



PRINCETON

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City Of Princeton, Texas

**Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2013**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

City of Princeton, Texas

City Manager

Derek Borg

Director of Finance

Cathy Crane



**CITY OF PRINCETON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION



CITY OF PRINCETON
Naturally Home

March 25, 2014

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, 2013, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified (“clean”) opinion on the City of Princeton’s financial statements for the year ended September 30, 2013. 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 7,469 for 2013 and 8,679 projected in 2014 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 149,000 residents. This growth has extended to the east into Princeton and development has been steady and slightly increasing over the past year. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade.

Economic/Tax Base

- Both the City and the school district have completed major infrastructure projects over the last few years. The following is a summary of the recent economic development:
- 22 Commercial Certificate of Occupancies have been issued to new businesses since October 2012.
- The Plans are being reviewed for Abby Crossing at Forest Grove for the development of 211 single family homes.
- The old historic Princeton downtown area is being redeveloped with a current 90% occupancy. Taco Bell completed a new restaurant on Princeton Dr.
- The Community Development Corporation has constructed a new parking area and park adjacent to the Veterans Memorial Park downtown that serves the new downtown businesses.
- The City has constructed a new library building, also in the historic downtown area.
- An annexation of 185 acres and the design of a planned development named Princeton Junction was completed at the South West corner of CR400 and CR 447
- The Economic Development Corporation is negotiating with Aero LAMH LLC to locate an aerospace manufacturing facility on CR 400 on the PEDC property

Building Permits and Development

FY 2012-2013	Combined building permits	116 permits	\$19,637,654	value
FY 2012-2013	Residential building permits to-date	55 permits	\$9,739,934	value

Residential development is expected to increase in 2014 and is showing signs in the first quarter. Non-residential development is likely to increase due to the completion of City infrastructure projects and the completion of the school district projects. Property Values have had a slight increase in 2013 and will likely hold fairly steady due to the state of the current economy.

Accomplishments:

- Monte Carlo Blvd reconstruction Phase 2 was completed and has opened up the North West portion of the city for new home sites.
- The City completed a Gas line serving the West side of the City for approximately 4 miles.
- Boundary roads CR. 400, 492, 408 & 456 in partner with Collin County have been reconstructed.
- The PISD finished the construction on a Vocational Agricultural Center and additional lecture halls that will be utilized by several school districts in Collin County.
- The PISD has submitted plans and will be constructing elementary school #4 to handle the growth projected for Princeton.
- The City continues to add enhancements in the old historic Princeton downtown area with new businesses and a new sidewalk, additional parking.

Projects under construction of development:

- Abby Crossing at Forest Grove subdivision
- Phase 2 at Villas of Monte Carlo subdivision
- New office building on Brown Street related to Clock Tower Plaza Development

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

OTHER INFORMATION

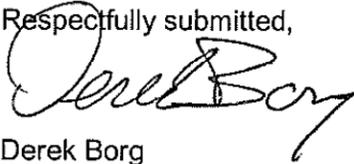
Independent Audit: The City of Princeton has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2013 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

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

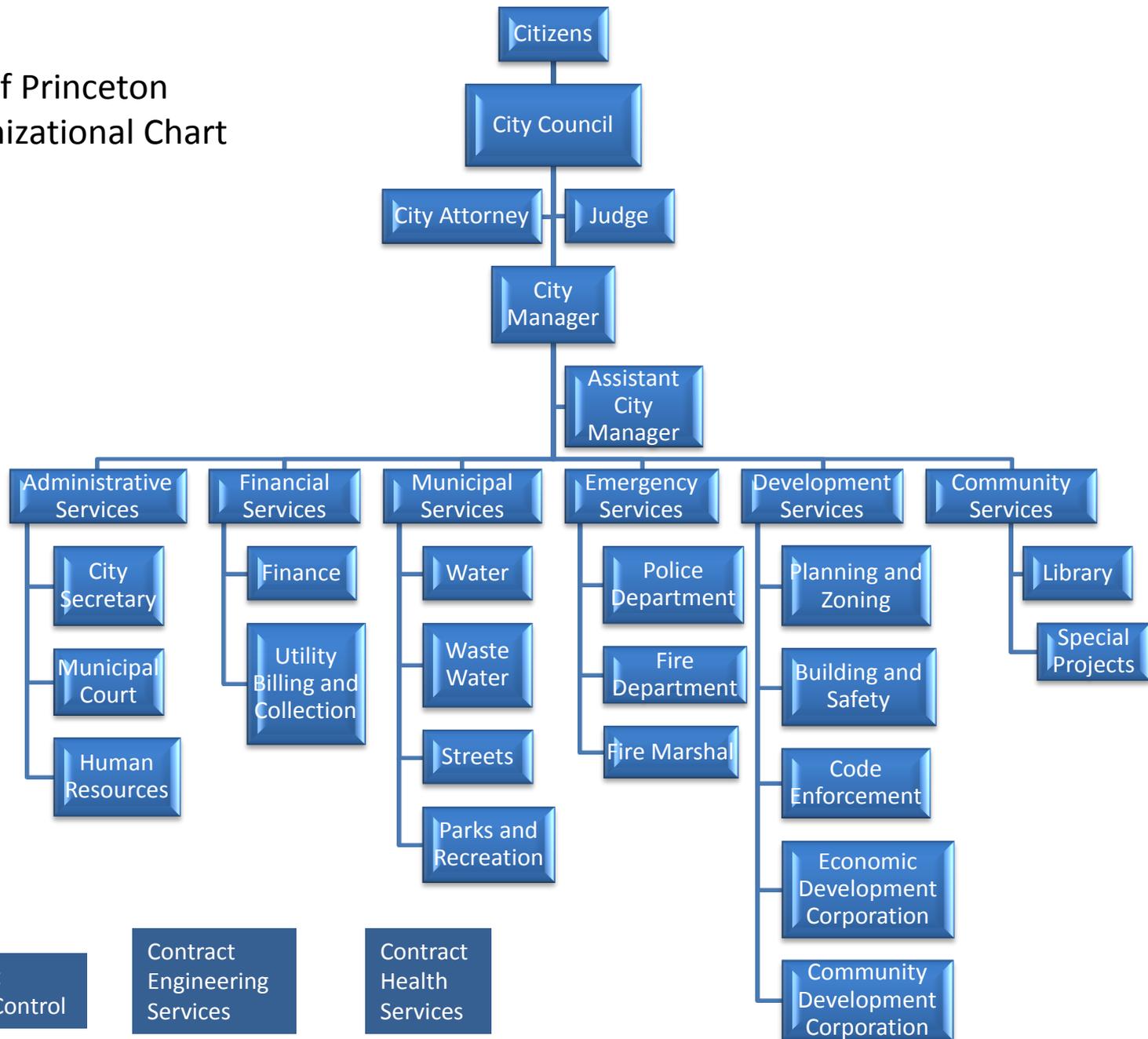
Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Derek Borg". The signature is written in a cursive style with a large initial "D" and "B".

Derek Borg
City Manager

City of Princeton Organizational Chart



**CITY OF PRINCETON, TEXAS
LIST OF ELECTED & APPOINTED OFFICIALS
SEPTEMBER 30, 2013**

City Council:

Kenneth Bowers	Mayor
Steven Deffibaugh	Mayor Pro Tem
Bill Glass	Council member
J M Caldwell Jr	Council member
Bruce Beaughamp	Council member
Vacant	Council member

Administrative Officers

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

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

Toll Free (800) 594-7951
Metro (903) 450-1200

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

March 25, 2014

INDEPENDENT AUDITOR'S REPORT

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

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton ("City") as of and for the year ended September 30, 2013, 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 misstatements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

603 South Goliad Street
Rockwall, Texas 75087
Office (972) 771-1065
Fax (972) 771-1022

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 – 15 and the Schedule of Pension Trust – TMRS Funding Progress and Contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Princeton, Texas' basic financial statements. The introductory section, individual fund financial statements and schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, individual fund financial statements and schedules, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the City of Princeton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

603 South Goliad Street
Rockwall, Texas 75087
Office (972) 771-1065
Fax (972) 771-1022

CITY OF PRINCETON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

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, 2013. 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 \$15,004,401 (net position). Of this amount, \$3,509,257, (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 \$1,408,817 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 \$1,918,131, excluding prior period adjustments. This is largely due to an increase in intergovernmental revenues from component units reimbursing a portion of long-term debt and contributions from other governmental entities for street infrastructure improvements in governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,461,044, an increase of \$616,525 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 \$8,211. This increase in unassigned fund balance was largely due to the increase in property tax revenues and sales tax revenues collected.
- The City's total bonded debt increased by \$935,734, or 6%, during the current fiscal year. The City issued Series 2013 Tax Note for street improvements.

Overview of the Financial Statements

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

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Basic Financial Statements

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

The next statements (pages 22 - 30) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows 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.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Princeton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

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

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

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The comparison shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 22 - 25 of this report. The General Fund budgetary comparison can be found on pages 26 - 27.

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 28 - 30 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 31 – 56 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.

New GASB Pronouncements

GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements” was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of this statement had no effect on the financial statements.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34" modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The statement also amends the criteria for blending component units and provides additional guidance for blending a component unit if the primary government is a business-type activity and clarifies the reporting of equity interests in legally separate organizations. The implementation of this statement had no effect on the financial statements.

The GASB has issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement" incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. The implementation of this statement had no effect on the financial statements.

The GASB issued the following statements which will be effective in future years as described below:

GASB Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62", will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financial activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25", will be implemented as required by GASB during the fiscal year ending September 30, 2014. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

City of Princeton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,471,323	\$ 3,253,737	\$ 2,691,237	\$ 2,433,010	\$ 7,162,560	\$ 5,686,747
Capital assets	12,646,035	11,213,519	12,449,936	12,741,346	25,095,971	23,954,865
Total assets	<u>17,117,358</u>	<u>14,467,256</u>	<u>15,141,173</u>	<u>15,174,356</u>	<u>32,258,531</u>	<u>29,641,612</u>
Long-term liabilities outstanding	7,342,395	6,133,050	9,138,895	9,332,357	16,481,290	15,465,407
Other Liabilities	188,998	353,801	583,842	533,134	772,840	886,935
Total liabilities	<u>7,531,393</u>	<u>6,486,851</u>	<u>9,722,737</u>	<u>9,865,491</u>	<u>17,254,130</u>	<u>16,352,342</u>
Net position:						
Net investment in capital assets	6,626,161	5,151,105	3,460,166	3,572,269	10,086,327	8,723,374
Restricted	642,768	2,162,925	766,049	620,769	1,408,817	2,783,694
Unrestricted	2,317,036	666,375	1,192,221	1,115,827	3,509,257	1,782,202
Total net position	<u>\$ 9,585,965</u>	<u>\$ 7,980,405</u>	<u>\$ 5,418,436</u>	<u>\$ 5,308,865</u>	<u>\$ 15,004,401</u>	<u>\$ 13,289,270</u>

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 \$15,004,401 as of September 30, 2013.

Net investment in capital assets:

The City's net position increased by \$1,715,131, including prior period adjustments, for the fiscal year ended September 30, 2013. However a large portion, 67.22%, 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 9.39%, that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) \$93,436 for debt requirements, (b) \$796,436 for state imposed restrictions, and (c) \$518,945 for capital projects.

