

CITY OF PRINCETON TEXAS



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2017

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2017

City of Princeton, Texas

City Manager
Derek Borg

Director of Finance
Carron Prigmore

**CITY OF PRINCETON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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March 1, 2017

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 fiscal year ended September 30, 2017, is submitted herewith.

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

LaFollett and Abbott, PLLC have issued an unmodified (“clean”) opinion on the City of Princeton’s financial statements for the year ended September 30, 2017. The independent auditor’s report is located in the beginning of the financial statement section of the CAFR.

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

GENERAL INFORMATION – CITY OF PRINCETON

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

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

The City is continuing to grow as the economy recovers over the past few years, and several residential developments are under construction on new lots. There are several commercial projects that are being reviewed for construction, and several currently under construction.

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 body, which consists of a Mayor and a five-member council.

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

ECONOMIC CONDITIONS AND OUTLOOK

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

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 155,142 residents. This growth has extended to the east into Princeton and development has been steadily increasing over the past few years. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade. The estimated population of Princeton is estimated at 12,000 in 2017. The projected growth rate for the next five years is estimated stay above 13%.

Economic Indicators and Tax Rate

- Starting in FY 2017/2018 S&P Global Ratings, raised the City's underlying Bond Rating from an "A+" to "AA-" with a Stable outlook. The upgrade reflects the City's significantly improved fund balance, which grew to 33% of the General Fund expenditures in FY2016 from 19% in FY 2015, as well as the strengthened management practices and policies.
- Single Family Building Permits for FY 2016/17 totaled 585. And the forecast for FY2017/18 is looking to be even better. The Prices for the new homes are well within the affordable range at around \$200,000-\$250,000. Many new single family lots are being constructed and several new subdivisions are in the planning process. The City is working with developers to enhance the look and feel of the developments by adding walking trails and higher amenities like pools and parks.
- Several Public Improvement Districts are being created in order to achieve the higher quality developments.
- Ten (10) Commercial Building Permits for FY 2016/17 were issued, and when complete this will add to the sales tax Princeton collects. Several new recognizable franchise stores are in the planning stages for development that will break ground this coming year.
- North Texas Municipal Water District supplies most of the drinking water for the region. Recently they were given a permit to start construction on the Lower Bois "D" Arch Creek Reservoir in order to supply water for the projected regional growth. This should supply Princeton with water for the next 20 years.
- The Princeton ISD is also expanding to keep up with the growth. They are under construction of a new middle school and have another one in plan check. These are scheduled to open in school year 2019.
- Over the past two years, the sales tax revenues has increased approximately an average of 26%. The projected sales tax revenue for the City's General Fund is currently budgeted at \$1,090,000.
- Although the property tax rate stayed the same, FY2018 budget will raise the tax revenues of the City by \$939,982, or 29%. Of that amount, \$496,219 is tax revenue added to the tax role from new properties.
- Overall the outlook for Princeton is very positive.

Accounting Procedures and Budgetary Concepts

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

In accordance with the City's Budget Policy, the budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager and the Director of Finance, a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review, the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

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

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90 Day unassigned fund balance reserves.

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

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of 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>
2013-2014	0.738999
2014-2015	0.721800
2015-2016	0.691886
2016-2017	0.689890
2017-2018	0.689890

OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of LaFollett and Abbott PLLC, to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and state that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2017 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

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

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

Respectfully submitted,

Derek Borg
City Manager



Government Finance Officers Association

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

Presented to

**City of Princeton
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

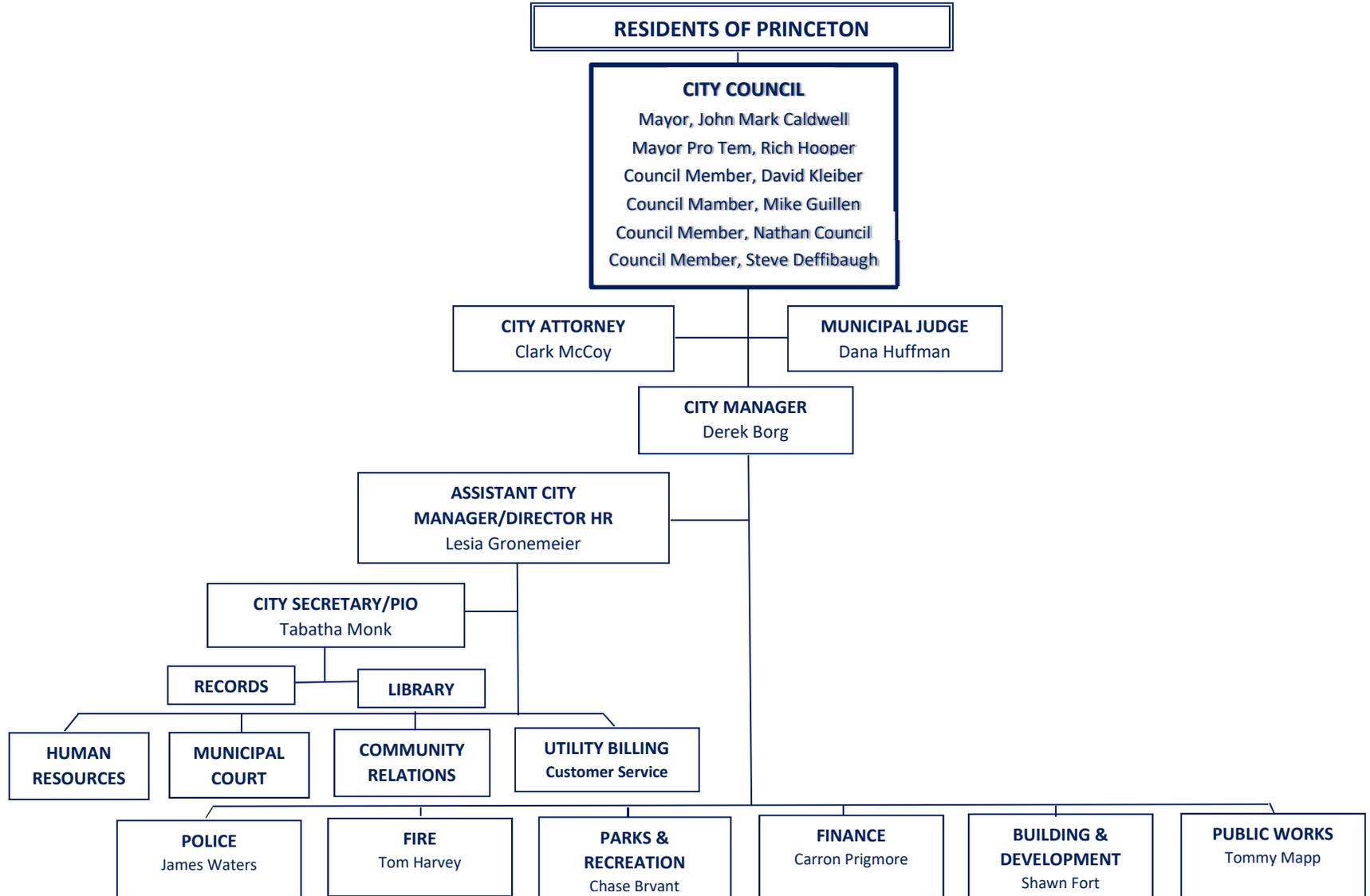
September 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF PRINCETON

