated absences	140,259	46,722	186,981	4,665	4,665
Lease payable	126,510	-	126,510	-	-
Note payable to primary government	-	-	-	614,745	-
GTUA certificates of obligation	-	4,135,000	4,135,000	-	-
Tax note payable	935,000	-	935,000	-	954,365
Bonds payable	5,128,609	8,593,125	13,721,734	-	-
Total Liabilities	7,082,185	14,055,406	21,137,591	809,050	999,111
Net Position					
Net investment in capital assets	6,640,399	4,876,332	11,516,731	-	291,088
Restricted for:					
Debt Service	431,132	-	431,132	-	-
Use of impact fees	-	808,064	808,064	-	-
Court	82,263	-	82,263	-	-
PEG Capital	23,965	-	23,965	-	-
Capital projects	2,452,981	-	2,452,981	-	-
Unrestricted	483,094	1,839,812	2,322,906	(760,936)	618,202
Total Net position	\$ 10,113,834	\$ 7,524,208	\$ 17,638,042	\$ (760,936)	\$ 909,290

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, 2014

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			Community Development Corporation	Economic Development Corporation
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 728,324	\$ -	\$ 136,758	\$ -	\$ (591,566)	\$ -	\$ (591,566)		
Public safety	1,244,648	353,545	3,865	-	(887,238)	-	(887,238)		
Public services and operations	497,095	83,217	-	266,308	(147,570)	-	(147,570)		
Parks and recreation	150,911	-	-	-	(150,911)	-	(150,911)		
Library	95,039	-	7,660	-	(87,379)	-	(87,379)		
Public works	1,113,223	724,455	-	-	(388,768)	-	(388,768)		
Interest on long-term debt	215,011	-	-	-	(215,011)	-	(215,011)		
Total Governmental Activities	4,044,251	1,161,217	148,283	266,308	(2,468,443)	-	(2,468,443)		
Business-Type Activities									
Utility Services	4,449,142	4,812,038	-	-	-	\$ 362,896	362,896		
Total Business-Type Activities	4,449,142	4,812,038	-	-	-	362,896	362,896		
Total Primary Government	\$ 8,493,393	\$ 5,973,255	\$ 148,283	\$ 266,308	(2,468,443)	362,896	(2,105,547)		
Component Units:									
Community Development Corporation	270,167	-	-	-	-	-	-	\$ (270,167)	
Economic Development Corporation	145,008	-	-	-	-	-	-	\$ (145,008)	
Total Component Units	\$ 415,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (270,167)	\$ (145,008)
General revenues:									
Property taxes					\$ 2,228,700	\$ -	\$ 2,228,700		\$ -
Sales and use taxes					572,515	-	572,515	286,258	286,258
Franchise taxes					216,724	-	216,724	-	-
Investment income					6,702	4,167	10,869	64	187
Donations - unrestricted					17,010	-	17,010	-	-
Miscellaneous					39,211	3,856	43,067	-	-
Transfers					(84,550)	84,550	-	-	-
Total general revenues and transfers					2,996,312	92,573	3,088,885	286,322	286,445
Change in net position					527,869	455,469	983,338	16,155	141,437
Net position - beginning					9,585,965	5,418,436	15,004,401	(777,091)	767,853
Prior period adjustments					-	1,650,303	1,650,303	-	-
Net position - ending					\$ 10,113,834	\$ 7,524,208	\$17,638,042	\$ (760,936)	\$ 909,290

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, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 592,522	\$ -	\$ -	\$ 592,522
Receivables (net)	246,582	27,976	-	274,558
Note receivable-component unit-CDC	701,466	-	-	701,466
Due from component unit-CDC	101,147	-	-	101,147
Cash - restricted	106,228	431,132	2,480,224	3,017,584
Total Assets	<u>1,747,945</u>	<u>459,108</u>	<u>2,480,224</u>	<u>4,687,277</u>
LIABILITIES				
Accounts payable	62,700	-	27,243	89,943
Accrued liabilities	66,955	-	-	66,955
Other liabilities	45,893	-	-	45,893
Total Liabilities	<u>175,548</u>	<u>-</u>	<u>27,243</u>	<u>202,791</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	63,088	27,976	-	91,064
Unavailable revenues-court	10,205	-	-	10,205
Unavailable revenues-note receivable-CDC	701,466	-	-	701,466
Total deferred inflows of resources	<u>774,759</u>	<u>27,976</u>	<u>-</u>	<u>802,735</u>
FUND BALANCES				
Restricted for:				
Debt service	-	431,132	-	431,132
Park Improvements	69,761	-	-	69,761
Court:				
Court Security	8,197	-	-	8,197
Court Technology	11,553	-	-	11,553
Child Safety	62,513	-	-	62,513
PEG Capital	23,965	-	-	23,965
Capital projects	-	-	2,452,981	2,452,981
Committed for:				
Fire	99,824	-	-	99,824
Assigned for:				
Police	2,439	-	-	2,439
Scholarships	2,362	-	-	2,362
Unassigned	517,024	-	-	517,024
Total fund balances	<u>797,638</u>	<u>431,132</u>	<u>2,452,981</u>	<u>3,681,751</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,747,945</u>	<u>\$ 459,108</u>	<u>\$ 2,480,224</u>	<u>\$ 4,687,277</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, 2014

Total fund balances - governmental funds balance sheet	\$ 3,681,751
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.	15,740,481
Accumulated depreciation is not included in the governmental fund financial statements.	(3,231,739)
Bonds Payable and contractual obligations are not included in the governmental fund financial statements.	(6,746,115)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	75,037
Accrued liabilities for compensated absences are not included in the fund financial statements.	(175,324)
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.	(32,992)
Amounts reported as deferred inflows of resources in the governmental fund financial statements are removed in the government-wide financial statements.	802,735
Net position of governmental activities - statement of net position	<u>\$ 10,113,834</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, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue				
Property taxes	\$ 1,545,094	\$ 684,552	\$ -	\$ 2,229,646
Licenses and permits	724,455	-	-	724,455
Sales and use taxes	572,515	-	-	572,515
Fines and forfeitures	325,175	-	-	325,175
Franchise taxes	216,724	-	-	216,724
Intergovernmental revenue	186,958	-	30,851	217,809
Charge for services	56,617	-	26,600	83,217
Miscellaneous	23,666	-	6,281	29,947
Donations	17,010	-	-	17,010
Grants	11,525	-	-	11,525
Investment income	3,718	119	2,865	6,702
Beverage tax	1,861	-	-	1,861
Total revenues	<u>3,685,318</u>	<u>684,671</u>	<u>66,597</u>	<u>4,436,586</u>
Expenditures				
Current operating:				
Public safety	1,069,082	-	-	1,069,082
General government	718,454	7,176	-	725,630
Public works	460,504	-	-	460,504
Fire	276,377	-	-	276,377
Court	224,346	-	-	224,346
Library	95,733	-	-	95,733
Parks and recreation	95,038	-	-	95,038
Debt Service:				
Principal retirement	79,889	398,200	-	478,089
Interest and fiscal agent fees	10,969	200,596	-	211,565
Capital outlays:				
Public works	-	-	494,965	494,965
Total expenditures	<u>3,030,392</u>	<u>605,972</u>	<u>494,965</u>	<u>4,131,329</u>
Excess (deficiency) of revenues over (under) expenditures	654,926	78,699	(428,368)	305,257
Other revenues and financing sources (uses)				
Transfers	-	(84,550)	-	(84,550)
Total other financing sources (uses)	<u>-</u>	<u>(84,550)</u>	<u>-</u>	<u>(84,550)</u>
Net change in fund balances	654,926	(5,851)	(428,368)	220,707
Fund balances - October 1	142,712	436,983	2,881,349	3,461,044
Fund balances - September 30	<u>\$ 797,638</u>	<u>\$ 431,132</u>	<u>\$ 2,452,981</u>	<u>\$ 3,681,751</u>