Unrestricted net position:

Unrestricted net position in the amount of \$3,509,257 , or 23.4%, is available to fund City programs to citizens and creditors.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

City of Princeton's Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUE:						
Program Revenues:						
Charge for Services	\$ 581,415	\$ 509,797	\$ 4,382,048	\$ 3,694,915	\$ 4,963,463	\$ 4,204,712
Operating Grants and Contributions	1,015,344	213,574	-	-	1,015,344	213,574
Capital Grants and Contributions	849,804	200,014	74,680	145,353	924,484	345,367
General Revenues:						
Property taxes	2,131,994	2,072,551	-	-	2,131,994	2,072,551
Franchise tax	189,738	225,711	-	-	189,738	225,711
Sales and use tax	501,970	447,973	-	-	501,970	447,973
Investment income	11,114	15,913	332	256	11,446	16,169
Donations-not restricted for specific purpose	8,800	7,135	-	-	8,800	7,135
Miscellaneous	41,416	40,998	1,931	1,491	43,347	42,489
Total Revenues	<u>5,331,595</u>	<u>3,733,666</u>	<u>4,458,991</u>	<u>3,842,015</u>	<u>9,790,586</u>	<u>7,575,681</u>
EXPENSES:						
Program Expenses:						
General Government	704,619	541,838	-	-	704,619	541,838
Public Safety	1,380,786	1,374,721	-	-	1,380,786	1,374,721
Public Works	603,570	442,915	-	-	603,570	442,915
Public Services and Operations	294,647	274,184	-	-	294,647	274,184
Parks and Recreation	169,302	214,445	-	-	169,302	214,445
Library	138,631	80,323	-	-	138,631	80,323
Interest and Fiscal Agent Fees	262,039	289,026	-	-	262,039	289,026
Water and Sewer	-	-	4,318,861	3,837,603	4,318,861	3,837,603
Total Expenses	<u>3,553,594</u>	<u>3,217,452</u>	<u>4,318,861</u>	<u>3,837,603</u>	<u>7,872,455</u>	<u>7,055,055</u>
Increase in Net Position before Transfers	1,778,001	516,214	140,130	4,412	1,918,131	520,626
Transfers	(32,841)	609	32,841	(609)	-	-
Increase in Net Position	1,745,160	516,823	172,971	3,803	1,918,131	520,626
Net Position, beginning	7,980,405	7,671,424	5,308,865	5,531,057	13,289,270	13,202,481
Prior Period Adjustments	(139,600)	(207,842)	(63,400)	(225,995)	(203,000)	(433,837)
Net Position, ending	<u>\$ 9,585,965</u>	<u>\$ 7,980,405</u>	<u>\$ 5,418,436</u>	<u>\$ 5,308,865</u>	<u>\$ 15,004,401</u>	<u>\$ 13,289,270</u>

The Governmental Activities consistently show an increase in net position. The Governmental revenues increased by \$1,597,929, or 43%, due to an increase in operating contributions. The increase is due, in part, because the Community Development Corporation agreed to pay a portion of the General Obligation long-term debt which amounts to \$861,293 in current year revenues.

The Business-type activities had an increase of \$172,971, excluding prior period adjustments, in net position at fiscal year end. The charge for services revenues increased \$687,133, or 18.6%, and the business-type expenditures increased \$481,258 or 12.5%. The City had a slight increase in the number of customers that relates directly to the increase in utility charge for services revenues.

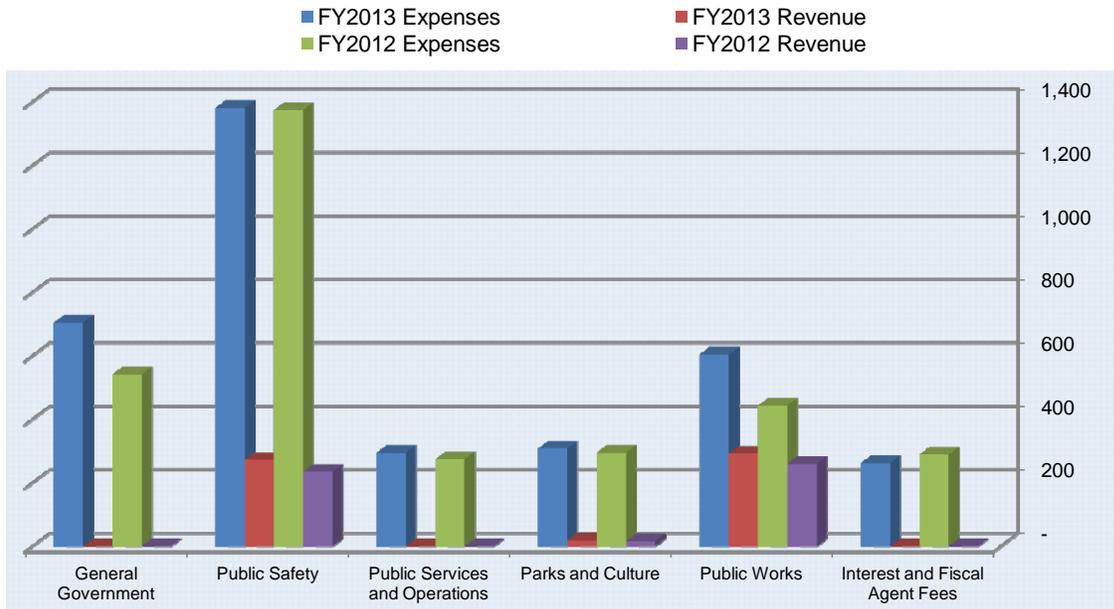
**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Governmental-type activities - Governmental-type activities increased the City's net position by \$1,745,160, excluding prior period adjustments. One key element of this increase is as follows:

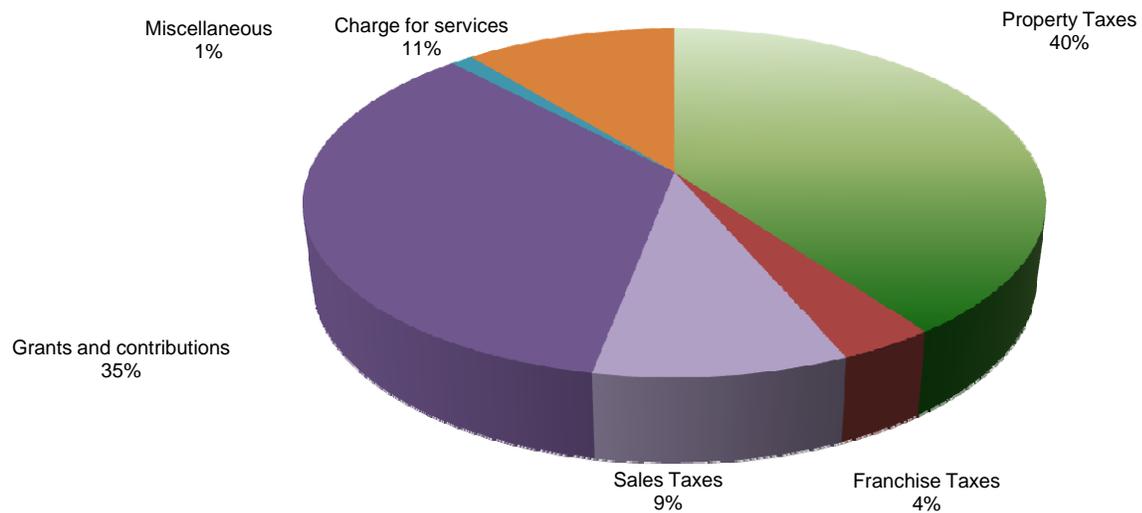
Capital and operating grants and contributions increased \$1,451,560, or 351%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



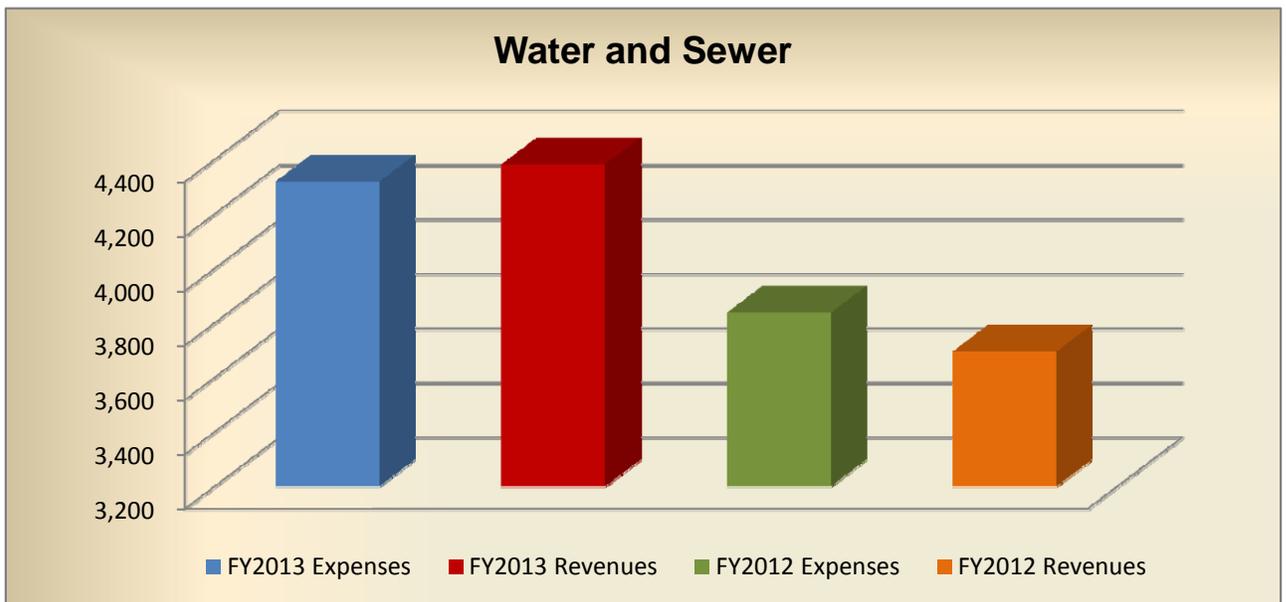
**CITY OF PRINCETON, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2013**

Business-type Activities - Business-type activities increased the City of Princeton's net position by \$172,971, excluding prior period adjustments. One key element of this increase is as follows:

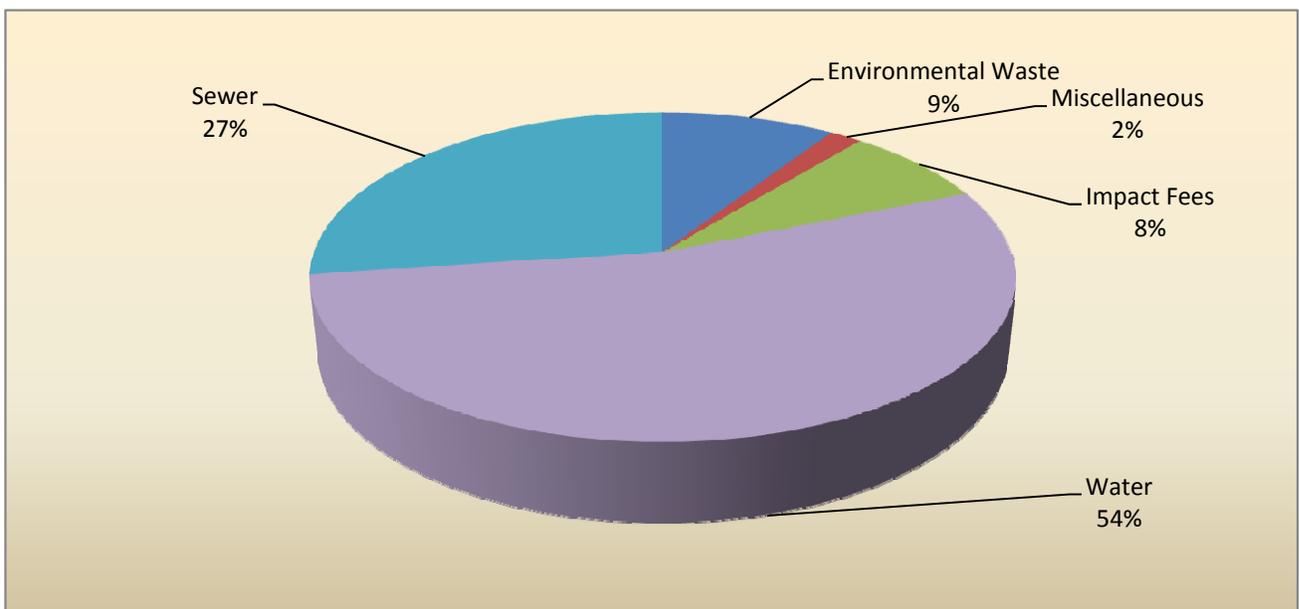
Charge for services increased \$687,133, or 19%.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

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, 2013, the governmental funds of the City reported a combined fund balance of \$3,461,044, a 22% increase over last year. This increase is due to an increase in intergovernmental contributions. The components of total fund balance are as follows:

Restricted fund balance of \$2,641,610 is for capital projects that has been restricted by a third party. Restricted fund balances of \$30,387, are amounts restricted by external laws for other third party restrictions.