Organization Chart



CITY OF PRINCETON, TEXAS
For the year ended September 30, 2017

City Council

John-Mark Caldwell, Mayor
Steve Deffibaugh, Mayor Pro-Tem

David Kleiber

Mike Guillen

Rich Hooper

Nathan Council



INTRODUCTORY SECTION



FINANCIAL SECTION





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

INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Princeton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-13, the Schedule of TMRS Contributions on page 63, and the Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 years on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section on pages i-vii, individual fund financial statements and schedules on pages 67-77, and statistical section on pages 81-103 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, individual fund financial statements and schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas internal control over financial reporting and compliance.

Ja Farrell and Abbott PLLC

Tom Bean, Texas
March 12, 2018

CITY OF PRINCETON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

As management of the City of Princeton ("City"), we offer the 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, 2017. 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 narrative:

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the fiscal year by \$38,769,650 (net position). Of this amount, \$12,816,545 or 33%, is restricted for certain purposes. The unrestricted net position of \$5,169,742, or 13%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal practices.
- The City's total net position increased by \$15,534,480, excluding prior period adjustments. This is due to the significant increases in charges for services from operations and capital contributions from developers.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$12,147,814, an increase of \$6,483,715, or 114%, in comparison with the prior year. Unassigned fund balance of \$1,533,276, or 13% is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$1,533,276 was 25% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations increased by \$7,477,670, or 38%, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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.

**CITY OF PRINCETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017**

Basic Financial Statements

The first two statements (pages 17-19) 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 20-24) 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 fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 28-60). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplemental information (pages 63-64) is provided to show details about the City's pension plan and post-employment benefits.

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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, if material value). 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, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and storm water drainage activity are reported as business-type activities. The final category is the component units. The City includes one separate legal entity in its report – the Princeton Economic Development Corporation and the Princeton Community Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements are on pages 17-19 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. 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. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for 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 and Debt Service Fund, as required by the General Statutes. The budgets are 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 statement provided for the General Fund and Debt Service 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 schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; 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 20-23 of this report. The General Fund Budgetary Comparison Schedule can be found on page 24.

Proprietary Funds – 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 all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City maintains two individual proprietary funds: the Utility Fund and the Storm Water Drainage Fund.

The basic proprietary fund financial statements can be found on pages 25-27 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 start on page 28 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and net pension liability. This information is on pages 63-64 of this report.



**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017**

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,876,621	\$ 7,327,030	\$ 7,127,865	\$ 5,284,094	\$ 22,004,486	\$ 12,611,124
Capital assets	27,501,781	18,611,330	20,215,246	18,864,766	47,717,027	37,476,096
Total assets	42,378,402	25,938,360	27,343,111	24,148,860	69,721,513	50,087,220
Deferred outflow - pension	335,305	319,473	505,984	516,119	841,289	835,592
Long-term liabilities	18,921,266	10,251,955	8,778,546	12,349,391	27,699,812	22,601,346
Other liabilities	2,645,330	1,985,331	1,432,137	1,517,845	4,077,467	3,503,176
Total liabilities	21,566,596	12,237,286	10,210,683	13,867,236	31,777,279	26,104,522
Deferred inflow - pension	11,376	94,563	4,497	36,185	15,873	130,748
Net position:						
Investment in capital assets	9,143,889	8,075,220	11,639,474	6,631,526	20,783,363	14,706,746
Restricted	9,628,521	4,140,512	3,188,024	1,851,788	12,816,545	5,992,300
Unrestricted	2,363,325	1,710,252	2,806,417	2,278,245	5,169,742	3,988,497
Total net position	<u>\$ 21,135,735</u>	<u>\$ 13,925,984</u>	<u>\$ 17,633,915</u>	<u>\$ 10,761,559</u>	<u>\$ 38,769,650</u>	<u>\$ 24,687,543</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The combined net position of the City was \$38,769,650 as of September 30, 2017. The City's net position increased by \$15,534,480, excluding prior period adjustments, for the fiscal year ended September 30, 2017.

Net invested in capital assets:

The largest portion, \$20,783,363, or 55%, reflects the City's investment in capital assets (i.e., 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:

The restricted net position of \$12,816,545, or 33%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: \$550,692, or 4%, for debt service requirements, capital improvements of \$12,184,900 or, 95%, that includes impact fees, PEG fees, and TIRZ ad valorem taxes, and use by court of \$80,953, or 1%.

Unrestricted net position:

Unrestricted net position of \$5,169,742, or 12%, is available to fund City programs to citizens and debt to creditors. The significant increase in unrestricted net position is due, in part, to the collection of building permits issued during the fiscal year and higher assessed property values.

CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017

	CHANGES IN NET POSITION					
	Governmental Activities		Business Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 4,016,398	\$ 1,770,853	\$ 9,882,898	\$ 6,754,857	\$ 13,899,296	\$ 8,525,710
Operating grants and contributions	422,920	8,129	-	-	422,920	8,129
Capital grants and contributions	5,385,169	1,908,221	4,449,124	1,670,231	9,834,293	3,578,452
General Revenues:						
Property taxes	3,539,491	2,859,709	-	-	3,539,491	2,859,709
Sales taxes	1,267,448	918,489	-	-	1,267,448	918,489
Franchise taxes	262,549	305,838	-	-	262,549	305,838
Other taxes	2,984	-	-	-	2,984	-
Investment income	76,593	15,937	24,525	10,929	101,118	26,866
Donations-not restricted for specific purpose	-	16,177	-	-	-	16,177
Franchise fees	247,703	-	-	-	247,703	-
Miscellaneous	5,270	39,181	32,888	10,463	38,158	49,644
Total revenues	<u>15,226,525</u>	<u>7,842,534</u>	<u>14,389,435</u>	<u>8,446,480</u>	<u>29,615,960</u>	<u>16,289,014</u>
Expenses:						
General government	861,576	705,071	-	-	861,576	705,071
Public safety	3,050,330	1,562,609	-	-	3,050,330	1,562,609
Library	151,936	129,686	-	-	151,936	129,686
Public services and operations	886,973	893,941	-	-	886,973	893,941
Parks and recreation	527,723	552,517	-	-	527,723	552,517
Public works	1,642,760	1,381,287	-	-	1,642,760	1,381,287
Water and sewer	-	-	5,943,268	5,524,848	5,943,268	5,524,848
Storm water drainage	-	-	231,989	-	231,989	-
Interest on long-term debt	544,788	475,106	240,137	537,378	784,925	1,012,484
Total expenses	<u>7,666,086</u>	<u>5,700,217</u>	<u>6,415,394</u>	<u>6,062,226</u>	<u>14,081,480</u>	<u>11,762,443</u>
Increase/(decrease) in net position before transfers	7,560,439	2,142,317	7,974,041	2,384,254	15,534,480	4,526,571
Transfers	<u>(33,491)</u>	<u>(32,491)</u>	<u>33,491</u>	<u>32,491</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net position	7,526,948	2,109,826	8,007,532	2,416,745	15,534,480	4,526,571
Net position - beginning of year	13,925,984	11,816,158	10,761,559	8,295,875	24,687,543	20,112,033
Prior period adjustments	(317,197)	-	(1,135,176)	48,939	(1,452,373)	48,939
Net position - end of year	<u>\$ 21,135,735</u>	<u>\$ 13,925,984</u>	<u>\$ 17,633,915</u>	<u>\$ 10,761,559</u>	<u>\$ 38,769,650</u>	<u>\$ 24,687,543</u>