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, 2014**

Net Change in fund balances - total governmental funds	\$ 220,707
 Amounts reported for governmental activities in the statement of activities are different due to the following:	
Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.	494,965
Donated capital is shown as an increase in capital assets in the government-wide financial statements.	266,308
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.	(903,880)
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.	478,089
Current year receipts on deferred inflows for notes receivables are revenues in the fund financial statements, but are shown as a reduction in long-term receivables in the government-wide financial statements.	(81,051)
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.	(3,446)
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.	21,350
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.	34,827
 Change in net position of governmental activities- statement of activities	 <u>\$ 527,869</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget: Positive (Negative)
Revenue				
Property taxes	\$ 1,524,637	\$ 1,535,075	\$ 1,545,094	\$ 10,019
Licenses and permits	674,333	674,712	724,455	49,743
Sales and use taxes	521,755	573,755	572,515	(1,240)
Fines and forfeitures	284,804	299,124	325,175	26,051
Franchise taxes	424,714	259,037	216,724	(42,313)
Intergovernmental revenue	171,801	184,734	186,958	2,224
Charge for services	54,342	56,639	56,617	(22)
Miscellaneous	18,682	20,436	23,666	3,230
Donations	35,114	18,760	17,010	(1,750)
Grants	11,525	11,525	11,525	-
Investment income	3,617	4,302	3,718	(584)
Beverage tax	1,861	2,310	1,861	(449)
Total revenues	3,727,185	3,640,409	3,685,318	44,909
Expenditures				
Current operating:				
General Government				
Administration (City Manager) and Public Information (City Secty)	674,045	703,461	1,069,082	(365,621)
Judicial (Municipal Court)	216,131	222,981	95,733	127,248
Total General Government	890,176	926,442	1,164,815	(238,373)
Public Safety				
Police	1,085,703	1,096,368	718,454	377,914
Fire	251,660	276,812	276,377	435
Total Public Safety	1,337,363	1,373,180	994,831	378,349
Public Works				
Streets	147,717	172,817	161,250	11,567
Planning and development	237,307	299,132	299,254	(122)
Capital outlay	-	-	-	-
Total Municipal Services	385,024	471,949	460,504	11,445
Parks and Recreation				
Parks and recreation	96,301	108,293	224,346	(116,053)
Total Parks and Recreation	96,301	108,293	224,346	(116,053)
Library				
Library	84,800	97,517	95,038	2,479
Total Library	84,800	97,517	95,038	2,479
Debt Service:				
Principal retirement	78,617	78,617	79,889	(1,272)

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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget:
	Original	Final		Positive (Negative)
Interest and fiscal agent fees	10,720	10,720	10,969	(249)
Total Debt Service:	89,337	89,337	90,858	(1,521)
Total expenditures	2,883,001	3,066,718	3,030,392	36,326
Excess (deficiency) of revenues over (under) expenditures	844,184	573,691	654,926	81,235
Other revenues and financing sources (uses)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	844,184	573,691	654,926	81,235
Fund balances - October 1	142,712	142,712	142,712	
Fund balances - September 30	\$ 986,896	\$ 716,403	\$ 797,638	

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, 2014**

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,763,315
Receivables (net)	376,795
Unbilled revenue	166,578
Total Current Assets	<u>2,306,688</u>
Noncurrent Assets:	
Restricted cash	1,189,125
Deposits held in trust - GTUA	886,924
Total restricted noncurrent	<u>2,076,049</u>
Capital assets:	
Land	180,353
Construction in progress	1,393,487
Buildings and improvements	235,326
Water and sewer system	18,993,922
Machinery and equipment	392,949
Less: accumulated depreciation	<u>(3,999,160)</u>
Total capital assets, net of accumulated depreciation	<u>17,196,877</u>
Total Assets	<u><u>\$ 21,579,614</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 239,338
Retainage payable	48,939
Accrued liabilities	28,289
Other liabilities	18,172
Payables from restricted funds:	
Water customer deposits	381,061
Accrued interest payable	73,736
Compensated absences - current	11,680
GTUA certificates of obligation - current	205,000
Revenue bonds payable - current	274,344
Total Current Liabilities	<u>1,280,559</u>
Noncurrent Liabilities:	
Accrued compensated absences	46,722
GTUA certificates of obligation	4,135,000
Revenue bonds payable	8,593,125
Total Noncurrent Liabilities	<u>12,774,847</u>
Total Liabilities	<u><u>14,055,406</u></u>
NET POSITION	
Net investment in capital assets	4,876,332
Restricted for:	
Use of impact fees	808,064
Unrestricted	1,839,812
Total Net Position	<u><u>\$ 7,524,208</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, 2014**

	Utility Fund
OPERATING REVENUES:	
Charges for sales and services	
Service charges	\$ 4,145,738
Impact fees	632,609
Rental income	33,691
Miscellaneous	3,856
Total Operating Revenues	4,815,894
OPERATING EXPENSES:	
Water purchases	870,776
Personnel services	858,045
Contractual services	629,121
Depreciation	582,505
Lift station	542,634
Supplies and materials	170,838
Maintenance and repair	64,542
Rent expense	51,792
Miscellaneous	21,257
Bad debts	14,130
Total Operating Expenses	3,805,640
Operating Income (Loss)	1,010,254
NON-OPERATING REVENUES (EXPENSES):	
Investment income	4,167
Interest	(643,502)
Total Non-Operating Revenues (Expenses)	(639,335)
Income before contributions and transfers	370,919
Transfers	84,550
Change in Net Position	455,469
Net Position - October 1	5,418,436
Prior Period Adjustments	1,650,303
Net Position - September 30	\$ 7,524,208

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, 2014

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers for services	\$ 4,743,407
Cash received from customer deposits (net)	54,540
Cash paid to employees	(802,913)
Cash paid to suppliers for goods and services	(2,175,532)
Cash (paid to)/received from other funds	35,381
Net cash provided by (used in) operating activities	<u>1,854,883</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in from Debt Service Fund	84,550
Net cash provided by (used in) non-capital financing activities	<u>84,550</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(124,615)
Interest paid on capital debt	(643,251)
Principal paid on capital debt	(454,142)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,222,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	4,167
Net cash provided by (used in) investing activities	<u>4,167</u>
Net Increase (Decrease) in Cash and Cash Equivalents	721,592
Cash and Cash Equivalents, October 1, 2013	2,230,848
Cash and Cash Equivalents, September 30, 2014	<u>\$ 2,952,440</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 1,010,254
Adjustment to reconcile operating income to net cash	
Provided (used) by operating activities	
Depreciation expense	64,542
(Increase) decrease in accounts receivable	72,487
(Increase) in due from other funds	35,381
Increase (decrease) in deposits payable	54,540
Increase (decrease) in accounts payable	44,584
Increase (decrease) in accrued liabilities	10,498
Increase (decrease) in compensated absences	44,634
Net Cash Provided by Operating Activities	<u>\$ 1,336,920</u>
Schedule of Non-Cash Capital and Related Financing Activities:	
Acquisition of Capital Assets from deposits held by GTUA	1,228,160

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, 2014**

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". 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 ¼ 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, 2014**

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 funds 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, 2014**

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 measurable. 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, 2014

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 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, 2014

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 \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

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 does not have any deferred outflows of resources for the fiscal year ended September 30, 2014.

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. These deferred inflows of resources only arise under a modified accrual basis of accounting. Accordingly, the items labeled *unavailable revenues*, are reported only in the governmental 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.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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.
- 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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.

p. Program Expenses

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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>
None reported	Not applicable

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 \$5,701,900 and the bank balance was \$5,835,973. All bank balances were covered by Federal Deposit Insurance or by collateral held by a third-party custodian. The custodian serves contractually as the City's agent.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government

Cash and cash equivalents	\$ 2,355,837
Restricted cash and cash equivalents	4,206,709
Total cash and cash equivalents	<u>\$ 6,562,546</u>

Cash on hand	\$ 3,745
Checking accounts	3,130,245
Certificate of deposit	507,289
Texpool & TexStar	2,921,267
Total cash and cash equivalents	<u>\$ 6,562,546</u>

Restricted Cash

Governmental

Municipal Court use	\$ 82,263
PEG funds	23,965
Capital projects	2,480,224
Debt	431,132
Total Governmental	<u>3,017,584</u>

Business

Customer Deposits	381,061
Impact Fees	808,064
Total Business	<u>1,189,125</u>
Total Restricted Cash	<u>\$ 4,206,709</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, 2014 are as follows:

- the portfolio contained 14.8% 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, 2014, the amount of investment in investment pool accounts were as follows:

<u>Investment</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year end</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 1,878,162	N/A	AAA-m	53 days
TexSTAR	1,043,105	N/A	AAA-m	51 days
	<u>\$ 2,921,267</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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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, 2014, holdings in two local government investment pools represented 85.2% 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, 2014, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the current fiscal year, the City had a tax rate of \$0.738999 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, 2014

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	\$ 203,966	\$ 31,084	\$ -	\$ 235,050
Fees and Charges	780,349	-	464,716	1,245,065
Gross Receivables	<u>984,315</u>	<u>31,084</u>	<u>464,716</u>	<u>1,480,115</u>
Less: Allowances				
for Uncollectible	(737,733)	(3,108)	(87,921)	(828,762)
Net Total Receivables	<u>\$ 246,582</u>	<u>\$ 27,976</u>	<u>\$ 376,795</u>	<u>\$ 651,353</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	<u>\$ 782,517</u>	<u>\$ -</u>	<u>\$ (81,051)</u>	<u>\$ 701,466</u>

Requirements are as follows:

Year Ending September 30:

2015	\$ 86,721
2016	87,054
2017	81,983
2018	43,986
2019	43,199
2020-2024	184,503
2025-2029	174,020
	<u>\$ 701,466</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Decreases / Reclassifications	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 416,784	\$ 15,000	\$ -	\$ 431,784
Construction in Progress	1,069,942	468,037	(277,235)	1,260,744
Total capital assets, not being depreciated:	<u>1,486,726</u>	<u>483,037</u>	<u>(277,235)</u>	<u>1,692,528</u>
Capital assets, being depreciated:				
Buildings & Improvements	1,561,591	-	(8,539)	1,553,052
Infrastructure	9,118,122	2,645	264,420	9,385,187
Park Improvements	934,268	266,308	12,815	1,213,391
Vehicles & Equipment	1,873,188	14,597	8,539	1,896,324
Total capital assets being depreciated	<u>13,487,169</u>	<u>283,550</u>	<u>277,235</u>	<u>14,047,954</u>
Less accumulated depreciation for:				
Buildings & Improvements	(467,165)	(162,447)	-	(629,612)
Infrastructure	(624,174)	(477,847)	-	(1,102,021)
Park Improvements	(85,153)	(35,444)	-	(120,597)
Vehicles & Equipment	(1,151,367)	(228,142)	-	(1,379,509)
Total accumulated depreciation	<u>(2,327,859)</u>	<u>(903,880)</u>	<u>-</u>	<u>(3,231,739)</u>
Total capital assets, being depreciated, net	<u>11,159,310</u>	<u>(620,330)</u>	<u>277,235</u>	<u>10,816,215</u>
Governmental activities capital assets, net	<u>\$ 12,646,036</u>	<u>\$ (137,293)</u>	<u>\$ -</u>	<u>\$ 12,508,743</u>
	Beginning Balance	Additions	Decreases / Reclassifications	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 180,353	\$ -	\$ -	\$ 180,353
Construction in Progress(restated)	268,780	1,228,160	(103,453)	1,393,487
Total capital assets, not being depreciated:	<u>449,133</u>	<u>1,228,160</u>	<u>(103,453)</u>	<u>1,573,840</u>
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure(Restated)	18,784,175	106,294	103,453	18,993,922
Vehicles & Equipment	374,625	18,324	-	392,949
Total capital assets being depreciated	<u>19,394,126</u>	<u>124,618</u>	<u>103,453</u>	<u>19,622,197</u>
Less accumulated depreciation for:				
Buildings & Improvements	(76,711)	(5,586)	-	(82,297)
Infrastructure(Restated)	(3,108,190)	(536,611)	-	(3,644,801)
Vehicles & Equipment	(231,753)	(40,309)	-	(272,062)
Total accumulated depreciation	<u>(3,416,654)</u>	<u>(582,506)</u>	<u>-</u>	<u>(3,999,160)</u>
Total capital assets, being depreciated, net	<u>15,977,472</u>	<u>(457,888)</u>	<u>103,453</u>	<u>15,623,037</u>
Business-type activities capital assets, net	<u>\$ 16,426,605</u>	<u>\$ 770,272</u>	<u>\$ -</u>	<u>\$ 17,196,877</u>

CITY OF PRINCETON, TEXAS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 7,951
Public Safety	183,312
Public Works, including depreciation of general infrastructure assets	656,055
Culture and Recreation	56,562
Total depreciation expense - governmental activities	<u>\$ 903,880</u>
Business-type activities:	
Utility Fund - utility services	\$ 582,505
Total depreciation expense - business-type activities	<u>\$ 582,505</u>

H. Construction Commitments

The City has active construction projects as of September 30, 2014. The projects include park infrastructure and improvements, street infrastructure and improvements, and water/wastewater infrastructure improvements. Remaining commitments to GTUA will be funded by existing deposits held in trust with GTUA. 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)	\$ 344,612	\$ 31,227
11-R01 Phase III	1,043	15,853
11 R17 Woody ST	8,770	171,230
GTUA Waterline and Willow Lane	2,173,563	1,661,625
Total	<u>\$ 2,548,389</u>	<u>\$ 1,879,935</u>

I. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, 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	\$ 5,654,400	\$ -	\$ (223,200)	\$ 5,431,200	\$ 231,000
Plus:					
For issuance premiums	19,013	-	(1,188)	17,825	1,188
Less deferred amounts:					
For issuance discounts	(97,496)	-	4,634	(92,862)	(4,634)
Tax anticipation notes	1,285,000	-	(175,000)	1,110,000	175,000
Total Bonds Payable	<u>6,860,917</u>	<u>-</u>	<u>(394,754)</u>	<u>6,466,163</u>	<u>402,554</u>
Capital Lease Payable	284,804	-	(79,889)	204,915	78,405
Compensated absences	196,674	21,200	(42,550)	175,324	35,065
Governmental activity Long-term liabilities	<u>\$ 7,342,395</u>	<u>\$ 21,200</u>	<u>\$ (517,193)</u>	<u>\$ 6,846,402</u>	<u>\$ 516,024</u>

CITY OF PRINCETON, TEXAS
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	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
General obligation bonds & certificates of obligation	\$ 9,040,600	\$ -	\$ (251,800)	\$ 8,788,800	\$ 272,000
Plus:					
For issuance premiums	115,643	-	(4,818)	110,825	4,818
Less deferred amounts:					
For issuance discounts	(34,629)	-	2,473	(32,156)	(2,474)
GTUA bonds payable (restated)	4,540,000	-	(200,000)	4,340,000	205,000
Total Bonds Payable	<u>13,661,614</u>	<u>-</u>	<u>(454,145)</u>	<u>13,207,469</u>	<u>479,344</u>
Capital Lease Payable	3,516	-	(3,516)	-	-
Compensated absences	13,767	44,635	-	58,402	11,680
Business-type activity Long-term liabilities	<u>\$ 13,678,897</u>	<u>\$ 44,635</u>	<u>\$ (457,661)</u>	<u>\$ 13,265,871</u>	<u>\$ 491,024</u>

Governmental Activities

Description	Interest Rate Payable	Amounts Outstanding			Amounts Outstanding September, 30 2014	Due Within One Year
		Amounts Issued	September, 30 2013	Retired		
2009 Series, CO	4.13%	\$ 4,315,000	\$ 4,315,000	\$ (90,000)	\$ 4,225,000	\$ 90,000
2011 Series, GO	2.00%	1,439,500	1,339,400	(133,200)	1,206,200	141,000
2013 Tax Note	1.90%	1,285,000	1,285,000	(175,000)	1,110,000	175,000
Total Bonds Payable		<u>7,039,500</u>	<u>6,939,400</u>	<u>(398,200)</u>	<u>6,541,200</u>	<u>406,000</u>
Capital Lease-2 F450	2.58%	100,861	79,680	(18,867)	60,813	19,552
Capital Lease-Dodge	5.45%	164,000	164,000	(38,596)	125,404	40,155
Capital Lease-Ford	5.65%	42,182	2,647	(2,647)	-	-
Capital Lease-1st Cap	5.65%	30,000	15,428	(7,512)	7,916	7,916
Capital Lease-Ford	6.10%	84,066	23,049	(12,267)	10,782	10,782
Total Long-term Obligations		<u>\$ 7,460,609</u>	<u>\$ 7,224,204</u>	<u>\$ (478,089)</u>	<u>\$ 6,746,115</u>	<u>\$ 484,405</u>

Governmental bonds debt service requirements are as follows:

Year Ending September 30:	Principal		Interest		Total Requirements
2015	\$	418,000	\$	258,407	\$ 676,407
2016		431,700		248,721	680,421
2017		429,300		238,157	667,457
2018		356,600		227,702	584,302
2019		366,600		218,017	584,617
2020-2024		1,116,000		951,655	2,067,655
2025-2029		1,118,000		730,047	1,848,047
2030-2034		1,000,000		475,813	1,475,813
2035-2039		1,305,000		178,632	1,483,632
Totals	<u>\$</u>	<u>6,541,200</u>	<u>\$</u>	<u>3,527,149</u>	<u>\$ 10,068,349</u>

**CITY OF PRINCETON, TEXAS
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\$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.

\$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.

Description	Business Activities		Amounts			Amounts	
	Interest Rate Payable	Amounts Issued	Outstanding September, 30 2013	Issued/PPA	Retired	Outstanding September, 30 2014	Due Within One Year
2007 Series, GO	4.00%	\$ 1,275,000	\$ 1,020,000	\$ -	\$ (50,000)	\$ 970,000	\$ 55,000
2007 Series, CO	4.00%	8,250,000	7,550,000	-	(155,000)	7,395,000	165,000
2011 Series, GO	2.00%	490,500	470,600	-	(46,800)	423,800	52,000
2009 GTUA CO	2.15% - 5.8%	5,290,000	-	4,540,000	(200,000)	4,340,000	205,000
Total Bonds Payable		15,305,500	9,040,600	4,540,000	(451,800)	13,128,800	477,000
Capital Lease-Ford	5.65%	21,818	3,516	-	(3,516)	-	-
Total Long-term Obligations		\$ 15,327,318	\$ 9,044,116	\$ 4,540,000	\$ (455,316)	\$ 13,128,800	\$ 477,000

Business-type bonds debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 477,000	\$ 643,890	\$ 1,120,890
2016	493,300	625,510	1,118,810
2017	510,700	604,808	1,115,508
2018	498,400	583,152	1,081,552
2019	523,400	560,512	1,083,912
2020-2024	3,019,000	2,398,776	5,417,776
2025-2029	3,762,000	1,543,800	5,305,800
2030-2034	1,915,000	751,034	2,666,034
2035-2039	1,930,000	200,113	2,130,113
Totals	\$ 13,128,800	\$ 7,911,595	\$ 21,040,395

\$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.