Committed fund balance of \$101,675, 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 \$239,739 has been set aside by the City Council for Park projects.

Assigned fund balance of \$2,439, is the amount set aside for use by a special revenue fund of the police department.

The General Fund had an ending fund balance of \$142,712, a 707% increase over last year. This increase is due to the slight increase in collected property tax and sales tax revenues. Also, the CDC and EDC had significant contributions for capital improvements that increased intergovernmental revenues.

At the end of the current fiscal year, the Debt Service Fund had a total restricted fund balance of \$436,983 for the payment of debt, an increase of \$64,964, or 17%.

At the end of the current fiscal year, the Capital Projects Fund had a total restricted fund balance of \$2,881,349. This is an increase of \$385,328, or 15.4%. Less expenditures for capital outlay were spent in the current fiscal year.

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

The largest portion of amendments to the budget were made to adjust estimates that were used to prepare the budget. Revenues were more than the budgeted amounts mainly in the area of property taxes and sales taxes collected. Expenditures were slightly more 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 \$1,192,221, a 7% increase from the prior year.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Capital assets - The City of Princeton's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totals \$25,095,971 (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 5%.

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 for College & 3rd Streets

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 416,784	\$ 384,543	\$ 180,353	\$ 180,353	\$ 597,137	\$ 564,896
Buildings and improvements	1,084,861	679,854	162,683	162,683	1,247,544	842,537
Infrastructure	9,219,526	2,440,347	11,825,943	11,329,126	21,045,469	13,769,473
Machinery & equipment	855,183	629,148	177,504	171,402	1,032,687	800,550
Construction in progress	1,069,681	7,079,627	103,453	897,782	1,173,134	7,977,409
Total	<u>\$ 12,646,035</u>	<u>\$ 11,213,519</u>	<u>\$ 12,449,936</u>	<u>\$ 12,741,346</u>	<u>\$ 25,095,971</u>	<u>\$ 23,954,865</u>

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, 2013, the City had total long-term debt outstanding of \$16,270,848. The total debt increased by \$935,734 from the previous year. This represents an increase of 6% due to the issuance of the Series 2013 Tax Note.

**City of Princeton
Outstanding Debt
As of September 30, 2013**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds and Certificates of Obligation (backed by the City)	\$ 5,575,917	\$ 5,558,672	\$ 9,121,611	\$ 9,304,756	\$ 14,697,528	\$ 14,863,428
Tax Note (backed by tax revenues)	1,285,000	355,000	-	-	1,285,000	355,000
Capital Leases	284,804	105,204	3,516	11,482	288,320	116,686
Total	<u>\$ 7,145,721</u>	<u>\$ 6,018,876</u>	<u>\$ 9,125,127</u>	<u>\$ 9,316,238</u>	<u>\$ 16,270,848</u>	<u>\$ 15,335,114</u>

More detailed information about the City's long-term debt is presented in Note I of the notes to the financial statements.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Economic Factors and Next Year's Budgets and Rates

The FY 2013-14 budget incorporates the effective property tax rate of \$0.738999 per \$100 valuation. The budget will raise more total property taxes by 4.4% from new property added to the tax roll.

The City's General Fund revenue is budgeted to increase by 3% more than last year due to the increase in new property.

General Fund expenditures are budgeted with a increase of 3% from the previous year budgeted expenditures due to new leases for parks and streets vehicles and a 2% cost of living increase.

A large change in the General Fund from the original budget to the amended budget was in the collection of sales tax revenue. The amended budget showed a 7% increase but the actual collection was an 11% increase. Expenditures increased 9% due to capital outlay for equipment.

The Proprietary Fund (water, sanitary sewer) operating revenues and expenditures are budgeted with a 3% increase due to a water rate increase and due to Municipal Water District's rate increase as a result of prolonged drought conditions.

A large change in the Proprietary Fund from the original budget to actual collections increased 4.58% due to water sales revenues. Expenditures increased 7% due to contract service and legal expenditures.

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, 2013**

	Primary Government			Component Units	
	Governmental	Business-type	Total	Activities	
	Activities	Activities		CDC	EDC
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,083,828	\$ 1,083,828	\$ -	\$ 517,711
Receivables (net of allowance for uncollectibles)	217,754	425,008	642,762	46,062	46,062
Note receivable-component unit	782,517	-	782,517	-	-
Due from component unit	-	35,381	35,381	-	-
Restricted assets:					
Cash and cash equivalents	3,471,052	1,147,020	4,618,072	-	-
Capital assets not being depreciated:					
Land	416,784	180,353	597,137	-	1,242,000
Construction in process	1,069,681	103,453	1,173,134	-	-
Capital assets net of accumulated depreciation:					
Infrastructure	9,219,526	11,825,943	21,045,469	-	-
Buildings and improvements	1,084,861	162,683	1,247,544	-	-
Machinery and equipment	855,183	177,504	1,032,687	-	-
Total assets	17,117,358	15,141,173	32,258,531	46,062	1,805,773
LIABILITIES					
Accounts payable	71,538	121,694	193,232	88	1,065
Retainage payable	-	48,939	48,939	-	-
Due to primary government	-	-	-	35,381	-
Accrued expenses	44,119	17,791	61,910	926	277
Other liabilities	40,349	13,808	54,157	-	-
Customer deposits	-	326,521	326,521	-	-
Accrued interest payable	32,992	55,089	88,081	-	-
Noncurrent liabilities:					
Due within one year:					
Compensated absences	13,865	3,067	16,932	-	481
Lease payable	89,102	3,516	92,618	-	-
Note payable to primary government	-	-	-	81,051	-
Tax note payable	175,000	-	175,000	-	35,854
Bonds payable	218,200	251,800	470,000	-	-
Due in more than one year:					
Compensated absences	182,809	10,701	193,510	4,241	7,807
Lease payable	195,702	-	195,702	-	-
Note payable to primary government	-	-	-	701,466	-
Tax note payable	1,110,000	-	1,110,000	-	992,436
Bonds payable	5,357,717	8,869,811	14,227,528	-	-
Total liabilities	7,531,393	9,722,737	17,254,130	823,153	1,037,920
NET POSITION					
Net investment in capital assets	6,704,644	3,379,155	10,083,799	-	213,710
Restricted for:					
Debt service	435,262	-	435,262	-	-
Use of impact fees	-	766,049	766,049	-	-
Court	13,472	-	13,472	-	-
PEG Capital	16,915	-	16,915	-	-
Capital projects	518,945	-	518,945	-	-
Unrestricted	1,896,727	1,273,232	3,169,959	(777,091)	554,143
Total net position	\$ 9,585,965	\$ 5,418,436	\$ 15,004,401	\$ (777,091)	\$ 767,853

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, 2013**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 704,619	\$ -	\$ 942,180	\$ 32,241
Public safety	1,380,786	271,837	7,175	151,256
Public services and operations	294,647	-	-	-
Parks and recreation	169,302	15,559	-	88,776
Library	138,631	2,413	65,989	105,637
Public works	603,570	291,606	-	471,894
Interest on long-term debt	262,039	-	-	-
Total governmental activities	3,553,594	581,415	1,015,344	849,804
Business-type activities:				
Utility services	4,318,861	4,382,048	-	74,680
Total business-type activities	4,318,861	4,382,048	-	74,680
Total primary government	7,872,455	4,963,463	1,015,344	924,484
Component units:				
Community Development Corporation	400,844	-	-	-
Economic Development Corporation	396,531	-	-	-
Total component units	\$ 797,375	\$ -	\$ -	\$ -

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

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business Activities	Total	CDC	EDC	
\$ 269,802	\$ -	\$ 269,802	\$ -	\$ -	
(950,518)	-	(950,518)	-	-	
(294,647)	-	(294,647)	-	-	
(64,967)	-	(64,967)	-	-	
35,408	-	35,408	-	-	
159,930	-	159,930	-	-	
(262,039)	-	(262,039)	-	-	
<u>(1,107,031)</u>	<u>-</u>	<u>(1,107,031)</u>	<u>-</u>	<u>-</u>	
-	137,867	137,867	-	-	
-	137,867	137,867	-	-	
<u>(1,107,031)</u>	<u>137,867</u>	<u>(969,164)</u>	<u>-</u>	<u>-</u>	
-	-	-	(400,844)	-	
-	-	-	-	(396,531)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400,844)</u>	<u>\$ (396,531)</u>	
\$ 2,131,994	\$ -	\$ 2,131,994	\$ -	\$ -	
501,970	-	501,970	250,985	250,985	
189,738	-	189,738	-	-	
11,114	332	11,446	304	561	
8,800	-	8,800	-	-	
41,416	1,931	43,347	-	-	
(32,841)	32,841	-	-	-	
<u>2,852,191</u>	<u>35,104</u>	<u>2,887,295</u>	<u>251,289</u>	<u>251,546</u>	
1,745,160	172,971	1,918,131	(149,555)	(144,985)	
7,980,405	5,308,865	13,289,270	30,757	912,838	
(139,600)	(63,400)	(203,000)	(658,293)	-	
<u>\$ 9,585,965</u>	<u>\$ 5,418,436</u>	<u>\$ 15,004,401</u>	<u>\$ (777,091)</u>	<u>\$ 767,853</u>	

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, 2013**

	General Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS				
Receivables (net of allowance for uncollectibles)	\$ 185,314	\$ 32,440	\$ -	\$ 217,754
Note receivable-component unit-CDC	782,517	-	-	782,517
Due from component unit-CDC	-	-	-	-
Cash - restricted	118,653	429,895	2,922,504	3,471,052
Total assets	1,086,484	462,335	2,922,504	4,471,323
LIABILITIES				
Accounts payable	30,382	-	41,155	71,537
Other liabilities	40,349	-	-	40,349
Accrued expenses	44,119	-	-	44,119
Total liabilities	114,850	-	41,155	156,005
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	46,405	25,352	-	71,757
Unavailable revenues-note receivable-CDC	782,517	-	-	782,517
Total deferred inflows of resources	828,922	25,352	-	854,274
FUND BALANCES				
Restricted for:				
Debt service	-	436,983	-	436,983
Court	13,472	-	-	13,472
PEG Capital	16,915	-	-	16,915
Capital projects	-	-	2,641,610	2,641,610
Committed for:				
Fire	101,675	-	-	101,675
Capital projects-Parks	-	-	239,739	239,739
Assigned for:				
Police	2,439	-	-	2,439
Unassigned	8,211	-	-	8,211
Total fund balances	142,712	436,983	2,881,349	3,461,044
Total liabilities, deferred inflows of resources and fund balances	\$ 1,086,484	\$ 462,335	\$ 2,922,504	\$ 4,471,323

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, 2013**

Total fund balances - governmental funds balance sheet \$ 3,461,044

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. 14,973,894

Accumulated depreciation is not included in the governmental fund financial statements. (2,327,859)

Bonds Payable and contractual obligations are not included in the governmental fund financial statements. (7,224,205)

Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds. 78,483

Accrued liabilities for compensated absences are not reflected in the fund financial statements. (196,674)

Interest payable on long-term debt does not require current financial sources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (32,992)

Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements. 854,274

Net position of governmental activities - statement of net position \$ 9,585,965

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 1,390,865	\$ 757,782	\$ -	\$ 2,148,647
Franchise taxes	189,738	-	-	189,738
Fines and forfeitures	223,980	-	-	223,980
Sales and use taxes	501,970	-	-	501,970
Charge for services	80,697	-	10,400	91,097
Beverage tax	3,190	-	-	3,190
Licenses and permits	291,606	-	-	291,606
Intergovernmental revenue-state and local	225,394	78,776	464,576	768,746
Grants	85,994	-	-	85,994
Donations	17,680	-	-	17,680
Investment income	5,192	353	5,569	11,114
Miscellaneous	40,186	-	-	40,186
Total revenues	<u>3,056,492</u>	<u>836,911</u>	<u>480,545</u>	<u>4,373,948</u>
EXPENDITURES				
Current operating:				
General government	602,178	6,839	-	609,017
Public safety	1,151,292	-	-	1,151,292
Public works	429,004	-	-	429,004
Library	133,852	-	-	133,852
Public services and operations	291,680	-	-	291,680
Parks and recreation	109,854	-	-	109,854
Debt service:				
Principal retirement	85,261	480,800	-	566,061
Interest and fiscal agent fees	7,126	251,467	-	258,593
Issuance costs	-	-	28,143	28,143
Capital outlays:				
Public works	55,414	-	1,128,780	1,184,194
Library	32,900	-	223,294	256,194
Public safety	210,112	-	-	210,112
Parks and recreation	46,447	-	-	46,447
Total expenditures	<u>3,155,120</u>	<u>739,106</u>	<u>1,380,217</u>	<u>5,274,443</u>
Excess (deficiency) of revenues over (under) expenditures	(98,628)	97,805	(899,672)	(900,495)
Other revenues and financing sources (uses)				
Tax note proceeds	-	-	1,285,000	1,285,000
Capital lease proceeds	264,861	-	-	264,861
Transfers	-	(32,841)	-	(32,841)
Total other financing sources (uses)	<u>264,861</u>	<u>(32,841)</u>	<u>1,285,000</u>	<u>1,517,020</u>
Net change in fund balances	166,233	64,964	385,328	616,525
Fund balances - October 1	(23,521)	372,019	2,496,021	2,844,519
Fund balances - September 30	<u>\$ 142,712</u>	<u>\$ 436,983</u>	<u>\$ 2,881,349</u>	<u>\$ 3,461,044</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, 2013**

Net change in fund balances - total governmental funds	\$ 616,525
Amounts reported for governmental activities in the statement of activities are different due to the following:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.	1,696,947
Donated capital is shown as an increase in capital assets in the government-wide financial statements.	140,185
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.	(375,643)
Current year long term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.	566,061
Current year capital lease and tax note proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements.	(1,549,861)
Premium 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.	3,445
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	82,501
In governmental fund financial statements, the loss from disposal of assets are shown as a decrease in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	25,650
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements	535,976
Expenditures in the statement of revenues, expenditures and changes in fund balance are not reported as expenditures in the statement of activities.	3,374
Change in net position of governmental activities - statement of activities	<u><u>\$ 1,745,160</u></u>

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

**CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,332,850	\$ 1,374,983	\$ 1,390,865	\$ 15,882
Beverage tax	3,006	3,006	3,190	184
Franchise taxes	217,710	218,750	189,738	(29,012)
Fines and forfeitures	252,013	222,902	223,980	1,078
Sales and use tax	452,015	482,015	501,970	19,955
Licenses and permits	255,402	317,045	291,606	(25,439)
Investment income	4,185	5,175	5,192	17
Operating grant	16,500	84,239	85,994	1,755
Charge for services	59,490	79,437	80,697	1,260
Intergovernmental - local and state	165,928	168,264	225,394	57,130
Donations	16,000	20,343	17,680	(2,663)
Miscellaneous	5,360	5,373	40,186	34,813
Total Revenues	<u>2,780,459</u>	<u>2,981,532</u>	<u>3,056,492</u>	<u>74,960</u>
EXPENDITURES				
Current:				
General Government:				
Administration (City Manager) and Public Information (City Secretary)	533,080	561,709	602,178	(40,469)
Judicial (Municipal Court)	224,105	211,410	193,877	17,533
Total General Government	<u>757,185</u>	<u>773,119</u>	<u>796,055</u>	<u>(22,936)</u>
Public Safety				
Police	992,945	990,082	983,752	6,330
Capital outlay	-	-	164,000	(164,000)
Fire	312,228	188,470	167,540	20,930
Capital outlay	100,000	-	46,112	(46,112)
Total Public Safety	<u>1,405,173</u>	<u>1,178,552</u>	<u>1,361,404</u>	<u>(182,852)</u>
Public Works				
Streets	148,756	173,577	176,034	(2,457)
Planning and development	208,156	322,612	252,970	69,642
Capital outlay	15,500	11,436	55,414	(43,978)
Total Municipal Services	<u>372,412</u>	<u>507,625</u>	<u>484,418</u>	<u>23,207</u>
Public Services and Operations				
Health Services	98,608	98,608	97,803	805
	<u>\$ 98,608</u>	<u>\$ 98,608</u>	<u>\$ 97,803</u>	<u>\$ 805</u>

(continued)

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

**CITY OF PRINCETON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Library	\$ 83,293	\$ 138,057	\$ 166,752	\$ (28,695)
Capital outlay	-	36,877	32,900	3,977
	<u>83,293</u>	<u>174,934</u>	<u>199,652</u>	<u>(24,718)</u>
Parks and Recreation				
Parks and recreation	114,537	129,422	109,854	19,568
Capital outlay	12,500	11,435	46,447	(35,012)
Total Parks and Recreation	<u>127,037</u>	<u>140,857</u>	<u>156,301</u>	<u>(15,444)</u>
Debt Service:				
Principle retirement	47,078	47,078	85,261	(38,183)
Interest and Fiscal Agent Fees	-	-	7,126	(7,126)
Total Debt Service	<u>47,078</u>	<u>47,078</u>	<u>92,387</u>	<u>(45,309)</u>
Total Expenditures	<u>2,890,786</u>	<u>2,883,896</u>	<u>3,155,120</u>	<u>(271,224)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(110,327)</u>	<u>97,636</u>	<u>(98,628)</u>	<u>(196,264)</u>
Other Revenues and Financing Sources (uses)				
Capital lease proceeds	-	-	264,861	264,861
Transfers	-	15,000	-	(15,000)
Total Other Financing Sources (uses)	<u>-</u>	<u>15,000</u>	<u>264,861</u>	<u>249,861</u>
Net change in Fund Balances	(110,327)	112,636	166,233	53,597
Fund balances - beginning of year	(23,521)	(23,521)	(23,521)	
Fund balances - end of year	<u>\$ (133,848)</u>	<u>\$ 89,115</u>	<u>\$ 142,712</u>	

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013**

	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,083,828
Receivables (net of allowance for uncollectibles)	425,008
Due from component unit	35,381
Total Current Assets	<u>1,544,217</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,147,020
Capital assets:	
Land	180,353
Construction in progress	103,453
Buildings and improvements	235,326
Infrastructure	14,701,282
Machinery & equipment	374,625
Less accumulated depreciation	<u>(3,145,103)</u>
Total capital assets, net of accumulated depreciation	<u>12,449,936</u>
Total assets	<u><u>15,141,173</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	121,694
Retainage payable	48,939
Accrued interest payable	17,791
Other liabilities	13,808
Payables from restricted funds:	
Customer deposits	326,521
Accrued interest payable	55,089
Compensated absences - current	3,067
Capital lease payable - current	3,516
Revenue bonds payable - current	251,800
Total current liabilities	<u>842,225</u>
Noncurrent liabilities:	
Compensated absences	10,701
Revenue bonds payable	<u>8,869,811</u>
Total noncurrent liabilities	<u>8,880,512</u>
Total liabilities	<u><u>9,722,737</u></u>
NET POSITION	
Net investment in capital assets	3,379,155
Restricted for:	
Use of impact fees	766,049
Unrestricted	<u>1,273,232</u>
Total net position	<u><u>\$ 5,418,436</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, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Utility Fund</u>
OPERATING REVENUES:	
Charges for sales and services:	
Service charges	\$ 4,016,431
Impact fees	346,206
Rental income	19,411
Miscellaneous	1,931
Total Operating Revenues	<u>4,383,979</u>
OPERATING EXPENSES:	
Personal services	661,176
Supplies and materials	136,568
Maintenance and repair	67,770
Water purchases	806,644
Lift station	474,141
Contractual services	1,303,438
Depreciation	432,011
Total Operating Expenses	<u>3,881,748</u>
Operating Income (Loss)	<u>502,231</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	332
Interest	<u>(437,113)</u>
Total Non-Operating Revenues (Expenses)	<u>(436,781)</u>
Income before contributions and transfers	<u>65,450</u>
Contributions	74,680
Transfers	<u>32,841</u>
Change in Net Position	172,971
Net Position - beginning	5,308,865
Prior period Adjustment	<u>(63,400)</u>
Net Position - ending	<u>\$ 5,418,436</u>

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,315,683
Cash received from other sources	21,345
Cash paid to employees	(663,528)
Cash paid to suppliers	(2,763,156)
Net cash provided by (used in) operating activities	<u>910,344</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from primary government	32,841
Due from other funds	(35,381)
Net cash provided by (used in) non-capital financing activities	<u>(2,540)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(140,602)
Contributions	74,680
Bond amortization expense	(2,345)
Correct allocation of debt	(63,400)
Principal paid on capital debt	(180,800)
Principal paid on capital lease	(7,966)
Interest paid on capital debt	(437,113)
Net cash provided by (used in) capital and related financing activities	<u>(757,546)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	332
Net cash provided by (used in) investing activities	<u>332</u>
Net Increase (Decrease) in Cash and Cash Equivalents	150,590
Cash and Cash Equivalents at Beginning of Year	2,080,258
Cash and Cash Equivalents at End of Year	<u>\$ 2,230,848</u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating income (loss)	<u>\$ 502,231</u>
Adjustment to reconcile operating income to net cash Provided by operating activities	
Depreciation	432,011
Change in Assets and Liabilities	
Decrease (increase) in receivables	(77,167)
Decrease (increase) in prepaid expenses	4,913
Increase (decrease) in accounts payable	15,991
Increase (decrease) in customer deposits	30,215
Increase (decrease) in other liabilities	4,502
Increase (decrease) in compensated absences	(2,352)
Total adjustments	<u>408,113</u>
Net cash provided (used in) by operating activities	<u>\$ 910,344</u>

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, 2013**

A. Summary of Significant Accounting Policies

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation 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 matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

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:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

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

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

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 noncurrent assets and noncurrent liabilities. In addition, the government-wide statements of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements which use the modified accrual basis of accounting and the current financial 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 operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been reported in separate columns in the government-wide financial 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 specific a 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. Internally 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 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
 - a. Basis of Presentation (continued)

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.

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.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
 - b. Measurement Focus, Basis of Accounting (continued)

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. 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".

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

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 statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources for the fiscal year ended September 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes 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, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

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.

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

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.

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

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

h. Fund Equity (continued)

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

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

j. Fund Balance Flow Assumption

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

k. Federal and State Grants

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

l. Comparative Data/Reclassification

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

m. Interfund Activity

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

n. Use of Estimates

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

o. Program Revenues

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

p. Program Expenses

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

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
General Fund	Greater than anticipated revenues collected cover the shortfall in budget
Debt Service Fund	Property tax revenues collected cover the shortfall in budget

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 General Debt Service Fund of the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budgeted revenues and expenditures. The General Fund budget appears in the 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:

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

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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. Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government

Cash and cash equivalents	\$ 1,083,828
Restricted cash and cash equivalents	4,618,072
Total cash and cash equivalents	<u>\$ 5,701,900</u>

Cash on hand	\$ 1,210
Checking accounts	2,872,146
Certificate of deposit	505,010
Texpool & TexStar	2,323,534
Total cash and cash equivalents	<u>\$ 5,701,900</u>

Restricted Cash

Governmental

Municipal Court use	\$ 13,472
PEG funds	16,915
Capital projects	3,010,770
Debt	429,895
Total Governmental	<u>3,471,052</u>

Business

Customer Deposits	326,521
Capital projects	54,450
Impact Fees	766,049
Total Business	<u>1,147,020</u>
Total Restricted Cash	<u>\$ 4,618,072</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 general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Portfolio disclosure as of September 30, 2013:

- the portfolio contained 8.8% 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. Investment are made primarily in obligations of the U.S. Government, its agencies or instrumentalities.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**C. Deposits and Investments
Credit Risk (continued)**

The 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, 2013, the amount of investment in investment pool accounts were as follows:

<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	\$ 1,119,204	n/a	AAA-m	41 days
TexSTAR	1,204,330	n/a	AAA-m	62 days
	<u>\$ 2,323,534</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. 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, 2013, holdings in two local government investment pools represented 40.5% of the total portfolio.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

C. Deposits and Investments (continued)

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, 2013, 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 \$0.756932 per \$100 assessed valuation based upon the maximum rates described above.