Governmental activities increased net position by \$7,526,948, excluding prior period adjustment, in comparison to the prior year. This is due in large part of the capital contribution of infrastructure from developers in the amount of \$3,877,269, or 52% of total increase, charge for services increased \$2,181,850, or 29% of total increase and this is the first year to collect roadway impact fees of \$1,430,930 which accounts for 19% of the total increase.

Business-type activities increased net position by \$8,007,532, excluding prior period adjustments, in comparison to the prior year. This is due in large part of the capital contribution of infrastructure from developers in the amount of \$4,449,124, or 56% of total increase, charge for services increased \$1,677,285, or 21% of total increase, and utility impact fees increased \$1,447,597, or 18% of total increase in net position.

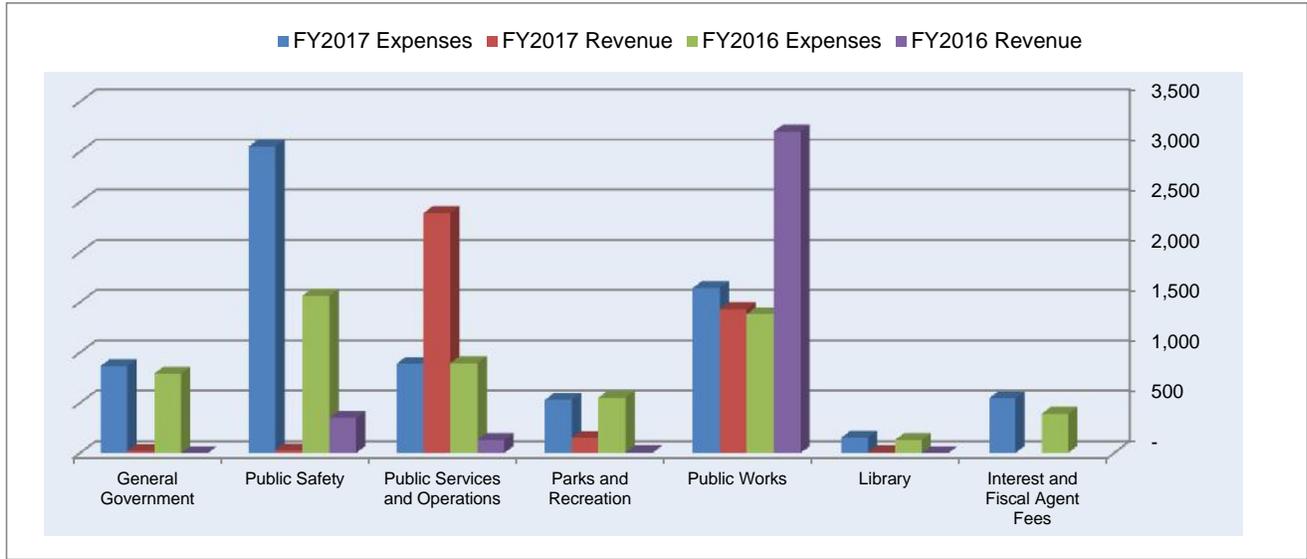
**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017**

Governmental-type activities - Governmental-type activities increased the City's net position by \$7,526,948, excluding prior period adjustments. Key elements of this increase are as follows:

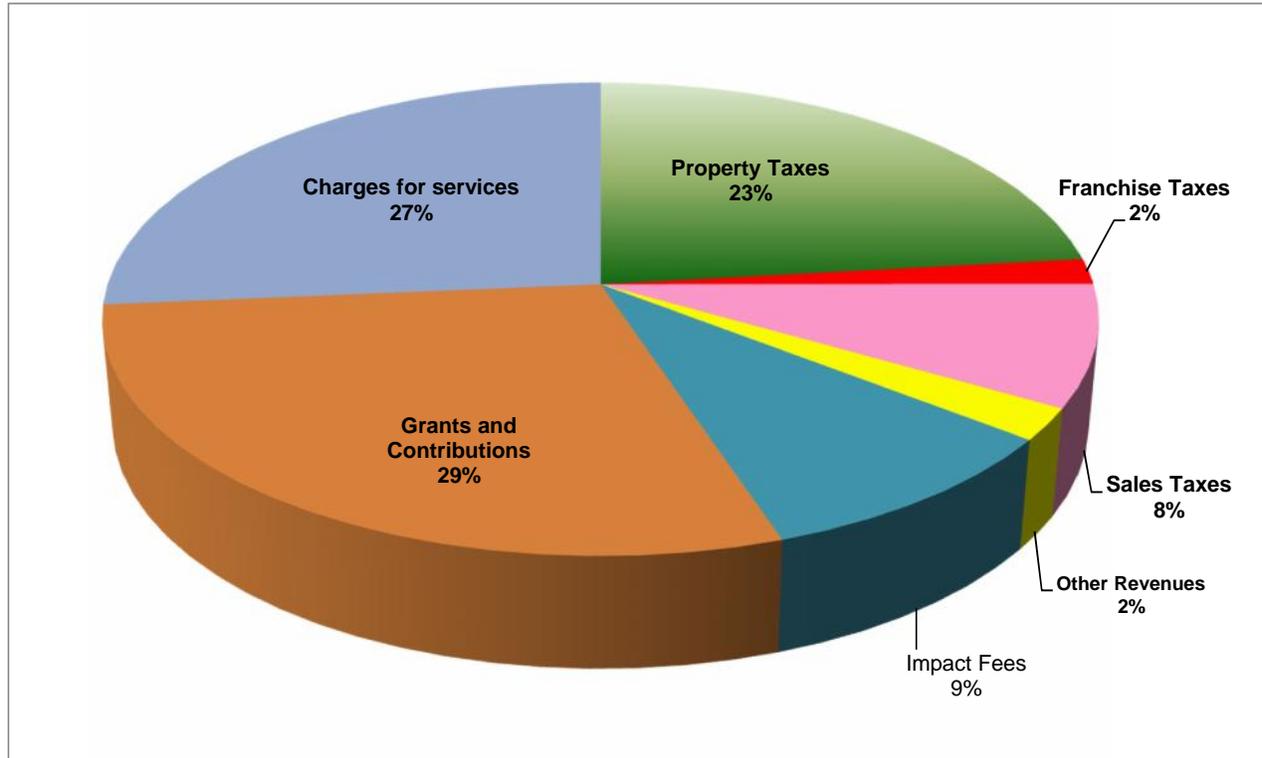
Developer contributions were \$3,877,269, or 81%;
Charges for services increased \$2,245,545, or 127%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