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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 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 January 2011 in the amount of \$64,000. A police car and a truck for the Water Fund were purchased. The lease is to be repaid over a three year period and an interest rate of 5.65%. These leases were paid in full during fiscal year 2014.

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

Governmental debt service requirements are as follows:

Year Ending September 30:			
	2015	\$	85,693
	2016		66,995
	2017		66,995
Total minimum lease payments			<u>219,683</u>
Less: amount representing interest			<u>(14,768)</u>
Present value of lease payments		\$	<u>204,915</u>

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
2015	\$ 103,584	\$ 9,601
2016	103,854	9,431
2017	103,584	-
Total	<u>\$ 311,022</u>	<u>\$ 19,032</u>

**CITY OF PRINCETON, TEXAS
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L. Pension Plan

1. Plan Description

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

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

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

	Plan Year	
	2013	2014
Employee deposit rate	7%	7%
Matching required for vesting	2 to 1	2 to 1
Years retirement eligibility	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retire)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

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

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

3. Annual Pension Cost

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2011 actuarial valuations.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of PR	Level % of PR	Level % of PR
Amortization period	26.3 years closed period	25.2 years closed period	25.2 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset Valuation method	10-yr Smoothed	10-yr Smoothed	10-yr Smoothed
Actuarial assumptions:			
Investment rate of return *	7.00%	7.00%	7.00%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

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

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

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System ("TMRS") 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 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 2014, 2013, and 2012 were \$1,744, \$1,784 and \$1,726, respectively, which equaled the required contributions each year.

N. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$493.18 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

O. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

P. Risk Management

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

Q. Litigation

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

R. Additional Water and Sewer Information

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

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return the City agreed to pay the District at a rate \$1.87 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$870,776.

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

Gallons Pumped	388,698,000
Gallons Billed	384,901,000

S. Transfers

An \$84,550 transfer to the Debt Service Fund from the Utility Fund was to assist in governmental-type debt service expenditures.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

T. Prior Period Adjustments

Several prior period adjustments were made for the business-type activities as follows:

Business-Type activities:

\$ 2,041,178	To record deposits held in trust by GTUA
3,976,669	To record GTUA financed water/sewer system infrastructure (net of acc. depreciation)
(18,396)	To record interest payable on GTUA debt
(4,540,000)	To record GTUA contractual obligations
190,852	To record unbilled receivables for water and sewer charges
<u>\$ 1,650,303</u>	Total proprietary fund prior period adjustments
\$ 5,418,436	Net position as previously report at September 30, 2013
\$ 7,068,739	Net position as restated at September 30, 2013

Effect of restatement on change in net position in the preceding fiscal year

\$ (135,776)	Decrease due to no posting of depreciation expense for GTUA infrastructure
195,000	Increase due to expensing GTUA debt principal payments as a contract expense
<u>\$ 59,224</u>	Total effect of restatement on change in net position in the preceding fiscal year

U. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through March 23, 2015, the date the financial statements were available to be issued. During this period, management has identified one subsequent event as follows:

\$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.

This debt issuance will increase the City's total debt service requirements as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 55,000	\$ 40,170	95,170
2016	50,000	46,150	96,150
2017	50,000	45,150	95,150
2018	55,000	44,100	99,100
2019	55,000	42,725	97,725
2020-2024	300,000	187,600	487,600
2025-2029	355,000	130,000	485,000
2030-2034	440,000	48,238	488,238
	<u>\$ 1,360,000</u>	<u>\$ 584,133</u>	<u>\$ 1,944,133</u>

V. 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.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 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 (\$760,936).

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 \$16,155 during fiscal year 2014.

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash

Cash and cash equivalents	\$ (222,882)
Texpool	222,882
Total cash and cash equivalents	<u>\$ -</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, 2014, 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>\$ 222,882</u>	N/A	AAA-m	53 days

b. Receivables

Receivables as of year-end for the CDC 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, 2014.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

c. Capital Assets

	Beginning Balances	Additions	Decreases	Ending Balances
Component unit activities:				
Capital assets, being depreciated:				
Office equipment	\$ 9,275	\$ -	\$ -	\$ 9,275
Total capital assets being depreciated	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>9,275</u>
Less accumulated depreciation for:				
Office equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	<u>(9,275)</u>	<u>-</u>	<u>-</u>	<u>(9,275)</u>
Community Development Corporation capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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".

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	<u>\$ 4,241</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ 4,665</u>	<u>\$ -</u>

f. Health Care Coverage

During the year ended September 30, 2014, CDC employees were covered by the City's health insurance plan. The City contributed \$493.18 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, 2014, CDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS"). See City's Note M for detailed disclosures.

h. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30, 2013	Issued	Retired	Outstanding September 30, 2014	Due Within One Year
Note payable-City	0.0%	<u>\$ 941,259</u>	<u>\$ 782,517</u>	<u>\$ -</u>	<u>\$ (81,051)</u>	<u>\$ 701,466</u>	<u>\$ 86,721</u>

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2015	\$ 86,721
2016	87,054
2017	81,983
2018	43,986
2019	43,199
2020-2024	184,503
2025-2029	174,020
Totals	<u>\$ 701,466</u>

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.

i. Litigation

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

j. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2014 up through March 23, 2015, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

W. 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>
The EDC Fund exceeded it's budgeted appropriations.	Sales Tax revenues collected by the City and fund balance cover the shortfall in budget.

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

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash

Cash and cash equivalents	\$	(44,382)
Texpool		624,768
Total cash and cash equivalents	\$	<u>580,386</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, 2014, 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	\$ 624,768	N/A	AAA-m	53 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, 2014.

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	-	37,091	-	37,091
Total capital assets, not being depreciated	<u>1,242,000</u>	<u>37,091</u>	<u>-</u>	<u>1,279,091</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>\$ 1,242,000</u>	<u>\$ 37,091</u>	<u>\$ -</u>	<u>\$ 1,279,091</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

d. Compensated absences

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	\$ 8,288	\$ -	\$ (3,623)	\$ 4,665	\$ -

e. Health Care Coverage

During the year ended September 30, 2014, EDC employees were covered by the City's health insurance plan. The City contributed \$493.18 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, 2014, EDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS"). See City's Note M for detailed disclosures.

g. Long-Term Obligations

Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30,			Outstanding September 30, 2014	Due Within One Year
			2013	Issued	Retired		
Note Payable	6.00%	1,152,000	1,028,290	-	(35,854)	992,436	38,071

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2015	\$ 38,071	\$ 58,404	\$ 96,475
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
2020-2024	290,795	191,581	482,376
2025-2029	392,569	89,809	482,378
2030	93,665	2,810	96,475
Totals	\$ 992,436	\$ 551,169	\$ 1,543,605

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

h. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2014 up through March 23, 2015, 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, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST EIGHT FISCAL YEARS (UNAUDITED)

Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Value of Assets	\$ 3,576,543	\$ 3,258,017	\$ 2,940,847	\$ 2,715,798	\$ 1,577,061	\$ 1,318,766	\$ 1,153,470	\$ 978,468
Accrued Liability	3,987,431	3,385,994	3,164,265	3,086,373	1,966,364	1,629,304	1,435,364	799,305
(Unfunded) Accrued Liability	\$ (410,888)	\$ (127,977)	\$ (223,418)	\$ (370,575)	\$ (389,303)	\$ (310,538)	\$ (281,894)	\$ 179,163
Percentage Funded	89.7%	96.2%	92.9%	88.0%	80.2%	80.9%	80.4%	122.4%
Annual Covered Payroll	\$ 1,509,757	\$ 1,486,329	\$ 1,438,064	\$ 1,677,830	\$ 1,699,836	\$ 1,394,327	\$ 1,436,773	\$ 1,324,565
Ratio of Funded (Unfunded) to Annual Covered Payroll	-27.2%	-8.6%	-15.5%	-22.1%	-22.9%	-22.3%	-19.6%	13.5%
Financial Year Ended September 30,	2014	2013	2012	2011	2010	2009	2008	2007
Annual Required Contributions	\$ 150,300	\$ 119,356	\$ 130,694	\$ 148,991	\$ 143,654	\$ 111,833	\$ 102,088	\$ 99,193
Contributions Made	\$ 150,300	\$ 119,356	\$ 130,694	\$ 148,991	\$ 143,654	\$ 111,833	\$ 102,088	\$ 99,193
Percent Contributed	100%	100%	100%	100%	100%	100%	100%	100%