E. Receivables

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

	General	Debt Service	Proprietary	Total
Receivables:				
Taxes	\$ 156,848	\$ 35,256	\$ -	\$ 192,104
Fees and Charges	630,600	-	498,799	1,129,399
Gross Receivables	787,448	35,256	498,799	1,321,503
Less: allowances for uncollectible	602,134	2,816	73,791	678,741
Net Total Receivables	<u>\$ 185,314</u>	<u>\$ 32,440</u>	<u>\$ 425,008</u>	<u>\$ 642,762</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

F. Note Receivable

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.

	Beginning Balance	Additions	Decreases	Ending Balance
Note receivable-CDC	\$ 861,293	\$ -	\$ (78,776)	\$ 782,517

Requirements are as follows:

Year Ending September 30:

2014	\$ 81,051
2015	86,722
2016	87,054
2017	81,983
2018	43,986
2019 - 2023	194,626
2024 - 2028	171,395
2029	35,700
	<u>\$ 782,517</u>

G. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 384,543	\$ 32,241	\$ -	\$ 416,784
Construction in Progress	7,079,365	1,443,402	(7,453,086)	1,069,681
Total capital assets, not being depreciated:	<u>7,463,908</u>	<u>1,475,643</u>	<u>(7,453,086)</u>	<u>1,486,465</u>
Capital assets, being depreciated:				
Buildings & Improvements	1,116,755	436,295	-	1,553,050
Infrastructure	2,102,722	7,013,417	-	9,116,139
Park Improvements	885,439	49,829	-	935,268
Vehicles & Equipment	1,667,169	311,973	(96,170)	1,882,972
Total capital assets being depreciated	<u>5,772,085</u>	<u>7,811,514</u>	<u>(96,170)</u>	<u>13,487,429</u>
Less accumulated depreciation for:				
Buildings & Improvements	(436,901)	(31,288)	-	(468,189)
Infrastructure	(547,811)	(157,145)	-	(704,956)
Vehicles & Equipment	(1,038,024)	(187,210)	70,520	(1,154,714)
Total accumulated depreciation	<u>(2,022,736)</u>	<u>(375,643)</u>	<u>70,520</u>	<u>(2,327,859)</u>
Total capital assets, being depreciated, net	<u>3,749,349</u>	<u>7,435,871</u>	<u>(25,650)</u>	<u>11,159,570</u>
Governmental activities capital assets, net	<u>\$ 11,213,257</u>	<u>\$ 8,911,514</u>	<u>\$ (7,478,736)</u>	<u>\$ 12,646,035</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. Capital Assets (continued)

	Beginning Balances	Additions	Decreases	Ending Balances
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 180,353	\$ -	\$ -	\$ 180,353
Construction in Progress	897,781	87,275	(881,603)	103,453
Total capital assets, not being depreciated	<u>1,078,134</u>	<u>87,275</u>	<u>(881,603)</u>	<u>283,806</u>
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure	13,772,454	928,828	-	14,701,282
Vehicles & Equipment	368,523	6,102	-	374,625
Total capital assets being depreciated	<u>14,376,303</u>	<u>934,930</u>	<u>-</u>	<u>15,311,233</u>
Less accumulated depreciation for:				
Buildings & Improvements	(72,644)	(4,067)	-	(76,711)
Infrastructure	(2,443,326)	(393,313)	-	(2,836,639)
Vehicles & Equipment	(197,122)	(34,631)	-	(231,753)
Total accumulated depreciation	<u>(2,713,092)</u>	<u>(432,011)</u>	<u>-</u>	<u>(3,145,103)</u>
Total capital assets, being depreciated, net	<u>11,663,211</u>	<u>502,919</u>	<u>-</u>	<u>12,166,130</u>
Business-type activities capital assets, net	<u>\$ 12,741,345</u>	<u>\$ 590,194</u>	<u>\$ (881,603)</u>	<u>\$ 12,449,936</u>

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

Governmental activities:	
General Government	\$ 19,951
Public Safety	143,516
Public Works, including depreciation of general infrastructure assets	146,528
Public Service	3,473
Culture and Recreation	62,175
Total depreciation expense - governmental activities	<u>\$ 375,643</u>
Business-type activities:	
Utility Services	\$ 432,011
Total depreciation expense - business-type activities	<u>\$ 432,011</u>

H. Construction Commitments

The City has active construction projects as of September 30, 2013. The projects include park infrastructure and improvements, street infrastructure and improvements, and water/wastewater infrastructure improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Downtown park	\$ 12,815	\$ 87,185
9-Hole disc golf course	15,902	-
Street improvements	1,040,964	48,989
Water/sewer improvements	103,453	49,000
Total	<u>\$ 1,173,134</u>	<u>\$ 185,174</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

	Beginning Balance	Prior Period	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds & certificates of obligation	\$ 5,640,600	\$ 139,600	\$ -	\$ (125,800)	\$ 5,654,400	\$ 218,200
Plus:						
For issuance premiums	20,200	-	-	(1,188)	19,012	1,188
Less deferred amounts:						
For issuance discounts	(102,129)	-	-	4,634	(97,495)	4,634
Tax anticipation notes	355,000	-	1,285,000	(355,000)	1,285,000	175,000
Total Bonds Payable	5,913,671	139,600	1,285,000	(477,354)	6,860,917	399,022
Capital Lease Payable	105,204	-	264,861	(85,261)	284,804	89,102
Compensated absences	114,174	-	103,340	(20,840)	196,674	13,865
Governmental activity Long-term liabilities	<u>\$ 6,133,049</u>	<u>\$ 139,600</u>	<u>\$ 1,653,201</u>	<u>\$ (583,455)</u>	<u>\$ 7,342,395</u>	<u>\$ 501,989</u>
Business-type Activities						
Water & Sewer						
General obligation bonds & certificates of obligation	\$ 9,221,400	\$ 63,400	\$ -	\$ (244,200)	\$ 9,040,600	\$ 251,800
Plus:						
For issuance premiums	120,459	-	-	(4,818)	115,641	4,818
Less deferred amounts:						
For issuance discounts	(37,104)	-	-	2,474	(34,630)	(2,474)
Total Bonds Payable	9,304,755	63,400	-	(246,544)	9,121,611	254,144
Capital Lease Payable	11,482	-	-	(7,966)	3,516	3,516
Compensated absences	16,119	-	7,271	(9,622)	13,768	3,067
Business-type activity Long-term liabilities	<u>\$ 9,332,356</u>	<u>\$ 63,400</u>	<u>\$ 7,271</u>	<u>\$ (264,132)</u>	<u>\$ 9,138,895</u>	<u>\$ 260,727</u>

The liability for compensated absences is liquidated by the General Fund with an estimated 93% and the Utility Fund is responsible for the remaining 7%.

Governmental Activities

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30,		Amounts Outstanding September 30,		Due Within One Year
			2012	Issued/PPA	2013	Retired	
2006 Tax Note	4.26%	\$ 1,635,000	\$ 355,000	\$ -	\$ (355,000)	\$ -	\$ -
2009 Series, CO	4.13%	4,315,000	4,315,000	-	-	4,315,000	85,000
2011 Series, GO	2.0%	1,439,500	1,325,600	139,600	(125,800)	1,339,400	133,200
2013 Tax Note	1.9%	1,285,000	-	1,285,000	-	1,285,000	175,000
Total Bonds Payable		8,674,500	5,995,600	1,424,600	(480,800)	6,939,400	393,200
Capital Lease-2 F450	2.582%	100,861	-	100,861	(21,181)	79,680	18,866
Capital Lease-Dodge	5.453%	164,000	-	164,000	-	164,000	38,597
Capital Lease-Ford	5.65%	42,182	18,136	-	(15,489)	2,647	2,647
Capital Lease-1st Cap	5.65%	30,000	22,555	-	(7,127)	15,428	7,512
Capital Lease-Ford	6.10%	84,066	64,513	-	(41,464)	23,049	21,480
Total Long-term Obligations		<u>\$ 9,095,609</u>	<u>\$ 6,100,804</u>	<u>\$ 1,689,461</u>	<u>\$ (566,061)</u>	<u>\$ 7,224,204</u>	<u>\$ 482,302</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 393,200	\$ 272,536	\$ 665,736
2015	413,000	262,300	675,300
2016	421,700	251,409	673,109
2017	424,300	239,971	664,271
2018	351,600	228,870	580,470
2019 - 2023	1,282,100	995,570	2,277,670
2024 - 2028	1,049,500	778,183	1,827,683
2029 - 2033	985,000	525,356	1,510,356
2034 - 2038	1,220,000	241,500	1,461,500
2039	399,000	7,481	406,481
Totals	\$ 6,939,400	\$ 3,803,176	\$ 10,742,576

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

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

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

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

Business Activities

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2013	Due Within One Year
			September 30, 2012	Issued/PPA			
2007 Series, GO	4.00%	\$ 1,275,000	\$ 1,070,000	\$ -	\$ (50,000)	\$ 1,020,000	\$ 50,000
2007 Series, CO	4.00%	8,250,000	7,700,000	-	(150,000)	7,550,000	155,000
2011 Series, GO	2.00%	490,500	451,400	63,400	(44,200)	470,600	46,800
Total Bonds Payable		10,015,500	9,221,400	63,400	(244,200)	9,040,600	251,800
Capital Lease-Ford	5.65%	21,818	11,482	-	(7,966)	3,516	3,516
Total Long-term Obligations		<u>\$ 10,037,318</u>	<u>\$ 9,232,882</u>	<u>\$ 63,400</u>	<u>\$ (252,166)</u>	<u>\$ 9,044,116</u>	<u>\$ 255,316</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 251,800	\$ 429,508	\$ 681,308
2015	272,000	420,125	692,125
2016	278,300	409,432	687,732
2017	290,700	397,330	688,030
2018	268,400	384,914	653,314
2019 - 2023	1,547,900	1,720,406	3,268,306
2024 - 2028	1,930,500	1,310,060	3,240,560
2029 - 2033	1,846,000	84,458	1,930,458
2034 - 2038	2,355,000	309,994	2,664,994
Totals	\$ 9,040,600	\$ 5,466,227	\$ 14,506,827

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. Long-Term Obligations (continued)

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

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

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

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 Utility department were purchased. The lease is to be repaid over a three year period and an interest rate of 5.65%. The lease matures December 20, 2013.