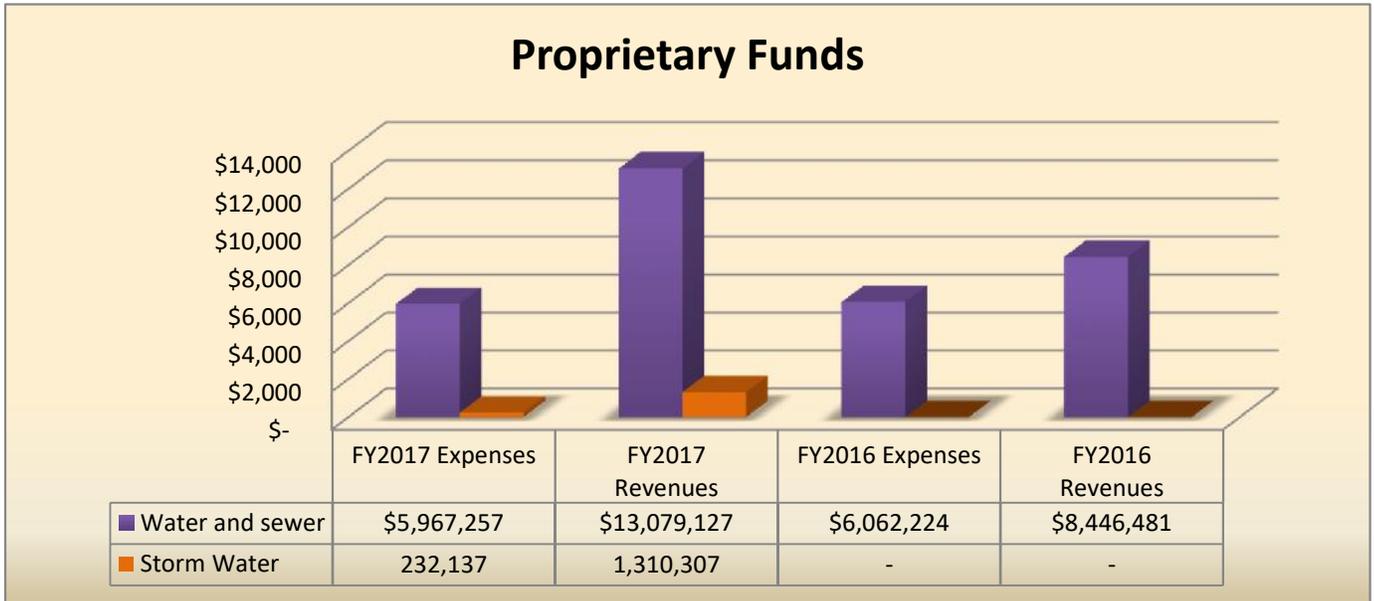
**CITY OF PRINCETON, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2017**

Business-type Activities - Business-type activities increased the City's net position by \$8,007,532, excluding prior period adjustments. Key elements for this increase are as follows:

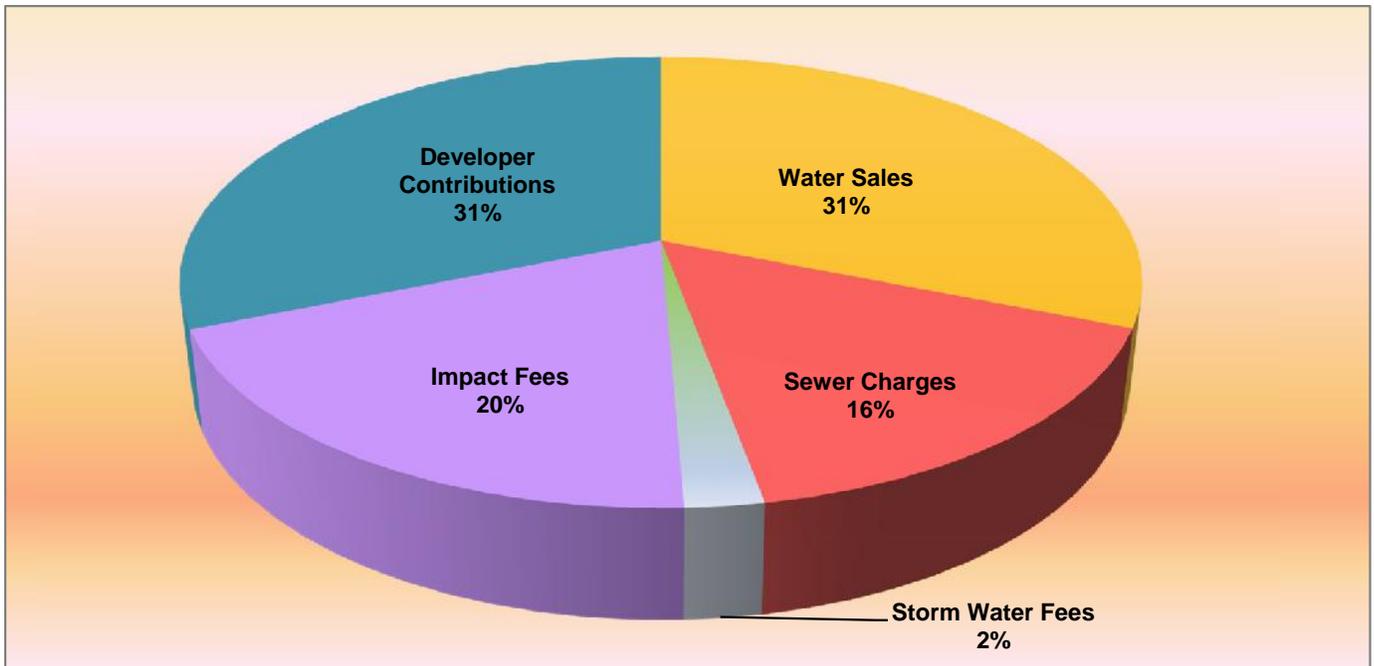
Developer contributions increased \$2,019,145, or 71%;
 Charge for services increased \$3,128,041, or 46%.