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 695,777	\$ 695,777	\$ 684,552	\$ (11,225)
Intergovernmental	-	-	-	-
Investment income	330	330	119	(211)
Total Revenues	<u>696,107</u>	<u>696,107</u>	<u>684,671</u>	<u>(11,436)</u>
EXPENDITURES				
Current:				
Administrative	2,000	2,000	7,176	(5,176)
Debt service:				
Principal retirement	419,750	419,750	398,200	21,550
Interest	263,527	263,527	200,596	62,931
Total expenditures	<u>685,277</u>	<u>685,277</u>	<u>605,972</u>	<u>79,305</u>
Excess (deficiency) of revenues over (under) expenditures	10,830	10,830	78,699	67,869
Other revenues and financing sources (uses)				
Transfers	-	-	(84,550)	(84,550)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(84,550)</u>	<u>(84,550)</u>
Net change in fund balance	10,830	10,830	(5,851)	(16,681)
Fund Balances/Equity, October 1	<u>436,983</u>	<u>436,983</u>	<u>436,983</u>	
Fund Balances/Equity, September 30	<u>\$ 447,813</u>	<u>\$ 447,813</u>	<u>\$ 431,132</u>	

CITY OF PRINCETON, TEXAS
 BALANCE SHEET - COMPONENT UNIT
 COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2014

	<u>CDC Fund</u>
ASSETS	
Receivables (net of allowances for uncollectibles)	\$ 48,114
Total assets	<u>48,114</u>
LIABILITIES	
Accounts payable	927
Due to primary government	101,147
Accrued expenses	845
Total Liabilities	<u>102,919</u>
FUND BALANCE	
Unassigned	<u>(54,805)</u>
Total fund balance	<u>(54,805)</u>
Total liabilities and fund balance	<u>\$ 48,114</u>

**CITY OF PRINCETON, TEXAS
 RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	<u>\$ (54,805)</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.	9,275
Accumulated depreciation has not been included in the governmental fund financial statements.	(9,275)
Notes payable to the primary government are not included in the governmental fund financial statements.	(701,466)
Accrued liabilities for compensated absences are not included in the fund financial statements.	(4,665)
Net position of governmental activities - statement of net position	<u><u>\$ (760,936)</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, 2014**

	<u>CDC Fund</u>
REVENUE	
Sales and use tax	\$ 286,258
Investment income	64
Total revenues	<u>286,322</u>
EXPENDITURES	
Current:	
Personnel costs	23,203
Contract services	1,501
Repairs and maintenance	4,209
Supplies and materials	1,063
Administration	18,459
Community contributions	221,308
Debt service:	
Principal retirement	81,051
Total expenditures	<u>350,794</u>
Excess (deficiency) of revenues over (under) expenditures	 (64,472)
Other revenues and financing sources (uses)	<u> </u>
Total other financing sources (uses)	<u> -</u>
Net change in fund balance	 (64,472)
Fund balance - beginning of year	<u> 9,667</u>
Fund balance - end of year	<u><u>\$ (54,805)</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 - COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - total governmental fund	\$ (64,472)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	(424)
<p>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.</p>	81,051
Change in net position of governmental activities - statement of activities	<u><u>\$ 16,155</u></u>

CITY OF PRINCETON, TEXAS
 BALANCE SHEET - COMPONENT UNIT
 ECONOMIC DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2014

	<u>EDC Fund</u>
ASSETS	
Cash and cash equivalents	\$ 580,386
Receivables (net of allowance for uncollectibles)	<u>48,114</u>
Total assets	<u><u>628,500</u></u>
LIABILITIES	
Accounts payable	1,179
Accrued expenses	<u>831</u>
Total liabilities	<u>2,010</u>
FUND BALANCE	
Unassigned	<u>626,490</u>
Total fund balance	<u>626,490</u>
Total liabilities and fund balance	<u><u>\$ 628,500</u></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, 2014**

Total fund balance - governmental fund balance sheet \$ 626,490

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. 1,279,901

Tax notes payable and contractual obligations are not included in the governmental fund financial statements. (992,436)

Accrued liabilities for compensated absences are not included in the fund financial statements. (4,665)

Net position of governmental activities - statement of net position \$ 909,290

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>EDC Fund</u>
REVENUE	
Sales and use tax	\$ 286,258
Investment income	188
Total revenues	<u>286,446</u>
EXPENDITURES	
Current:	
Personnel costs	23,853
Administrative Costs	18,343
Contract Services	5,695
Supplies and materials	332
Repairs and maintenance	4,206
Contributions	45,000
Debt Service:	
Principal retirement	35,854
Interest	51,202
Capital Outlay	37,901
Total expenditures	<u>222,386</u>
Excess (deficiency) of revenues over (under) expenditures	64,060
Other Revenues and Financing Sources (uses)	
Total Other Financing Sources (uses)	<u>-</u>
Net Change in Fund Balance	64,060
Fund Balance, beginning of year	562,430
Fund Balance, end of year	<u>\$ 626,490</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, 2014**

Net change in fund balance - total governmental funds \$ 64,060

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. 37,901

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. 35,854

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. 3,622

Change in net position of governmental activities - statement of activities \$ 141,437

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Sales and use tax	\$ 243,586	\$ 243,586	\$ 286,258	\$ 42,672
Investment income	168	168	64	(104)
Total revenues	<u>243,754</u>	<u>243,754</u>	<u>286,322</u>	<u>42,568</u>
EXPENDITURES				
Current:				
Personnel costs	24,160	24,160	23,203	957
Contract services	1,500	1,500	1,501	(1)
Repairs and maintenance	1,320	1,320	4,209	(2,889)
Supplies and materials	670	670	1,063	(393)
Administration	23,015	23,015	18,459	4,556
Community contributions	221,820	221,820	221,308	512
Debt service:				
Principal retirement	63,000	63,000	81,051	(18,051)
Interest	18,051	18,051	-	18,051
Capital Outlay	-	-	-	-
Total expenditures	<u>353,536</u>	<u>353,536</u>	<u>350,794</u>	<u>2,742</u>
Excess (deficiency) of revenues over (under) expenditures	(109,782)	(109,782)	(64,472)	45,310
Other revenues and financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(109,782)	(109,782)	(64,472)	45,310
Fund balance - beginning of year	9,667	9,667	9,667	
Fund balance - end of year	<u>\$ (100,115)</u>	<u>\$ (100,115)</u>	<u>\$ (54,805)</u>	

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales and use tax	\$ 243,418	\$ 243,418	\$ 286,258	\$ 42,840
Investment income	609	609	188	(421)
Total revenues	<u>244,027</u>	<u>244,027</u>	<u>286,446</u>	<u>42,419</u>
EXPENDITURES				
Current:				
Personnel costs	24,160	24,160	23,853	307
Administrative Costs	20,515	20,515	18,343	2,172
Contract Services	6,500	6,500	5,695	805
Supplies and materials	620	620	332	288
Repairs and maintenance	1,320	1,320	4,206	(2,886)
Contributions	-	-	45,000	(45,000)
Debt Service:				
Principal retirement	35,854	35,854	35,854	-
Interest	50,565	50,565	51,202	(637)
Capital Outlay	45,000	45,000	37,901	7,099
Total expenditures	<u>184,534</u>	<u>184,534</u>	<u>222,386</u>	<u>(37,852)</u>
Excess (deficiency) of revenues over (under) expenditures	59,493	59,493	64,060	4,567
Other Revenues and Financing Sources (uses)				
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	59,493	59,493	64,060	4,567
Fund Balance/Equity, beginning of year	562,430	562,430	562,430	
Fund Balance/Equity, end of year	<u>\$ 621,923</u>	<u>\$ 621,923</u>	<u>\$ 626,490</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.

Contents

Table Numbers

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1-5

Revenue Capacity

These tables contain information to help the reader assess the City's two most significant local revenue sources, property and sales taxes.

6-9

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

10-14

Economic and Demographic Information

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

15-16

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

17-19

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

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ (159,274)	\$ (180,691)	\$ 78,809	\$ 629,151	\$ 582,670	\$ 3,603,140	\$ 2,472,934	\$ 5,151,105	\$ 6,626,161	\$ 6,640,339
Restricted	657,956	2,194,006	2,504,528	601,405	935,212	354,706	5,128,261	2,162,925	642,768	2,990,401
Unrestricted	1,008,610	(252,092)	(1,505,169)	162,639	344,025	731,737	70,229	666,375	2,317,036	483,094
Total governmental activities net position	1,507,292	1,761,223	1,078,168	1,393,195	1,861,907	4,689,583	7,671,424	7,980,405	9,585,965	10,113,634
Business-type activities										
Net investment in capital assets	1,047,505	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
Restricted	303,745	44,135	567,909	431,377	124,237	323,770	734,362	620,769	766,049	808,064
Unrestricted	1,908,931	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
Total business-type activities net position	3,260,181	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
Primary government										
Net investment in capital assets	888,231	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
Restricted	961,701	2,238,141	3,072,437	1,032,782	1,059,449	678,476	5,862,623	2,783,694	1,408,817	3,798,465
Unrestricted	2,917,541	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
Total primary government net position	\$ 4,767,473	\$ 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