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

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

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 Charger 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:	
2014	\$ 100,758
2015	75,340
2016	66,995
2017	66,995
2018	21,761
Total minimum lease payments	<u>331,849</u>
Less: amount representing interest	(47,045)
Present value of lease payments	<u>\$ 284,804</u>

Business-type debt service requirements are as follows:

Year Ending September 30:	
	Principal
2014	<u>\$ 3,573</u>
Total minimum lease payments	3,573
Less: amount representing interest	(57)
Present value of lease payments	<u>\$ 3,516</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

K. Operating Leases

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

<u>FYE Sept 30</u>	<u>Building</u>	<u>Office Equip & Services</u>
2014	\$ 103,584	\$ 14,194
2015	103,584	9,601
2016	103,584	9,431
2017	103,584	-
Total	<u>\$ 414,336</u>	<u>\$ 33,226</u>

L. Contracts

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

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 200,000	\$ 230,565	\$ 430,565
2015	205,000	223,765	428,765
2016	215,000	216,078	431,078
2017	220,000	207,478	427,478
2018	230,000	198,238	428,238
2019-2023	1,335,000	819,055	2,154,055
2024-2028	1,730,000	424,223	2,154,223
2029	405,000	23,490	428,490
	<u>\$ 4,540,000</u>	<u>\$ 2,342,892</u>	<u>\$ 6,882,892</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2013 financial statements of GTUA.

M. Pension Plan

1. Plan Description

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

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

M. Pension Plan

1. Plan Description (continued)

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	
	2012	2013
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retire)	70% of CPI Repeating	70% of CPI Repeating

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 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial cost method	Projected	Projected	Projected
	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level % of PR	Level % of PR	Level % of PR
Amortization period	27.3 years	26.3 years	25.2 years
	closed period	closed period	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 *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2012, 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 \$1.88 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$806,644.

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

Gallons Pumped	424,103,000
Gallons Billed	421,022,800

S. Transfers

Transfers between the General Fund and the Utility Fund to reclassify capital outlay of \$32,841.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

T. Prior Period Adjustments

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

Governmental activities:

\$	(693,000)	to record note receivable and prior year revenues
	553,400	to correct allocation of long-term debt
	<u>\$ (139,600)</u>	

Business-Type activities:

	<u>(63,400)</u>	to correct allocation of long-term debt
--	-----------------	---

U. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2013 up through March 25, 2014, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

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.

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.

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

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

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

Violation
 The government-wide fund balance of the CDC is a deficit (\$777,091).

Action Taken
 The deficit will decrease as the CDC receives future sales tax revenue and meets its annual obligation to the City for the CDC's portion of the Series 2011 GO Refunding Bond. See Debt Service Requirements Schedule in Note V.2.h page 53.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

V. Princeton Community Development Corporation (continued)

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash

Cash and cash equivalents	\$ (275,375)
Texpool	275,375
Total cash and cash equivalents	<u><u>\$ -</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, 2013, 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><u>\$ 275,375</u></u>	n/a	AAA-m	41 days

b. Receivables

Receivables as of year end for the CDC were \$46,062 representing sales tax owed from the City. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2013.

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	(8,548)	(727)	-	(9,275)
Total accumulated depreciation	<u>(8,548)</u>	<u>(727)</u>	<u>-</u>	<u>(9,275)</u>
Community Development Corporation capital assets, net	<u><u>\$ 727</u></u>	<u><u>\$ (727)</u></u>	<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".

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

V. Princeton Community Development Corporation
2. Financial Statement Amounts (continued)

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	\$ 11,699	\$ 1,292	\$ (8,750)	\$ 4,241	\$ -

f. Health Care Coverage

During the year ended September 30, 2013, CDC employees were covered by the City's health insurance plan. The City contributed \$526.70 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, 2013, 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, 2012	Issued	Retired	Outstanding September 30, 2013	Due Within One Year
Note payable-City	0.0%	\$ 941,259	\$ 861,293	\$ -	\$ (78,776)	\$ 782,517	\$ 81,051

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2014	\$ 81,051
2015	86,721
2016	87,054
2017	81,983
2018	43,986
2019 - 2023	194,626
2024 - 2028	171,396
2029	35,700
Totals	\$ 782,517

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. Prior Period Adjustment

A prior period adjustment was recorded to include a notes payable to the City of Princeton that was incurred during the year 2011.

j. Litigation

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

V. Princeton Community Development Corporation

2. Financial Statement Amounts (continued)

k. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2013 up through March 25, 2014, 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

2 Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash	
Cash and cash equivalents	\$ (21,100)
Texpool	538,811
Total cash and cash equivalents	<u><u>\$ 517,711</u></u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

W. Princeton Economic Development Corporation

2 Financial Statement Amounts

a. Deposits and Investments (continued)

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, 2013, 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>\$ 538,811</u>	n/a	AAA-m	41 days

b. Receivables

Receivables as of year end for the CDC were \$46,062 representing sales tax owed from the City. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2013.

c. Capital Assets

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	<u>\$ 1,242,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,000</u>
Total capital assets, not being depreciated	<u>1,242,000</u>	<u>-</u>	<u>-</u>	<u>1,242,000</u>
Capital assets, being depreciated:				
Equipment	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>9,275</u>
Total capital assets being depreciated	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>9,275</u>
Less accumulated depreciation for:				
Equipment	<u>(8,760)</u>	<u>(515)</u>	<u>-</u>	<u>(9,275)</u>
Total accumulated depreciation	<u>(8,760)</u>	<u>(515)</u>	<u>-</u>	<u>(9,275)</u>
Total capital assets, being depreciated, net	<u>515</u>	<u>(515)</u>	<u>-</u>	<u>-</u>
Economic Development Corporation capital assets, net	<u>\$ 1,242,515</u>	<u>\$ (515)</u>	<u>\$ -</u>	<u>\$ 1,242,000</u>

d. Compensated absences

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 8,051</u>	<u>\$ 1,974</u>	<u>\$ (1,737)</u>	<u>\$ 8,288</u>	<u>\$ 481</u>

e. Health Care Coverage

During the year ended September 30, 2013, EDC employees were covered by the City's health insurance plan. The City contributed \$526.70 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

W. Princeton Economic Development Corporation
 2 Financial Statement Amounts (continued)

f. Pension Plan

During the year ended September 30, 2013, 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, 2012	Issued	Retired	Outstanding September 30, 2013	Due Within One Year
Note Payable	6.00%	\$ 1,152,000	\$ 1,062,055	\$ -	\$ (33,765)	\$ 1,028,290	\$ 35,854

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 35,854	\$ 60,622	\$ 96,476
2015	38,071	58,404	96,475
2016	40,426	56,049	96,475
2017	42,927	53,549	96,476
2018	45,582	50,893	96,475
2019 - 2023	273,855	208,521	482,376
2024 - 2028	369,701	112,677	482,378
2029 - 2030	181,874	11,076	192,950
Totals	\$ 1,028,290	\$ 611,791	\$ 1,640,081

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

h. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2013 up through March 25, 2014, 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, 2013**

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded)		Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
				Actuarial Accrued Liability UAAL	Actuarial Accrued Liability UAAL						
2007	12/31/2006	\$ 978,468	\$ 799,305	\$(179,163)		122.41%	\$ 1,324,565	-13.53%	\$ 99,193	\$ 99,193	100.00%
2008	12/31/2007	1,153,470	1,435,364	281,894		80.40%	1,436,773	19.60%	102,088	102,088	100.00%
2009	12/31/2008	1,318,766	1,629,304	310,538		80.90%	1,394,327	22.30%	111,833	111,833	100.00%
2010	12/31/2009	1,577,061	1,966,364	389,303		80.20%	1,699,836	22.90%	143,654	143,654	100.00%
2011	12/31/2010	2,715,798	3,086,373	370,575		88.00%	1,677,830	22.10%	148,991	148,991	100.00%
2012	12/31/2011	2,940,847	3,164,265	223,418		92.90%	1,438,064	15.50%	130,694	130,694	100.00%
2013	12/31/2012	3,258,017	3,385,994	127,977		96.20%	1,486,329	8.60%	119,356	119,356	100.00%



**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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 705,797	\$ 705,797	\$ 757,782	\$ 51,985
Intergovernmental	-	-	78,776	78,776
Investment income	-	-	353	353
Total revenues	<u>705,797</u>	<u>705,797</u>	<u>836,911</u>	<u>131,114</u>
EXPENDITURES				
Current:				
Administrative	1,000	1,000	6,839	(5,839)
Debt service:				
Principal retirement	439,050	439,050	480,800	(41,750)
Interest	257,456	257,456	251,467	5,989
Total expenditures	<u>697,506</u>	<u>697,506</u>	<u>739,106</u>	<u>(41,600)</u>
Excess (deficiency) of revenues over (under) expenditures	8,291	8,291	97,805	89,514
Other revenues and financing sources (uses)				
Transfers	-	-	(32,841)	(32,841)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(32,841)</u>	<u>(32,841)</u>
Net change in fund balance	8,291	8,291	64,964	56,673
Fund Balances/Equity, October 1	<u>372,019</u>	<u>372,019</u>	<u>372,019</u>	
Fund Balances/Equity, September 30	<u>\$ 380,310</u>	<u>\$ 380,310</u>	<u>\$ 436,983</u>	

**CITY OF PRINCETON, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

	CDC Fund
ASSETS	
Receivables (net of allowances for uncollectibles)	\$ 46,062
Total assets	<u>46,062</u>
LIABILITIES	
Accounts payable	88
Due to primary government	35,381
Accrued expenses	926
Total Liabilities	<u>36,395</u>
FUND BALANCE	
Unassigned	9,667
Total fund balance	<u>9,667</u>
Total liabilities and fund balance	<u>\$ 46,062</u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds balance sheet	\$ 9,667
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)
Bonds Payable and contractual obligations have not been included in the governmental fund financial statements.	(782,517)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(4,241)
Net position of governmental activities - statement of net position	<u>\$ (777,091)</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, 2013**

	<u>CDC Fund</u>
REVENUE	
Sales and use tax	\$ 250,985
Investment income	304
Total revenues	<u>251,289</u>
EXPENDITURES	
Current:	
Personnel costs	22,978
Contract services	1,700
Repairs and maintenance	2,106
Supplies and materials	2,298
Administration	612
Debt service:	
Principal retirement	78,776
Interest	1,124
Total expenditures	<u>109,594</u>
Excess (deficiency) of revenues over (under) expenditures	141,695
Other revenues and financing sources (uses)	
Intergovernmental expense	<u>(376,757)</u>
Total other financing sources (uses)	<u>(376,757)</u>
Net change in fund balance	(235,062)
Fund balance - beginning of year	244,729
Fund balance - end of year	<u>\$ 9,667</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, 2013**

Net change in fund balance - total governmental fund \$ (235,062)

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

Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position. 7,462

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. (731)

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. 78,776

Change in net position of governmental activities - statement of activities \$ (149,555)

**CITY OF PRINCETON, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2013**

	<u>EDC Fund</u>
ASSETS	
Cash and cash equivalents	\$ 517,711
Receivables (net of allowance for uncollectibles)	<u>46,062</u>
Total assets	<u><u>563,773</u></u>
LIABILITIES	
Accounts payable	1,065
Accrued expenses	<u>277</u>
Total liabilities	<u><u>1,342</u></u>
FUND BALANCE	
Unassigned	<u>562,431</u>
Total fund balance	<u><u>562,431</u></u>
Total liabilities and fund balance	<u><u>\$ 563,773</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, 2013**

Total fund balance - governmental fund balance sheet	\$ 562,431
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,251,275
Accumulated depreciation has not been included in the governmental fund financial statements.	(9,275)
Bonds Payable and contractual obligations have not been included in the governmental fund financial statements.	(1,028,290)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(8,288)
Net position of governmental activities - statement of net position	<u>\$ 767,853</u>

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>EDC Fund</u>
REVENUE	
Sales and use tax	\$ 250,985
Investment income	561
Total revenues	<u>251,546</u>
EXPENDITURES	
Current:	
Personnel costs	22,003
Contract Services	235,980
Supplies and materials	4,549
Repairs and maintenance	2,106
Debt Service:	
Principal retirement	33,765
Interest	53,442
Total expenditures	<u>351,845</u>
Excess (deficiency) of revenues over (under) expenditures	(100,299)
Other Revenues and Financing Sources (uses)	
Intergovernmental expense	(77,699)
Total Other Financing Sources (uses)	<u>(77,699)</u>
Net Change in Fund Balance	(177,998)
Fund Balance/Equity, beginning of year	740,429
Fund Balance/Equity, end of year	<u>\$ 562,431</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, 2013**