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, 2017**

Financial Analysis of the City's Funds

As noted earlier, the City 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 spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$12,147,814, a 103% increase in comparison with the prior year. Of this amount, \$1,533,276, or 13%, is unassigned fund balance.

- Nonspendable fund balance of \$1,795,708, or 14.8%, of total fund balance consists of amounts that are not spendable in form and are contractually required to be maintained intact. This amount is notes receivables from component units.
- Restricted fund balances of \$8,225,418, or 67.7%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$80,953, or 1%, for state imposed restrictions for use of court fees;
 - \$550,692, or 7%, for debt service requirements; and
 - \$7,593,773, or 92%, for capital improvements.
- Committed fund balance of \$483,414, or 4%, that was approved by the City Council are the following:
 - \$190,718, or 39.5%, is for park improvements;
 - \$3,659, or .8%, is for the Police Department; and
 - \$289,037, or 59.7%, is for the Development Department.
- Assigned fund balance of \$109,998, or 1%, of total fund balance, are as follows:
 - \$40,500, or 37%, is for capital replacement; and
 - \$69,498, or 63%, is for the Fire Department.

The General Fund is the chief operating fund of the City and had an unassigned fund balance of \$1,533,276, at the end of the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 25% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds increased 111%, or \$5,369,224, with the following significant changes:

- The fund balance of the Debt Service Fund increased 156%, or \$1,428,739, primarily as a result of monies received from the EDC for street improvements.
- The fund balance of the Capital Improvement Funds increased 118%, or \$3,940,485, primarily as a result of the collection of roadway impact fees and issuance of bond proceeds.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$2,806,417, a 23% increase from the prior year. This is due to an increase in impact fees and charge for services.

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

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017**

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals \$47,717,027 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total increase in capital assets for the current fiscal year was approximately 27%.

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

- Ongoing street improvement projects
- Construction of new Public Works building began
- Tickey Creek sewer project near completion

**Capital Assets
(net of accumulated depreciation)
September 30, 2017**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 866,817	\$ 866,817	\$ 180,353	\$ 180,353	\$ 1,047,170	\$ 1,047,170
Infrastructure	18,030,819	12,796,765	17,196,748	17,460,053	35,227,567	30,256,818
Building & improvements	852,134	894,528	134,756	140,342	986,890	1,034,870
Machinery & equipment	367,228	422,654	228,375	248,509	595,603	671,163
Construction in progress	7,384,783	3,630,566	2,475,014	835,509	9,859,797	4,466,075
Total	<u>\$ 27,501,781</u>	<u>\$ 18,611,330</u>	<u>\$ 20,215,246</u>	<u>\$ 18,864,766</u>	<u>\$ 47,717,027</u>	<u>\$ 37,476,096</u>

More detailed information about the City's capital assets is presented in Note G to the financial statements.

Long-term Debt - As of September 30, 2017, the City had \$26,933,664 in long-term obligations. This represents an increase of \$7,477,670, or 38%, in comparison with the prior year. The 2016 Certificate of Obligations were issued in October 2016 in the amount of \$8,465,000.

**Outstanding Debt
September 30, 2017**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds & Certificates of Obligation	\$ 17,563,515	\$ 9,520,726	\$ 8,429,800	\$ 8,769,290	\$ 25,993,315	\$ 18,290,016
Tax Note	570,000	755,000	-	-	570,000	755,000
Capital Leases	224,377	260,384	145,972	150,594	370,349	410,978
	<u>\$ 18,357,892</u>	<u>\$ 10,536,110</u>	<u>\$ 8,575,772</u>	<u>\$ 8,919,884</u>	<u>\$ 26,933,664</u>	<u>\$ 19,455,994</u>

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

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2017**

Economic Factors and Next Year's Budgets and Rates

The FY2017-2018 budget incorporates the effective property tax rate of \$0.689890 per \$100 valuation. This is the same rate for FY2016-2017. The budget will raise more total property taxes by \$939,982, or 29.17%. Of this amount, \$496,219 is from new property added to the tax roll.

The FY2017-2018 revenue budget has a 7% increase budgeted over the FY2016-2017 final amended budget. The City's sales tax revenue is expected to increase along with building permits with the completion of residential and commercial buildings and the population as the City grows.

The FY2017-2018 revenue budget has a 3% increase budgeted over the FY2016-2017 final amended budget. This is partially due to increase in employee payroll and benefits with the addition of full-time and part-time employees needed to service the citizens of the City.

The FY2017-2018 budget for the proprietary funds revenues include a 1% increase over the prior year. Impact fees are expected to increase slightly. Expenses include a 3% increase of the prior year due to the increase in the number of employees needed to service the citizens of the City.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Director of Finance, 123 W. Princeton Drive, Princeton Texas 75422.



BASIC FINANCIAL STATEMENTS



**CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Primary Government</u>			<u>Component Unit</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>EDC</u>	<u>CDC</u>
ASSETS					
Cash and cash equivalents	\$ 2,005,981	\$ 1,199,030	\$ 3,205,011	\$ 691,552	\$ 715,749
Receivables, net of allowance for uncollectibles	810,145	940,308	1,750,453	111,245	111,245
Inventory	-	154,035	154,035	-	-
Internal balances	(37,148)	37,148	-	-	-
Restricted assets:					
Cash and cash equivalents	10,301,935	4,279,534	14,581,469	-	-
Notes receivable - component units	1,795,708	-	1,795,708	-	-
Deposits held in trust-GTUA	-	517,810	517,810	-	-
Capital assets not being depreciated					
Land	866,817	180,353	1,047,170	1,012,000	-
Construction in progress	7,384,783	2,475,014	9,859,797	396,654	143,535
Capital assets, net of accumulated depreciation:					
Machinery and equipment	367,228	228,375	595,603	-	-
Buildings and improvements	852,134	134,756	986,890	-	130,186
Infrastructure	18,030,819	17,196,748	35,227,567	-	-
Total Assets	42,378,402	27,343,111	69,721,513	2,211,451	1,100,715
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources-pension	335,305	130,017	465,322	3,021	3,031
Deferred loss on bond refunding	-	375,967	375,967	-	-
Total deferred outflow of resources	335,305	505,984	841,289	3,021	3,031
LIABILITIES					
Accounts payable	2,038,376	664,268	2,702,644	16,608	26,028
Retainage payable	422,368	84,622	506,990	-	-
Accrued expenses	46,088	8,535	54,623	570	-
Accrued liabilities	1,674	10,848	12,522	-	-
Other liabilities	66,289	26,313	92,602	-	-
Accrued interest payable	70,535	39,015	109,550	-	-
Customer deposits	-	598,536	598,536	-	-
Non-current liabilities:					
Due within one year:	799,798	389,719	1,189,517	75,000	43,986
Due in more than one year:	18,121,468	8,388,827	26,510,295	1,281,065	407,817
Total Liabilities	21,566,596	10,210,683	31,777,279	1,373,243	477,831
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources-pension	11,376	4,497	15,873	104	105
NET POSITION					
Net investment in capital assets	9,143,889	11,639,474	20,783,363	58,654	273,721
Restricted for:					
Debt service	550,692	-	550,692	-	-
Use of impact fees	1,368,870	3,089,274	4,458,144	-	-
Capital improvements, including PEG fees	7,166,242	-	7,166,242	-	-
Storm water use	-	98,750	98,750	-	-
Court use	80,953	-	80,953	-	-
Tax increment financing	461,764	-	461,764	-	-
Unrestricted	2,363,325	2,806,417	5,169,742	782,471	352,089
Total Net Position	\$ 21,135,735	\$ 17,633,915	\$ 38,769,650	\$ 841,125	\$ 625,810