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

Table 2

	FISCAL YEAR				
	2005	2006	2007	2008	2009
EXPENSES					
Government Activities					
General Government	\$ 596,939	\$ 635,509	\$ 699,201	\$ 650,757	\$ 444,068
Public Safety	873,334	1,207,121	1,202,927	1,203,205	1,308,389
Public Works	233,942	342,815	687,112	763,902	539,521
Public Services and Operations	143,526	295,156	267,581	282,444	254,443
Parks and Recreation	143,449	117,000	120,946	94,347	184,002
Sanitation	184,785	-	-	-	-
Development	180,976	-	-	-	-
Economic Development	-	27,201	-	-	-
Interest Expense	87,015	107,601	147,574	162,894	210,986
Total government activities expenses	<u>2,443,966</u>	<u>2,732,403</u>	<u>3,125,341</u>	<u>3,157,549</u>	<u>2,941,409</u>
Business-Type Activities					
Water and Sewer	1,303,209	1,771,179	2,107,528	2,308,804	2,670,635
Total Business-Type Activities	<u>1,303,209</u>	<u>1,771,179</u>	<u>2,107,528</u>	<u>2,308,804</u>	<u>2,670,635</u>
Total Primary Government Expenses	<u>3,747,175</u>	<u>4,503,582</u>	<u>5,232,869</u>	<u>5,466,353</u>	<u>5,612,044</u>
PROGRAM REVENUES					
Governmental Activities					
Charge for Services:					
General Government	13,555	54,472	2,657	97,644	2,240
Public Safety	117,745	463,018	419,736	271,835	309,225
Public Works	3,813	390,388	321,266	227,078	240,098
Sanitation	216,008	-	-	-	-
Development	555,526	-	-	-	-
Parks and Recreation	-	-	180	32,230	8,325
Operating Grants and Contributions	31,374	-	8,998	242,133	55,802
Capital Grants and Contributions	20,100	35,314	64,307	-	-
Total Governmental Activities Program Revenues	<u>958,121</u>	<u>943,192</u>	<u>817,144</u>	<u>870,920</u>	<u>615,690</u>
Business-Type Activities					
Charge for Services:					
Water and Sewer	1,510,046	2,470,716	2,292,262	2,598,224	2,540,971
Capital Grants and Contributions	-	-	-	23,332	300,121
Total Business-Type Activities Program Revenues	<u>1,510,046</u>	<u>2,470,716</u>	<u>2,292,262</u>	<u>2,621,556</u>	<u>2,841,092</u>
Total Primary Government Program Revenues	<u>2,468,167</u>	<u>3,413,908</u>	<u>3,109,406</u>	<u>3,492,476</u>	<u>3,456,782</u>
NET (EXPENSE) REVENUES					
Governmental Activities	(1,485,845)	(1,789,211)	(2,308,197)	(2,286,629)	(2,325,719)
Business-Type Activities	206,837	699,537	184,734	312,752	170,457
Total Primary Government Program Revenues	<u>(1,279,008)</u>	<u>(1,089,674)</u>	<u>(2,123,463)</u>	<u>(1,973,877)</u>	<u>(2,155,262)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Property	\$ 914,998	\$ 1,088,605	\$ 1,512,827	\$ 1,620,974	\$ 2,065,415
Sales	406,240	604,080	341,644	365,080	342,593
Franchise	104,851	122,484	127,119	152,796	190,349
Beverage	-	2,257	2,539	3,137	3,113
Investment Income	45,962	121,844	186,603	129,242	34,295
Donations	-	-	-	-	22,883
Miscellaneous	33,425	13,716	25,160	25,996	47,680
Insurance refunds	-	-	-	4,309	-
Intergovernmental	-	19,372	89,315	-	138,019
Transfers	-	23,096	25,142	24,476	(350,449)
Total Governmental Activities	<u>1,505,476</u>	<u>1,995,454</u>	<u>2,310,349</u>	<u>2,326,010</u>	<u>2,493,898</u>
Business-Type Activities:					
Investment Income	52,361	69,392	71,135	185,504	41,805
Miscellaneous	241,225	61,376	139	2,638	31,911
Extraordinary Items	-	-	-	-	-
Transfers	-	(23,096)	(25,142)	(24,476)	350,449
Total Business-Type Activities	<u>293,586</u>	<u>107,672</u>	<u>46,132</u>	<u>163,666</u>	<u>424,165</u>
Total Primary Government Revenues	<u>1,799,062</u>	<u>2,103,126</u>	<u>2,356,481</u>	<u>2,489,676</u>	<u>2,918,063</u>
CHANGE IN NET POSITION					
Governmental Activities:	19,631	206,243	2,152	39,381	168,179
Business-Type Activities:	500,423	807,209	230,866	476,418	594,622
Total Primary Government Program Net Expenses	<u>\$ 520,054</u>	<u>\$ 1,013,452</u>	<u>\$ 233,018</u>	<u>\$ 515,799</u>	<u>\$ 762,801</u>

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

Table 2
 (continued)

	FISCAL YEAR				
	2010	2011	2012	2013	2014
EXPENSES					
Government Activities					
General Government	\$ 525,180	\$ 787,033	\$ 541,838	\$ 704,619	\$ 728,324
Public Safety	1,233,166	1,310,826	1,374,721	1,380,786	1,244,648
Public Works	409,971	562,550	442,915	603,570	1,113,223
Public Services and Operations	246,159	272,659	274,184	294,647	497,095
Parks and Recreation	242,239	197,735	294,768	307,933	245,950
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Economic Development	-	-	-	-	-
Interest Expense	328,953	322,897	289,026	262,039	215,011
Total government activities expenses	<u>2,985,668</u>	<u>3,453,700</u>	<u>3,217,452</u>	<u>3,553,594</u>	<u>4,044,251</u>
Business-Type Activities					
Water and Sewer	3,220,575	3,837,065	3,837,603	4,318,861	4,449,142
Total Business-Type Activities	<u>3,220,575</u>	<u>3,837,065</u>	<u>3,837,603</u>	<u>4,318,861</u>	<u>4,449,142</u>
Total Primary Government Expenses	<u>6,206,243</u>	<u>7,290,765</u>	<u>7,055,055</u>	<u>7,872,455</u>	<u>8,493,393</u>
PROGRAM REVENUES					
Governmental Activities					
Charge for Services:					
General Government	-	-	-	-	-
Public Safety	249,280	267,848	234,570	271,837	353,545
Public Works	246,784	224,209	259,738	291,606	724,455
Sanitation	-	-	-	-	-
Development	-	-	-	-	-
Parks , Recreation, and Public Services	14,119	9,421	15,489	17,972	83,217
Operating Grants and Contributions	16,321	39,182	213,574	1,015,344	148,283
Capital Grants and Contributions	21,045	3,400	200,014	849,804	266,308
Total Governmental Activities Program Revenues	<u>547,549</u>	<u>544,060</u>	<u>923,385</u>	<u>2,446,563</u>	<u>1,575,808</u>
Business-Type Activities					
Charge for Services:					
Water and Sewer	3,191,055	3,850,211	3,694,915	4,382,048	4,812,038
Capital Grants and Contributions	-	239,917	145,353	74,680	-
Total Business-Type Activities Program Revenues	<u>3,191,055</u>	<u>4,090,128</u>	<u>3,840,268</u>	<u>4,456,728</u>	<u>4,812,038</u>
Total Primary Government Program Revenues	<u>3,738,604</u>	<u>4,634,188</u>	<u>4,763,653</u>	<u>6,903,291</u>	<u>6,387,846</u>
NET (EXPENSE) REVENUES					
Governmental Activities	(2,438,119)	(2,909,640)	(2,294,067)	(1,107,031)	(2,468,443)
Business-Type Activities	(29,520)	253,063	2,665	137,867	362,896
Total Primary Government Program Revenues	<u>(2,467,639)</u>	<u>(2,656,577)</u>	<u>(2,291,402)</u>	<u>(969,164)</u>	<u>(2,105,547)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Property	\$ 2,082,305	\$ 2,060,352	\$ 2,072,551	\$ 2,131,994	\$ 2,228,700
Sales	368,307	387,708	447,973	501,970	572,515
Franchise	211,703	227,551	225,711	189,738	216,724
Beverage	2,724	-	2,368	3,190	1,861
Investment Income	18,541	9,552	15,913	11,114	6,702
Donations	11,496	306,348	7,135	8,800	17,010
Miscellaneous	19,368	30,382	38,630	38,226	37,350
Insurance refunds	-	-	-	-	-
Intergovernmental	2,592,361	2,896,341	-	-	-
Transfers	(54,097)	(26,753)	609	(32,841)	(84,550)
Total Governmental Activities	<u>5,252,708</u>	<u>5,891,481</u>	<u>2,810,890</u>	<u>2,852,191</u>	<u>2,996,312</u>
Business-Type Activities:					
Investment Income	3,293	757	256	332	4,167
Miscellaneous	22,381	18,210	1,491	1,931	3,856
Extraordinary Items	75,000	-	-	-	-
Transfers	54,097	26,753	(609)	32,841	84,550
Total Business-Type Activities	<u>154,771</u>	<u>45,720</u>	<u>1,138</u>	<u>35,104</u>	<u>92,573</u>
Total Primary Government Revenues	<u>5,407,479</u>	<u>5,937,201</u>	<u>2,812,028</u>	<u>2,887,295</u>	<u>3,088,885</u>
CHANGE IN NET POSITION					
Governmental Activities:	2,814,589	2,981,841	516,823	1,745,160	527,869
Business-Type Activities:	125,251	298,783	3,803	172,971	455,469
Total Primary Government Program Net Expenses	<u>\$ 2,939,840</u>	<u>\$ 3,280,624</u>	<u>\$ 520,626</u>	<u>\$ 1,918,131</u>	<u>\$ 983,338</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
2005	\$ 914,998	\$ 406,240	\$ 104,851	\$ -	\$ 1,426,089
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