Net change in fund balance - total governmental funds \$ (177,998)

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (515)

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. 33,765

Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position. (237)

Change in net position of governmental activities - statement of activities \$ (144,985)

CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales and use tax	\$ 225,216	\$ 225,216	\$ 250,985	\$ 25,769
Investment income	650	650	304	(346)
Total revenues	<u>225,866</u>	<u>225,866</u>	<u>251,289</u>	<u>25,423</u>
EXPENDITURES				
Current:				
Personnel costs	22,713	22,713	22,978	(265)
Contract services	4,550	4,550	1,700	2,850
Repairs and maintenance	1,420	1,420	2,106	(686)
Supplies and materials	1,325	1,325	2,298	(973)
Administration	5,950	5,950	612	5,338
Debt service				
Principal retirement	78,776	78,776	78,776	-
Interest	160	160	1,124	(964)
Total expenditures	<u>114,894</u>	<u>114,894</u>	<u>109,594</u>	<u>5,300</u>
Excess (deficiency) of revenues over (under) expenditures	110,972	110,972	141,695	30,723
Other revenues and financing sources (uses)				
Intergovernment expense	-	-	(376,757)	(376,757)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(376,757)</u>	<u>(376,757)</u>
Net change in fund balance	110,972	110,972	(235,062)	(346,034)
Fund Balances/Equity, October 1	244,729	244,729	244,729	
Fund Balances/Equity, September 30	<u>\$ 355,701</u>	<u>\$ 355,701</u>	<u>\$ 9,667</u>	

**CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales tax	\$ 225,217	\$ 225,217	\$ 250,985	\$ 25,768
Investment income	685	685	561	(124)
Total Revenues	<u>225,902</u>	<u>225,902</u>	<u>251,546</u>	<u>25,644</u>
EXPENDITURES				
Current:				
Personnel costs	22,713	22,713	22,003	710
Contract services	7,375	7,375	235,980	(228,605)
Supplies and materials	7,690	7,690	4,549	3,141
Repairs and maintenance	1,450	1,450	2,106	(656)
Debt Service:				
Principal retirement	33,765	33,765	33,765	-
Interest	62,710	62,710	53,442	9,268
Total expenditures	<u>135,703</u>	<u>135,703</u>	<u>351,845</u>	<u>(216,142)</u>
Excess (deficiency) of revenues over (under) expenditures	90,199	90,199	(100,299)	(190,498)
Other Revenues and Financing Sources (uses)				
Intragovernment expense	(90,199)	(90,199)	(77,699)	12,500
Total Other Financing Sources (uses)	<u>(90,199)</u>	<u>(90,199)</u>	<u>(77,699)</u>	<u>12,500</u>
Net Change in Fund Balances	-	-	(177,998)	(177,998)
Fund Balances/Equity, October 1	<u>740,429</u>	<u>740,429</u>	<u>740,429</u>	
Fund Balances/Equity, September 30	<u>\$ 740,429</u>	<u>\$ 740,429</u>	<u>\$ 562,431</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 #s

Financial Trends

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

1,2,3,4,5

Revenue Capacity

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

6,7,8,9

Debt Capacity

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

10,11,12,13,14

Economic and Demographic Information

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

15,16

Operating Information

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

17,18,19

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

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

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

Table 1

FISCAL YEAR					
2008	2009	2010	2011	2012	2013
\$ 629,151	\$ 582,670	\$ 3,603,140	\$ 2,472,934	\$ 5,151,105	\$ 6,626,161
601,405	935,212	354,706	5,128,261	2,162,925	642,768
162,639	344,025	731,737	70,229	666,375	2,317,036
1,393,195	1,861,907	4,689,583	7,671,424	7,980,405	9,585,965
2,268,482	3,060,969	1,924,566	3,828,257	3,572,269	3,460,166
431,377	124,237	323,770	734,362	620,769	766,049
2,074,815	2,279,014	2,983,938	968,438	1,115,827	1,192,221
4,774,674	5,464,220	5,232,274	5,531,057	5,308,865	5,418,436
2,897,633	3,643,639	5,527,706	6,301,191	8,723,374	10,086,327
1,032,782	1,059,449	678,476	5,862,623	2,783,694	1,408,817
2,237,454	2,623,039	3,715,675	1,038,667	1,782,202	3,509,257
<u>\$ 6,167,869</u>	<u>\$ 7,326,127</u>	<u>\$ 9,921,857</u>	<u>\$ 13,202,481</u>	<u>\$ 13,289,270</u>	<u>\$ 15,004,401</u>

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

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

Table 2

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 444,068	\$ 525,180	\$ 787,033	\$ 541,838	\$ 704,619
1,308,389	1,233,166	1,310,826	1,374,721	1,380,786
539,521	409,971	562,550	442,915	603,570
254,443	246,159	272,659	274,184	294,647
184,002	242,239	197,735	294,768	307,933
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
210,986	328,953	322,897	289,026	262,039
<u>2,941,409</u>	<u>2,985,668</u>	<u>3,453,700</u>	<u>3,217,452</u>	<u>3,553,594</u>
2,670,635	3,220,575	3,837,065	3,837,603	4,318,861
<u>2,670,635</u>	<u>3,220,575</u>	<u>3,837,065</u>	<u>3,837,603</u>	<u>4,318,861</u>
5,612,044	6,206,243	7,290,765	7,055,055	7,872,455
2,240	-	-	-	-
309,225	249,280	267,848	234,570	271,837
240,098	246,784	224,209	259,738	291,606
-	-	-	-	-
-	-	-	-	-
8,325	14,119	9,421	15,489	17,972
55,802	16,321	39,182	213,574	1,015,344
-	21,045	3,400	200,014	849,804
<u>615,690</u>	<u>547,549</u>	<u>544,060</u>	<u>923,385</u>	<u>2,446,563</u>
2,540,971	3,191,055	3,850,211	3,694,915	4,382,048
300,121	-	239,917	145,353	74,680
<u>2,841,092</u>	<u>3,191,055</u>	<u>4,090,128</u>	<u>3,840,268</u>	<u>4,456,728</u>
3,456,782	3,738,604	4,634,188	4,763,653	6,903,291
(2,325,719)	(2,438,119)	(2,909,640)	(2,294,067)	(1,107,031)
170,457	(29,520)	253,063	2,665	137,867
<u>\$ (2,155,262)</u>	<u>\$ (2,467,639)</u>	<u>\$ (2,656,577)</u>	<u>\$ (2,291,402)</u>	<u>\$ (969,164)</u>

(continued)

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

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

Table 2
(continued)

FISCAL YEAR				
2009	2010	2011	2012	2013
\$ 2,065,415	\$ 2,082,305	\$ 2,060,352	\$ 2,072,551	\$ 2,131,994
342,593	368,307	387,708	447,973	501,970
190,349	211,703	227,551	225,711	189,738
3,113	2,724	-	2,368	3,190
34,295	18,541	9,552	15,913	11,114
22,883	11,496	306,348	7,135	8,800
47,680	19,368	30,382	38,630	38,226
-	-	-	-	-
138,019	2,592,361	2,896,341	-	-
(350,449)	(54,097)	(26,753)	609	(32,841)
<u>2,493,898</u>	<u>5,252,708</u>	<u>5,891,481</u>	<u>2,810,890</u>	<u>2,852,191</u>
41,805	3,293	757	256	332
31,911	22,381	18,210	1,491	1,931
-	75,000	-	-	-
350,449	54,097	26,753	(609)	32,841
<u>424,165</u>	<u>154,771</u>	<u>45,720</u>	<u>1,138</u>	<u>35,104</u>
<u>2,918,063</u>	<u>5,407,479</u>	<u>5,937,201</u>	<u>2,812,028</u>	<u>2,887,295</u>
168,179	2,814,589	2,981,841	516,823	1,745,160
594,622	125,251	298,783	3,803	172,971
<u>\$ 762,801</u>	<u>\$ 2,939,840</u>	<u>\$ 3,280,624</u>	<u>\$ 520,626</u>	<u>\$ 1,918,131</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
2004	\$ 838,553	\$ 369,220	\$ 110,414	\$ -	\$ 1,318,187
2005	914,998	406,240	104,851	-	1,426,089
2006	1,088,605	604,080	122,484	2,257 *	1,817,426
2007	1,512,827	341,644	127,119	2,539	1,984,129
2008	1,620,974	365,080	152,796	3,137	2,141,987
2009	2,065,415	342,593	190,349	3,113	2,601,470
2010	2,082,305	368,307	211,703	2,724	2,665,039
2011	2,060,352	387,708	227,551	3,542	2,679,153
2012	2,072,551	447,973	225,711	2,368	2,748,603
2013	2,131,994	501,970	189,738	3,190	2,826,892

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

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

Table 4

FISCAL YEAR					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ 9,751	\$ -
-	74,217	64,418	8,828	11,136	13,472
-	-	-	-	7,478	16,915
-	-	-	18,731	89,034	101,675
1,612,820	5,431,819	3,468,661	-	-	-
-	-	1,084	1,084	4,015	2,439
351,407	245,609	402,869	(273,162)	(144,933)	8,211
<u>1,964,227</u>	<u>5,751,645</u>	<u>3,937,032</u>	<u>(244,519)</u>	<u>(23,519)</u>	<u>142,712</u>
590,964	277,778	290,288	342,532	372,018	436,983
(152,474)	(203,476)	122,361	4,771,097	2,496,018	2,641,610
-	-	-	-	-	239,739
<u>\$ 438,490</u>	<u>\$ 74,302</u>	<u>\$ 412,649</u>	<u>\$ 5,113,629</u>	<u>\$ 2,868,036</u>	<u>\$ 3,318,332</u>

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

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

Note1: With the adoption of GASB63 which issued a change in accounting principles, bond issuance costs have been expensed

Table 5

FISCAL YEAR				
	2010	2011	2012	2013
\$	2,102,158	\$ 2,052,550	\$ 2,108,665	\$ 2,148,647
	582,734	618,801	676,052	694,898
	246,784	222,194	259,738	291,606
	-	-	-	-
	-	-	-	-
	-	-	-	-
	210,408	204,011	195,497	223,980
	18,542	9,552	15,913	11,114
	2,592,361	2,862,740	246,248	768,746
	-	-	-	-
	-	-	-	-
	-	-	-	-
	37,366	40,484	159,988	85,994
	52,991	48,252	69,510	91,097
	11,496	306,348	11,722	17,680
	19,367	26,843	38,630	40,186
	<u>5,874,207</u>	<u>6,391,775</u>	<u>3,781,963</u>	<u>4,373,948</u>
	469,005	744,937	490,861	609,017
	1,144,097	1,304,248	1,174,580	1,151,292
	342,198	444,451	333,393	429,004
	-	-	-	-
	244,025	268,658	269,557	291,680
	-	-	-	-
	190,555	185,225	229,804	109,854
	40,913	-	210	133,852
	-	-	-	-
	-	-	-	-
	4,386,064	2,234,246	2,604,944	1,696,947
	386,840	638,357	494,283	566,061
	355,766	324,670	287,818	258,593
	-	65,000	-	28,143
	<u>7,559,463</u>	<u>6,209,792</u>	<u>5,885,450</u>	<u>5,274,443</u>
	250,000	1,481,682	114,066	1,549,861
	-	(1,144,500)	-	-
	-	-	-	-
	-	27,021	-	-
	-	-	-	-
	(54,097)	(26,753)	609	(32,841)
	<u>195,903</u>	<u>337,450</u>	<u>114,675</u>	<u>1,517,020</u>
\$	<u>(1,489,353)</u>	<u>\$ 519,433</u>	<u>\$ (1,988,812)</u>	<u>\$ 616,525</u>
	<u>30.55%</u>	<u>32.67%</u>	<u>31.30%</u>	<u>30.27%</u>