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 861,576	\$ 17,475	\$ 38,708	\$ -
Public Safety	3,050,330	25,690	322,612	82,900
Library	151,936	6,913	16,525	-
Public services and operations	886,973	2,388,422	-	-
Parks and recreation	527,723	146,968	-	-
Public works	1,642,760	1,430,930	45,075	5,302,269
Interest on long-term debt	544,788	-	-	-
Total governmental activities	7,666,086	4,016,398	422,920	5,385,169
Business-type Activities:				
Water and sewer	6,183,258	9,563,489	-	3,458,226
Storm water drainage	232,136	319,409	-	990,898
Total business-type activities	6,415,394	9,882,898	-	4,449,124
Total primary government	14,081,480	13,899,296	422,920	9,834,293
Component Unit				
Economic Development Corporation	1,490,708	-	-	-
Community Development Corporation	210,902	-	-	-
Total component unit	\$ 1,701,610	\$ -	\$ -	\$ -

General revenues:

Property taxes
Sales taxes
Franchise taxes
Beverage taxes
Franchise fee
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

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

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			Component Unit	
Governmental Activities	Business Activities	Total	EDC	CDC
\$ (805,393)	-	\$ (805,393)	\$ -	\$ -
(2,619,128)	-	(2,619,128)	-	-
(128,498)	-	(128,498)	-	-
1,501,449	-	1,501,449	-	-
(380,755)	-	(380,755)	-	-
5,135,514	-	5,135,514	-	-
(544,788)	-	(544,788)	-	-
<u>2,158,401</u>	<u>-</u>	<u>2,158,401</u>	<u>-</u>	<u>-</u>
-	6,838,457	6,838,457	-	-
-	1,078,171	1,078,171	-	-
-	7,916,628	7,916,628	-	-
<u>2,158,401</u>	<u>7,916,628</u>	<u>10,075,029</u>	<u>-</u>	<u>-</u>
-	-	-	(1,490,708)	-
-	-	-	-	(210,902)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,490,708)</u>	<u>\$ (210,902)</u>
\$ 3,539,491	\$ -	\$ 3,539,491	\$ -	\$ -
1,267,448	-	1,267,448	611,417	611,417
262,549	-	262,549	-	-
2,984	-	2,984	-	-
247,703	-	247,703	-	-
76,593	24,525	101,118	3,755	4,163
5,270	32,888	38,158	-	-
(33,491)	33,491	-	-	-
<u>5,368,547</u>	<u>90,904</u>	<u>5,459,451</u>	<u>615,172</u>	<u>615,580</u>
7,526,948	8,007,532	15,534,480	(875,536)	404,678
13,925,984	10,761,559	24,687,543	1,693,573	(86,709)
(317,197)	(1,135,176)	(1,452,373)	23,088	307,841
<u>\$ 21,135,735</u>	<u>\$ 17,633,915</u>	<u>\$ 38,769,650</u>	<u>\$ 841,125</u>	<u>\$ 625,810</u>

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

**CITY OF PRINCETON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,810,731	\$ -	\$ 195,250	\$ 2,005,981
Receivables, net of allowance for uncollectibles	786,980	23,165	-	810,145
Note receivable - component units	-	1,795,708	-	1,795,708
Cash and cash equivalents - restricted	513,440	549,252	9,239,243	10,301,935
Total Assets	3,111,151	2,368,125	9,434,493	14,913,769
LIABILITIES				
Accounts payable	348,764	-	1,689,612	2,038,376
Retainage payable	-	-	422,368	422,368
Accrued expenses	46,088	-	-	46,088
Accrued liabilities	67,963	-	-	67,963
Due to other funds	-	-	37,148	37,148
Total Liabilities	462,815	-	2,149,128	2,611,943
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	47,260	21,725	-	68,985
Unavailable revenue-court	85,027	-	-	85,027
Total Deferred Inflows of Resources	132,287	21,725	-	154,012
Fund Balances				
Nonspendable-notes receivable	-	1,795,708	-	1,795,708
Restricted for:				
Court use	80,953	-	-	80,953
Debt service	-	550,692	-	550,692
PEG	41,862	-	-	41,862
Tax increment financing	461,764	-	-	461,764
Capital improvements	-	-	7,090,147	7,090,147
Committed to:				
Park improvements	-	-	190,718	190,718
Public safety	3,659	-	-	3,659
Development	289,037	-	-	289,037
Assigned to:				
Public safety	82,998	-	4,500	87,498
Public works	12,000	-	-	12,000
Development	10,500	-	-	10,500
Unassigned	1,533,276	-	-	1,533,276
Total Fund Balance	2,516,049	2,346,400	7,285,365	12,147,814
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,111,151	\$ 2,368,125	\$ 9,434,493	\$ 14,913,769

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

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 12,147,814
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.	33,538,234
Accumulated depreciation has not been included in the governmental fund financial statements.	(6,036,453)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(18,161,577)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(196,315)
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(251,438)
Accrued interest payable on long-term debt does not require current financial resources, therefore, it is not reported as a liability in the governmental funds balance sheet.	(70,535)
Revenues earned but not available within 60 days of the year end are not recognized as revenue on the fund financial statements.	154,012
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(311,936)
Deferred inflow/outflow of resources for pensions are not reported in the fund financial statements.	<u>323,929</u>
Net position of governmental activities - statement of net position	<u><u>\$ 21,135,735</u></u>