* First year of beverage tax

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable-prepaid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,751.00	\$ -	\$ -
Restricted for:										
Court and Child Safety	-	44,445	-	-	74,217	64,418	8,828	11,136	13,472	82,263
Park Improvements	-	-	-	-	-	-	-	-	-	69,761
PEG Capital	-	-	-	-	-	-	-	7,478	16,915	23,965
Committed for:										
Fire	-	-	-	-	-	-	18,731	89,034	101,675	99,824
Capital Improvements	184,318	1,641,735	1,863,864	1,612,820	5,431,819	3,468,661	-	-	-	-
Assigned for:										
Police	-	-	-	-	-	1,084	1,084	4,015	2,439	2,439
Scholarships	-	-	-	-	-	-	-	-	-	2,362
Unassigned	663,073	716,592	348,902	351,407	245,609	402,869	(273,162)	(144,933)	8,211	517,024
Total General Fund	847,391	2,402,772	2,212,766	1,964,227	5,751,645	3,937,032	(244,519)	(23,519)	142,712	797,638
All Other Government Funds *										
Restricted for:										
Debt Service	473,638	507,826	640,664	590,964	277,778	290,288	342,532	372,018	436,983	431,132
Capital Improvements	227,347	518,878	-	(152,474)	(203,476)	122,361	4,771,097	2,496,018	2,641,610	2,452,981
Committed for:										
Capital Improvements Parks	-	-	-	-	-	-	-	-	239,739	-
Total All Other Governmental Fund	\$ 700,985	\$ 1,026,704	\$ 640,664	\$ 438,490	\$ 74,302	\$ 412,649	\$ 5,113,629	\$ 2,868,036	\$ 3,318,332	\$ 2,884,113

* 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				
	2005	2006	2007	2008	2009
REVENUES					
Property Taxes	\$ 899,443	\$ 1,076,646	\$ 1,512,827	\$ 1,620,974	\$ 2,075,209
Non-Property Taxes	511,091	728,821	471,302	521,013	536,055
License and Permits	551,668	-	321,266	227,078	240,298
Development	-	603,408	-	-	-
Sanitation	216,008	252,500	-	-	-
Impact Fees	20,100	-	-	-	-
Fines/Court	117,700	304,006	375,862	241,470	267,448
Investment Income	45,962	121,844	186,604	129,242	34,296
Intergovernmental	-	-	89,316	87,927	139,520
Parks	-	435	180	-	-
Library	-	16,825	-	-	-
Public Safety	-	2,576	46,531	-	-
Grants	-	-	73,305	242,133	55,802
Charge for Services	-	-	-	72,312	50,641
Donations	-	-	-	-	22,883
Miscellaneous	78,354	49,030	25,160	25,996	47,679
Total Revenues	<u>2,440,326</u>	<u>3,156,091</u>	<u>3,102,353</u>	<u>3,168,145</u>	<u>3,469,831</u>
EXPENDITURES					
General Government	549,594	623,429	659,547	630,669	437,374
Public Safety	755,353	1,094,516	1,141,785	1,233,888	1,125,917
Public Works	247,773	296,310	615,888	692,185	555,308
Sanitation	184,785	204,812	-	-	-
Public Services and Operations	-	-	270,878	280,392	251,771
Development	180,976	293,217	-	-	-
Parks	113,858	82,504	84,303	22,879	141,724
Library	25,306	33,447	31,962	78,828	26,052
Community Development*	-	1,939	-	-	-
Economic Development*	-	27,201	-	-	-
Capital Outlay	795,203	25,795	-	392,433	1,002,291
Debt Service:					
Principal	138,481	153,647	183,000	204,000	1,581,501
Interest and Other Charges	105,321	96,270	147,574	151,353	160,197
Issuance Cost and Bond Refunding	-	-	-	-	-
Total Expenditures	<u>3,096,650</u>	<u>2,933,087</u>	<u>3,134,937</u>	<u>3,686,627</u>	<u>5,282,135</u>
OTHER FINANCING SOURCES (USES)					
Note/Bond Proceeds	-	1,635,000	-	-	5,431,819
Payments to Bond Refunding Escrow Agent	-	-	-	-	-
Insurance Refund	-	-	-	15,241	-
Sale of Assets	-	-	-	-	-
Capital Leases	67,172	-	-	28,052	-
Transfers	(37,432)	23,096	25,142	24,476	(350,449)
Total Other Financing Sources (Uses)	<u>29,740</u>	<u>1,658,096</u>	<u>25,142</u>	<u>67,769</u>	<u>5,081,370</u>
NET CHANGE IN FUND BALANCES	<u>(626,584)</u>	<u>1,881,100</u>	<u>(7,442)</u>	<u>(450,713)</u>	<u>3,269,066</u>
Debt Service as a percentage of Non-Capital Expenditures	<u>10.59%</u>	<u>8.60%</u>	<u>10.54%</u>	<u>10.79%</u>	<u>40.70%</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				
	2010	2011	2012	2013	2014
REVENUES					
Property Taxes	\$ 2,102,158	\$ 2,052,550	\$ 2,108,665	\$ 2,148,647	\$ 2,229,646
Non-Property Taxes	582,734	618,801	676,052	694,898	791,100
License and Permits	246,784	222,194	259,738	291,606	724,455
Development	-	-	-	-	-
Sanitation	-	-	-	-	-
Impact Fees	-	-	-	-	-
Fines/Court	210,408	204,011	195,497	223,980	325,175
Investment Income	18,542	9,552	15,913	11,114	6,702
Intergovernmental	2,592,361	2,862,740	246,248	768,746	217,809
Parks	-	-	-	-	-
Library	-	-	-	-	-
Public Safety	-	-	-	-	-
Grants	37,366	40,484	159,988	85,994	11,525
Charge for Services	52,991	48,252	69,510	91,097	83,217
Donations	11,496	306,348	11,722	17,680	17,010
Miscellaneous	19,367	26,843	38,630	40,186	29,947
Total Revenues	<u>5,874,207</u>	<u>6,391,775</u>	<u>3,781,963</u>	<u>4,373,948</u>	<u>4,436,586</u>
EXPENDITURES					
General Government	469,005	744,937	490,861	609,017	725,630
Public Safety	1,144,097	1,304,248	1,174,580	1,151,292	1,293,428
Public Works	342,198	444,451	333,393	429,004	460,504
Sanitation	-	-	-	-	-
Public Services and Operations	244,025	268,658	269,557	291,680	276,377
Development	-	-	-	-	-
Parks	190,555	185,225	229,804	109,854	95,038
Library	40,913	-	210	133,852	95,733
Community Development*	-	-	-	-	-
Economic Development*	-	-	-	-	-
Capital Outlay	4,386,064	2,234,246	2,604,944	1,696,947	494,965
Debt Service:					
Principal	386,840	638,357	494,283	566,061	478,089
Interest and Other Charges	355,766	324,670	287,818	258,593	211,565
Issuance Cost and Bond Refunding	-	65,000	-	28,143	-
Total Expenditures	<u>7,559,463</u>	<u>6,209,792</u>	<u>5,885,450</u>	<u>5,274,443</u>	<u>4,131,329</u>
OTHER FINANCING SOURCES (USES)					
Note/Bond Proceeds	250,000	1,481,682	114,066	1,549,861	-
Payments to Bond Refunding Escrow Agent	-	(1,144,500)	-	-	-
Insurance Refund	-	-	-	-	-
Sale of Assets	-	27,021	-	-	-
Capital Leases	-	-	-	-	-
Transfers	(54,097)	(26,753)	609	(32,841)	(84,550)
Total Other Financing Sources (Uses)	<u>195,903</u>	<u>337,450</u>	<u>114,675</u>	<u>1,517,020</u>	<u>(84,550)</u>
NET CHANGE IN FUND BALANCES	<u>(1,489,353)</u>	<u>519,433</u>	<u>(1,988,812)</u>	<u>616,525</u>	<u>220,707</u>
Debt Service as a percentage of Non-Capital Expenditures	<u>23.40%</u>	<u>24.22%</u>	<u>23.84%</u>	<u>23.05%</u>	<u>18.97%</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.