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

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2004	\$ 95,985,803	\$ 23,869,467	\$ 11,464,472	\$ (13,262,413)	\$ 118,057,329	\$ 0.701300	\$ 131,319,742	89.90%
2005	113,180,344	28,143,731	10,791,812	(17,216,564)	134,899,323	0.675000	152,115,887	88.68%
2006	139,957,854	30,662,869	9,233,721	(22,883,994)	156,970,450	0.675000	179,854,444	87.28%
2007	199,332,938	30,950,271	13,162,445	(40,088,236)	203,357,418	0.649700	243,445,654	83.53%
2008	273,868,089	34,332,079	15,228,146	(52,816,440)	270,611,874	0.649600	323,428,314	83.67%
2009	289,549,844	37,574,527	16,142,134	(61,900,306)	281,366,199	0.728394	343,266,505	81.97%
2010	278,538,937	31,462,248	24,609,961	(53,436,205)	281,174,941	0.728394	334,611,146	84.03%
2011	278,592,732	33,766,205	27,487,082	(58,979,246)	280,866,773	0.728394	339,846,019	82.65%
2012	295,401,109	42,701,207	2,497,520	(59,111,138)	281,488,698	0.756932	340,599,836	82.64%
2013	293,259,335	44,359,953	2,333,729	(62,018,127)	277,934,890	0.756932	339,953,017	81.76%

Source: Collin County Appraisal District

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

**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
2004	\$ 0.399221	\$ 0.309094	\$ 0.708315	\$ 1.747750	\$ 0.250000	\$ -
2005	0.443996	0.231004	0.675000	1.747760	0.250000	-
2006	0.432182	0.242818	0.675000	1.591400	0.245000	-
2007	0.405500	0.244200	0.649700	1.368700	0.245000	-
2008	0.439990	0.288404	0.728394	1.490000	0.245000	-
2009	0.439990	0.288404	0.728394	1.490000	0.245000	-
2010	0.439990	0.288404	0.728394	1.591400	0.245000	0.876683
2011	0.439990	0.288404	0.728394	1.473600	0.240000	0.863000
2012	0.439990	0.288404	0.728394	1.480000	0.240000	0.862990
2013	0.439990	0.288404	0.756932	1.510000	0.237500	0.836430

Source: Collin County Appraisal District / Princeton ISD

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

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

**CITY OF PRINCETON, TEXAS
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2013
(unaudited)**

Table 8

Taxpayer	Assessed Taxable Value 2013 Fiscal Year	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value 2004 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Edison Development Co	\$ 4,939,132	1	1.78%			
D R Horton-Texas LDT	3,389,715	2	1.22%			
DS Princeton Texas Landlord LLC	2,580,000	3	0.93%			
First Bank of Farmersville	1,653,587	4	0.59%			
JOMC Properties Inc	1,355,939	5	0.49%			
Charley's Concrete Co, Inc	1,309,281	6	0.47%			
CVS Corporation	1,201,433	7	0.43%			
Princeton Village LLC	1,148,582	8	0.41%			
Wallace Real Estate	1,147,478	9	0.41%			
Calwell Durrie Lee	<u>1,339,877</u>	10	<u>0.48%</u>			
	<u>\$ 20,065,024</u>		<u>7.22%</u>			
Total Assessed Valuation	<u><u>\$ 277,934,890</u></u>					
Princeton Meadows				\$ 3,023,693	1	2.56%
Princeton Village LLC				2,738,205	2	2.32%
Acosta Eduardo G				2,341,000	3	1.98%
Southwestern Bell Telephone				1,646,959	4	1.40%
PMRLand/Princeton LP				1,332,969	5	1.13%
Resland Development Corp				1,153,976	6	0.98%
Calsouth Corporation				1,150,963	7	0.97%
Wright Williams & Mildred				1,125,629	8	0.95%
Texas Meter and Sewer Co				1,024,658	9	0.87%
Texas New Mexico Power Co				<u>993,483</u>	10	<u>0.84%</u>
				<u>\$ 16,531,535</u>		<u>14.00%</u>
Total Assessed Valuation				<u><u>\$ 118,057,329</u></u>		

Sources: Collin County Appraisal District

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

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004	\$ 828,440	\$ 790,815	95.46%	\$ 30,155	\$ 820,970	99.10%
2005	910,571	871,990	95.76%	13,419	885,409	97.24%
2006	1,061,587	1,025,639	96.61%	18,462	1,044,101	98.35%
2007	1,321,213	1,272,627	96.32%	11,779	1,284,406	97.21%
2008	1,608,415	1,550,664	96.41%	13,532	1,564,196	97.25%
2009	1,997,108	1,955,460	97.91%	27,660	1,983,120	99.30%
2010	2,046,391	1,997,250	97.60%	47,941	2,045,191	99.94%
2011	2,041,553	1,999,672	97.95%	34,240	2,033,912	99.63%
2012	2,048,174	2,024,856	98.86%	7,014	2,031,870	99.20%
2013	2,101,230	2,093,767	99.64%	3,281	2,097,048	99.80%

Sources: Collin County Appraisal District

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

Table 10

FISCAL YEAR	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds			
2004	\$ 1,826,000	\$ -	\$ 19,481	\$ -	\$ -	\$ 2,015,000	\$ -	\$ 78,000	\$ 3,938,481	2.50%	\$ 1,050
2005	452,000	1,255,000	67,172	-	-	1,940,000	-	60,000	3,774,172	2.06%	944
2006	351,000	1,235,000	34,524	1,635,000	-	1,865,000	-	41,000	5,161,524	N/A	894
2007	130,000	1,215,000	128,000	1,565,000	-	1,790,000	-	21,000	4,849,000	3.86%	673
2008	99,000	1,190,000	65,000	1,480,000	1,250,000	8,805,000	-	-	12,889,000	9.82%	2,242
2009	1,270,500	4,315,000	19,236	1,325,000	1,754,500	8,120,000	-	-	16,804,236	13.44%	2,675
2010	1,218,000	4,565,000	9,896	1,025,000	1,687,000	7,985,000	-	-	16,489,896	12.95%	2,577
2011	1,439,500	4,315,000	31,521	695,000	1,610,500	7,845,000	17,756	-	15,954,277	11.78%	2,344
2012	1,325,600	4,315,000	105,204	355,000	1,521,400	7,700,000	11,482	-	15,333,686	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,285,000	1,455,971	7,665,640	3,516	-	16,270,848	9.64%	2,178

Note1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 15 for personal income and population data.

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

Table 11

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less Debt Service Funds (3)	Net Bonded Debt	% of Net Bonded Debt to Assessed Property Value	Net Bonded Debt per Capita
2004	3,750	\$ 118,057,329	\$ 3,919,000	\$ 207,108	\$ 3,711,892	3.14%	\$ 990
2005	4,000	134,899,323	3,707,000	243,802	3,463,198	2.57%	866
2006	5,773	156,970,450	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

Source:

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

Note1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF PRINCETON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2013
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	\$ 393,350,000	0.35%	\$ 1,376,725
Collin County CCD	37,460,000	0.35%	131,110
McKinney Independent School District	491,235,000	0.15%	736,853
Princeton Independent School District	<u>79,455,420</u>	40.48%	<u>32,163,554</u>
	<u>\$1,001,500,420</u>		34,408,242
City of Princeton			<u>7,145,721</u>
			<u>\$41,553,963</u>
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			<u>14.95%</u>
Per capita overlapping bonded debt			<u>\$5,564</u>

Source: "Texas Municipal Report" as of September 30, 2013, prepared by the Municipal Advisory Council.

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

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

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

Table 13

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.708315	0.6750	0.6750	0.6497	0.728394	0.728394	0.728394	0.728394	0.728394	0.756932
Available Tax Rate	<u>\$0.7917</u>	<u>\$0.8250</u>	<u>\$1.8250</u>	<u>\$1.8503</u>	<u>\$1.7716</u>	<u>\$1.7716</u>	<u>\$1.7716</u>	<u>\$1.7716</u>	<u>\$ 1.7716</u>	<u>\$ 1.7431</u>

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$277,934,890
Add back exempt real property	62,018,127
Total assessed value	<u>\$339,953,017</u>
Debt limit (10% of total assessed value)	\$ 33,995,302
Debt applicable to limit:	
Property tax supported debt	6,560,917
Less: Amount set aside for repayment of general debt	(429,895)
Total net debt applicable to limit	<u>\$ 6,990,812</u>
Legal debt margin	<u>2.06%</u>

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

Table 14

Fiscal Year	Water and Sewer Revenue Bonds					
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirements		Times Coverage
				Principal	Interest	
2004	\$ 1,373,113	\$ 1,118,280	\$ 254,833	\$ 120,000	\$ 64,844	1.38
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

Note: ^a Total Revenues does not include non-operating revenues
^b 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 ¹</u>	<u>Personal Income</u>	<u>Per Capita Income ²</u>	<u>Average Age ³</u>	<u>Grade School Enrollment ⁴</u>	<u>Unemployment Rate ⁵</u>
2004	3,750	\$ 157,432,500	\$ 41,982	N/A	2,245	5.00%
2005	4,000	182,880,000	45,720	N/A	2,352	4.60%
2006	5,773	N/A	N/A	31	2,477	4.30%
2007	7,200	125,467,200	* 17,426	35	2,584	* 6.5%
2008	5,750	131,197,750	22,817	37	2,767	4.80%
2009	6,282	125,024,364	* 19,902	45	5,608	8.20%
2010	6,400	127,372,800	* 19,902	35	2,183	7.50%
2011	6,807	135,472,914	* 19,902	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%
2013	7,469	168,844,214	22,606	31	1,853	8.30%

Sources:

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

**CITY OF PRINCETON, TEXAS
 PRINCIPAL EMPLOYERS
 SEPTEMBER 30, 2013
 (unaudited)**

Table 16

	<u>2013</u>	
<u>Name of Employer</u>	<u>No. of Employees</u>	<u>Rank</u>
Villa Asuncion Independent	58	1
City of Princeton	38	2
McDonalds	36	3
Taco Bell	28	4
Jack in the Box	23	5
Dollar General	10	6
Citizens State Bank	10	7
Family Dollar	5	8
Big G Auto	5	9
O'Reilly Auto Parts	<u>5</u>	10
Totals	<u><u>218</u></u>	

Note: Total employment within City not available &
 total employment for 2004 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	4	4	5	6	6	5	5	3	3	3
Public Safety										
Police	6	9	12	12	12	12	12	12	11	12
Municipal Court	2	2	3	3	3	2	2	2	2	4
Code Enforcement	1	1	1	1	1	2	1	2	2	1
Library	0	0	0	0	0	1	1	1	1	1
Development Services	0	0	2	2	1	1	1	2	2	1
Municipal Services	3	3	3	3	3*	8*	8	3	3	0
Streets	1	1	1	1	0*	0*	1	2	2	2
Parks and Recreation	1	1	1	1	0*	0*	1	2	2	2
Utility Administration	2	2	3	4	4	4	4	3	3	3
Water, Wastewater	3	3	3	3	3	12	10	2	3	5
	<u>23</u>	<u>26</u>	<u>34</u>	<u>36</u>	<u>30</u>	<u>39</u>	<u>46</u>	<u>34</u>	<u>34</u>	<u>34</u>

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 NINE FISCAL YEARS
(unaudited)**

Table 18

Function/Program	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police									
Physical Arrests	296	261	304	768	245	293	267	291	296
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
Fire									
Number of calls answered	643	799	858	553	1032	973	1,215	1,254	1,355
Inspections	37	44	57	43	32	60	35	42	33
Highways and Streets									
Potholes repaired	n/a	1	14	1	354	2500	600	540	712
Water									
New Connections	n/a	572	389	301	95	114	316	282	593
Water Main Breaks	n/a	1	7	1	4	24	50	100	175
Avg Daily Consumption (gallons)	280	246	223	260	219	6155	373	1163	1153

Source: City departments, North Texas Municipal Water District

Note1: Data prior to FYE 9.30.2005 is not available.

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

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

Table 19

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

Sources:

City departments, North Texas Municipal Water District

Note1: Data prior to FYE 9.30.2005 is not available.

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