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

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service	Capital Project Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 2,358,420	\$ 1,181,071	\$ -	\$ 3,539,491
Sales	1,267,448	-	-	1,267,448
Beverage	2,984	-	-	2,984
Franchise	262,549	-	-	262,549
Fines and forfeitures	354,807	-	-	354,807
Licenses and permits	1,139,145	-	-	1,139,145
Charge for services	1,019,584	-	38,809	1,058,393
Impact Fees	-	-	1,430,930	1,430,930
Donations	20,391	-	75	20,466
Grant and contributions	298,855	-	45,000	343,855
Franchise fee	247,703	-	-	247,703
Intergovernmental revenue	143,006	1,425,000	-	1,568,006
Rental income	12,072	-	-	12,072
Investment income	12,124	5,785	58,684	76,593
Miscellaneous	7,188	-	-	7,188
Total revenues	7,146,276	2,611,856	1,573,498	11,331,630
EXPENDITURES				
Current:				
General government	843,820	2,038	-	845,858
Public safety	2,875,713	-	-	2,875,713
Library	139,977	-	-	139,977
Public works	602,447	-	151,814	754,261
Public services and operations	869,608	-	-	869,608
Parks and recreation	429,031	-	13,647	442,678
Capital outlays:				
Public safety	25,868	-	-	25,868
Public services	21,832	-	-	21,832
Public works	69,147	-	5,659,585	5,728,732
Parks and recreation	73,920	-	272,351	346,271
Debt service:				
Principal retirement	146,822	624,300	-	771,122
Issuance cost	-	-	68,700	68,700
Interest	8,530	523,288	-	531,818
Total expenditures	6,106,715	1,149,626	6,166,097	13,422,438
Excess (deficiency) of revenues over expenditures	1,039,561	1,462,230	(4,592,599)	(2,090,808)
OTHER FINANCING SOURCES (USES)				
Transfers	(41,884)	(33,491)	41,884	(33,491)
Sale of Assets	6,000	-	-	6,000
Net cost of issuance premium/(discount)	-	-	26,200	26,200
Issuance of bonds	-	-	8,465,000	8,465,000
Issuance of capital lease	110,814	-	-	110,814
Total other financing sources (uses)	74,930	(33,491)	8,533,084	8,574,523
Net change in fund balances	1,114,491	1,428,739	3,940,485	6,483,715
Fund balances, beginning	1,718,755	917,661	3,344,880	5,981,296
Prior period adjustments	(317,197)	-	-	(317,197)
Fund balances, ending	\$ 2,516,049	\$ 2,346,400	\$ 7,285,365	\$ 12,147,814

The notes to the 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, 2017**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 6,483,715
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	6,122,703
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations rather than sold are never reported in governmental funds.	3,877,269
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,109,659)
Current year long-term debt principal payments on contractual obligations and bonds are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	771,122
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 government-wide financial statements	(26,199)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(12,837)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(33,512)
In governmental fund financial statements, the proceeds from capital lease are shown as an increase in financial resources. In the government-wide financial statements, this is shown as an increase in long-term liabilities.	(110,814)
In governmental fund financial statements, the proceeds from bond proceeds are shown as an increase in financial resources. In the government-wide financial statements, this is shown as an increase in long-term liabilities.	(8,465,000)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	11,628
Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governments funds.	<u>18,532</u>
Change in net position - statement of activities	<u><u>\$ 7,526,948</u></u>

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,074,125	\$ 2,074,125	\$ 2,358,421	\$ 284,296
Sales	1,109,432	1,109,432	1,267,448	158,016
Beverage	2,600	2,600	2,984	384
Franchise	204,226	204,226	262,549	58,323
Fines and forfeitures	275,640	275,640	354,807	79,167
Licenses and permits	547,160	1,009,393	1,139,145	129,752
Charge for services	762,275	803,585	1,019,584	215,999
Donations	15,450	15,450	20,391	4,941
Grants and contributions	1,500	84,400	298,855	214,455
Administration fee	247,703	247,703	247,703	-
Intergovernmental revenue	148,296	148,296	143,006	(5,290)
Rental income	12,000	12,000	12,072	72
Investment income	7,433	7,433	12,124	4,691
Miscellaneous	9,759	9,759	7,188	(2,571)
Total Revenues	5,417,599	6,004,042	7,146,277	1,142,235
EXPENDITURES				
Current:				
General Government	754,727	851,521	843,821	7,700
Public Safety:				
Police	1,559,106	1,718,116	1,710,819	7,297
Fire	1,002,040	1,168,661	1,164,894	3,767
Total Public Safety	2,561,146	2,886,777	2,875,713	11,064
Library	139,167	141,527	139,977	1,550
Public Works	670,905	645,632	602,447	43,185
Public Services and Operations	742,188	875,752	869,608	6,144
Parks and Recreation	385,539	430,281	429,031	1,250
Capital Outlays				
Police	32,000	32,000	25,868	6,132
Public Works	19,500	74,147	69,147	5,000
Public Services and Operations	1,000	7,500	21,832	(14,332)
Parks and Recreation	22,754	73,920	73,920	-
Debt Service				
Principal	141,231	147,734	146,822	912
Interest	18,076	17,695	8,530	9,165
Total Expenditures	5,488,233	6,184,486	6,106,716	77,770
Excess (deficiency) of revenues over (under) expenditures	(70,634)	(180,444)	1,039,561	1,220,005
Other Financing Sources (Uses)				
Transfers	-	-	(41,884)	(41,884)
Sale of Assets	-	-	6,000	6,000
Capital Lease Proceeds	-	110,814	110,814	-
Total Other Financing Sources (uses)	-	110,814	74,930	(35,884)
Net Change in Fund Balance	(70,634)	(69,630)	1,114,491	1,184,121
Fund Balance, October 1	1,718,755	1,718,755	1,718,755	
Prior Period Adjustments	-	-	(317,197)	
Fund Balance, September 30	\$ 1,648,121	\$ 1,649,125	\$ 2,516,049	