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						
2005	\$ 113,180,344	\$ 28,143,731	\$ 10,791,812	\$ (17,216,564)	\$ 134,899,323	\$ 0.675000	\$ 152,115,887	88.68%
2006	139,957,854	30,662,869	9,233,721	(22,883,994)	156,970,450	0.675000	179,854,444	87.28%
2007	199,332,938	30,950,271	13,162,445	(40,088,236)	203,357,418	0.649700	243,445,654	83.53%
2008	273,868,089	34,332,079	15,228,146	(52,816,440)	270,611,874	0.649600	323,428,314	83.67%
2009	289,549,844	37,574,527	16,142,134	(61,900,306)	281,366,199	0.728394	343,266,505	81.97%
2010	278,538,937	31,462,248	24,609,961	(53,436,205)	281,174,941	0.728394	334,611,146	84.03%
2011	278,592,732	33,766,205	27,487,082	(58,979,246)	280,866,773	0.728394	339,846,019	82.65%
2012	295,401,109	42,701,207	2,497,520	(59,111,138)	281,488,698	0.756932	340,599,836	82.64%
2013	293,259,335	44,359,953	2,333,729	(62,018,127)	277,934,890	0.756320	339,953,017	81.76%
2014	364,887,976	52,483,026	2,471,089	(75,771,626)	344,070,465	0.738999	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
2005	\$ 0.443996	\$ 0.231004	\$ 0.675000	\$ 1.747760	\$ 0.250000	-
2006	0.432182	0.242818	0.675000	1.591400	0.245000	-
2007	0.405500	0.244200	0.649700	1.368700	0.245000	-
2008	0.439990	0.288404	0.728394	1.490000	0.245000	-
2009	0.439990	0.288404	0.728394	1.490000	0.245000	-
2010	0.439990	0.288404	0.728394	1.591400	0.245000	0.086300
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

CITY OF PRINCETON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
(unaudited)

Table 9

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2005	\$ 910,571	\$ 871,990	97.24%	\$ 13,419	\$ 885,409	97.24%
2006	1,061,587	1,025,639	96.61%	18,462	1,044,101	98.35%
2007	1,321,213	1,272,627	96.32%	11,779	1,284,406	97.21%
2008	1,608,415	1,550,664	96.41%	13,532	1,564,196	97.25%
2009	1,997,108	1,955,460	97.91%	27,660	1,983,120	99.30%
2010	2,046,391	1,997,250	97.60%	47,941	2,045,191	99.94%
2011	2,041,553	1,999,672	97.95%	34,240	2,033,912	99.63%
2012	2,048,174	2,024,856	98.86%	7,014	2,031,870	99.20%
2013	2,101,230	2,093,767	99.64%	3,281	2,097,048	99.80%
2014	\$ 2,210,407	\$ 2,198,054	99.44%	\$ 15,300	\$ 2,213,354	100.13%

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	General Obligation Bonds	Certificates of Obligations	Other Obligations			
2005	\$ 452,000	\$ 1,255,000	\$ 67,172	\$ -	\$ 1,940,000	\$ -	\$ 60,000	2.06%	\$ 944
2006	351,000	1,235,000	34,524	-	1,865,000	-	41,000	N/A	894
2007	130,000	1,215,000	128,000	-	1,790,000	-	21,000	3.86%	673
2008	99,000	1,190,000	65,000	1,250,000	8,805,000	-	-	9.82%	2,242
2009	1,270,500	4,315,000	19,236	1,754,500	8,120,000	-	-	13.44%	2,675
2010	1,218,000	4,565,000	9,896	1,687,000	7,985,000	-	-	12.95%	2,577
2011	1,439,500	4,315,000	31,521	1,610,500	7,845,000	17,756	-	11.78%	2,344
2012	1,325,600	4,315,000	105,204	1,521,400	7,700,000	11,482	-	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,455,971	7,665,640	3,516	-	9.64%	2,178
2014	\$ 1,206,200	\$ 4,149,963	\$ 204,915	\$ 1,361,644	\$ 11,845,825	\$ -	\$ -	10.59%	\$ 2,290

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>
2005	4,000	\$ 134,899,323	\$ 3,707,000	\$ 243,802	\$ 3,463,198	2.57%	\$ 866
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	\$ 344,070,465	\$ 19,673,632	\$ 431,132	\$ 19,242,500	5.72%	\$ 2,217

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, 2014
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	\$ 372,693,054	0.37%	\$ 1,378,964
Collin County CCD	33,491,213	0.37%	123,917
McKinney Independent School District	471,946,039	0.11%	519,141
Princeton Independent School District	80,858,293	49.36%	39,911,653
	\$ 958,988,599		\$ 41,933,676
City of Princeton			\$ 7,053,483
			\$ 48,987,159
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			15.33%
Per capita overlapping bonded debt			\$ 5,644

Source: "Texas Municipal Report" as of September 30, 2014, 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Limit Rate	\$ 1.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.6750	0.6750	0.6497	0.728394	0.728394	0.728394	0.728394	0.728394	0.756932	0.738999
Available Tax Rate	\$ 0.8250	\$ 1.8250	\$ 1.8503	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7431	\$ 1.7610

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 344,070,465
Add back exempt real property	75,771,626
Total assessed value	\$ 419,842,091
Debt limit (10% of total assessed value)	\$ 41,984,209
Debt applicable to limit:	
Property tax supported debt	\$ 6,541,200
Less: Amount set aside for repayment of general debt	(431,132)
Total net debt applicable to limit	\$ 6,110,068
Legal debt margin	1.46%

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

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Annual Requirements		Times Coverage
				Principal	Interest	
2005	\$ 1,510,046	\$ 1,303,209	\$ 206,837	\$ 118,000	\$ 62,737	1.14
2006	2,218,216	1,566,367	651,849	115,000	95,162	3.10
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

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
2005	4,000	\$ 182,880,000	\$ 45,720	N/A	2,352	4.60%
2006	5,773	N/A	N/A	31	2,477	4.30%
2007	7,200	125,467,200	* 17,426	35	2,584	* 6.5%
2008	5,750	131,197,750	22,817	37	2,767	4.80%
2009	6,282	125,024,364	* 19,902	45	5,608	8.20%
2010	6,400	127,372,800	* 19,902	35	2,183	7.50%
2011	6,807	135,472,914	* 19,902	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%
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%

Sources:

- 1 North Central Texas Council of Governments (NCTCOG)
 - 2 Texas Workforce Commission - (data for Collin County)
 - 3 North Central Texas Council of Governments (NCTCOG)
 - 4 Princeton 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
 FOR THE YEAR ENDED SEPTEMBER 30, 2014
 (unaudited)**

Table 16

Name of Employer	2014	
	No. of Employees	Rank
Princeton Independent School District	480	1
City of Princeton	75	2
Villa Asuncion Independent	70	4
McDonalds	36	3
Jack in the Box	25	5
Taco Bell	12	6
Citizens State Bank	10	8
O'Reilly Auto Parts	7	7
Dollar General	6	9
Big G Auto	4	10
Totals	725	

Note: Total employment within City 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	4	5	6	6	5	5	5	5	5	5
Police	9	12	12	12	12	12	12	11	12	12
Fire	0	0	0	0	0	0	0	0	1	1
Municipal Court	2	3	3	3	2	2	2	2	3	3
Code Enforcement	1	1	1	1	2	1	2	2	1	1
Library	0	0	0	0	1	1	1	1	1	1
Development Services	0	2	2	1	1	1	2	2	1	3
Municipal Services	3	3	3	3*	8*	8	3	3	0	0
Streets	1	1	1	0*	0*	1	2	2	2	2
Parks and Recreation	1	1	1	0*	0*	1	2	2	2	2
Utility Administration	2	3	4	4	4	4	3	3	3	3
Water, Wastewater	3	3	3	3	12	10	2	3	5	6
	26	34	36	30	39	46	36	36	36	39

Source: City of Princeton Finance Director

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

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

Function/Program	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical Arrests	296	261	304	768	245	293	267	291	296	352
Parking Violations	n/a	n/a	n/a	n/a	1	2	4	-	-	-
Traffic Violations	622	1,818	2,777	3,015	2,911	2,142	2,210	2,775	2,750	2,706
Fire										
Number of calls answered	643	799	858	553	1,032	973	1,215	1,254	1,355	1,536
Inspections	37	44	57	43	32	60	35	42	33	155
Highways and Streets										
Potholes repaired	n/a	1	14	1	354	2,500	600	540	712	690
Water										
New Connections	n/a	572	389	301	95	114	316	282	593	568
Water Main Breaks	n/a	1	7	1	4	24	50	100	175	188
Avg Daily Consumption (gallons)	280	246	223	260	219	6,155	373	1,163	1,153	1,054

Source: City departments, North Texas Municipal Water District

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	5	7	8	8	8	9	10	12	12	11
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	23	23	23	23	23	23	23	23	24	26
Streetlights	175	175	175	175	175	175	175	175	202	232
Culture and Recreation										
Parks (acreage)	104	104	104	104	104	125	125	125	126	126
Parks	2	2	2	2	2	3	3	3	4	4
Water										
Water Mains (miles)	23	23	23	24	24	27	27	27	27.5	27.5
Fire Hydrants	354	354	354	354	354	360	275	275	280	290
Maximum Daily Capacity (thousands gallons)	n/a	2,430	3,024	3,024	3,024	1M	1.37M	1.5M	1.9M	1.9M
Sewer										
Sanitary Sewer (miles)	20	20	20	20	20	50	50	50	50.5	50.5

Sources:
City departments, North Texas Municipal Water District