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Water and Sewer	Storm Water Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,199,030	\$ -	\$ 1,199,030
Receivables, net of uncollectibles	595,363	42,402	637,765
Unbilled revenue	302,543	-	302,543
Inventory	154,035	-	154,035
Due from other funds	5,763	31,385	37,148
Total current assets	<u>2,256,734</u>	<u>73,787</u>	<u>2,330,521</u>
Noncurrent assets:			
Cash and cash equivalents-restricted	4,206,361	73,173	4,279,534
Deposits held in trust	517,810	-	517,810
Total restricted assets	<u>4,724,171</u>	<u>73,173</u>	<u>4,797,344</u>
Capital Assets:			
Land	180,353	-	180,353
Buildings	235,326	-	235,326
Infrastructure	20,829,179	990,898	21,820,077
Machinery & equipment	620,048	44,087	664,135
Construction in progress	2,475,014	-	2,475,014
Less: accumulated depreciation	<u>(5,138,775)</u>	<u>(20,884)</u>	<u>(5,159,659)</u>
Total capital assets, net of accumulated depreciation	<u>19,201,145</u>	<u>1,014,101</u>	<u>20,215,246</u>
Total assets	<u><u>26,182,050</u></u>	<u><u>1,161,061</u></u>	<u><u>27,343,111</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-pension	122,246	7,771	130,017
Deferred loss on bond refunding	375,967	-	375,967
Total deferred outflow of resources	<u>498,213</u>	<u>7,771</u>	<u>505,984</u>
LIABILITIES			
Current liabilities:			
Accounts payable	611,726	52,542	664,268
Retainage payable	84,622	-	84,622
Accrued liabilities	10,848	-	10,848
Accrued expenses	8,535	-	8,535
Other liabilities	26,313	-	26,313
Payable from restricted assets:			
Accrued interest payable	39,015	-	39,015
Customer deposits	598,536	-	598,536
Compensated absences - current	2,358	-	2,358
Capital lease payable-current	66,661	-	66,661
Bonds payable - current	320,700	-	320,700
Total current liabilities	<u>1,769,314</u>	<u>52,542</u>	<u>1,821,856</u>
Noncurrent liabilities:			
Net pension liability	116,532	1,804	118,336
Compensated absences	80,714	1,366	82,080
Capital lease payable	44,630	34,681	79,311
Bonds payable	8,109,100	-	8,109,100
Total noncurrent liabilities	<u>8,350,976</u>	<u>37,851</u>	<u>8,388,827</u>
Total liabilities	<u><u>10,120,290</u></u>	<u><u>90,393</u></u>	<u><u>10,210,683</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-pension	4,228	269	4,497
NET POSITION			
Net invested in capital assets	10,660,054	979,420	11,639,474
Restricted for:			
Use of impact fees	3,089,274	-	3,089,274
Storm water	-	98,750	98,750
Unrestricted	<u>2,806,417</u>	<u>-</u>	<u>2,806,417</u>
Total Net Position	<u><u>\$ 16,555,745</u></u>	<u><u>\$ 1,078,170</u></u>	<u><u>\$ 17,633,915</u></u>

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

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water and Sewer</u>	<u>Storm Water Drainage</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 6,769,978	\$ 319,409	\$ 7,089,387
Miscellaneous	54,559	-	54,559
Total operating revenues	<u>6,824,537</u>	<u>319,409</u>	<u>7,143,946</u>
OPERATING EXPENSES:			
Personal services	1,208,942	76,913	1,285,855
Water purchases	1,220,781	-	1,220,781
Supplies and materials	314,150	4,306	318,456
Maintenance and repair	581,648	22,096	603,744
Lift Station	871,640	-	871,640
Utilities	77,315	-	77,315
Contractual services	888,842	107,791	996,633
Depreciation	532,246	20,884	553,130
Total operating expenses	<u>5,695,564</u>	<u>231,990</u>	<u>5,927,554</u>
Operating income (loss)	<u>1,128,973</u>	<u>87,419</u>	<u>1,216,392</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	24,525	-	24,525
Impact fees	2,771,840	-	2,771,840
Interest expense	(239,990)	(147)	(240,137)
Administrative fee	(247,703)	-	(247,703)
Total nonoperating revenues (expenses)	<u>2,308,672</u>	<u>(147)</u>	<u>2,308,525</u>
Income (loss) before transfers and capital contributions	<u>3,437,645</u>	<u>87,272</u>	<u>3,524,917</u>
Capital Contributions	3,458,226	990,898	4,449,124
Transfers	<u>33,491</u>	<u>-</u>	<u>33,491</u>
Change in net position	6,929,362	1,078,170	8,007,532
Net Position, October 1	10,761,559	-	10,761,559
Prior Period Adjustments	(1,135,176)	-	(1,135,176)
Net Position, September 30	<u>\$ 16,555,745</u>	<u>\$ 1,078,170</u>	<u>\$ 17,633,915</u>

The notes to the 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, 2017**

	Water and Sewer	Storm Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,578,002	\$ 277,007	\$ 6,855,009
Cash paid to other sources	(198,909)	(31,385)	(230,294)
Cash paid to employees	(1,164,299)	(81,245)	(1,245,544)
Cash paid to suppliers	(3,726,905)	(81,651)	(3,808,556)
Net cash provided (used) by operating activities	1,487,889	82,726	1,570,615
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Impact fees	2,771,840	-	2,771,840
Transfers from other funds	33,491	-	33,491
Net cash provided (used) by non-capital financing activities	2,805,331	-	2,805,331
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(5,923,801)	(1,034,985)	(6,958,786)
Developer contributions	3,458,226	990,898	4,449,124
Capital lease proceeds	-	44,087	44,087
Principal paid on long-term debt/capital lease	(378,792)	(9,406)	(388,198)
Interest and fees paid on long-term debt	(222,087)	(147)	(222,234)
Net cash (used for) capital & related financing activities	(3,066,454)	(9,553)	(3,076,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	24,525	-	24,525
Net cash provided by investing activities	24,525	-	24,525
Net increase (decrease) in cash and cash equivalents	1,251,291	73,173	1,324,464
Cash and cash equivalents at beginning of year	4,671,910	-	4,671,910
Cash and cash equivalents at end of year	\$ 5,923,201	\$ 73,173	\$ 5,996,374
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 1,128,973	\$ 87,419	\$ 1,216,392
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation	532,246	20,884	553,130
Administrative fee	(247,703)	-	(247,703)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(285,721)	(42,402)	(328,123)
Inventory	(154,035)	-	(154,035)
Internal balances	(5,763)	(31,385)	(37,148)
Increase (decrease) in liabilities:			
Accounts payable	276,195	52,542	328,737
Retainage payable	83,575	-	83,575
Customer deposits	93,745	-	93,745
Pension/OPEB liabilities	44,642	(4,332)	40,310
Other liabilities	21,735	-	21,735
Total adjustments	358,916	(4,693)	354,223
Net cash provided (used) by operating activities	\$ 1,487,889	\$ 82,726	\$ 1,570,615

The notes to the 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, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Princeton, Texas ("City") was incorporated in 1912 and has a Council/Manager form of government with a City Council comprised of Mayor and five council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, water distribution, sewer treatment, 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 applicable to state and local governments. Generally accepted accounting principles ("GAAP") 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*. The more significant accounting policies of the City are described below:

1. Financial Statement 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, business-type, and activities of its discretely presented component units on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary fund types. 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 and Debt Service Fund budget with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

2. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, an entity for which the government is considered to be financially accountable. These discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * the organization is legally separate (can sue and be sued in their own name);
- * the City appoints a voting majority of the organization's board;
- * the City is able to impose its will on the organization;
- * the organization has the potential to impose a financial benefit/burden on the City; or
- * there is fiscal dependency by the organization on the City.

Discretely Presented Component Unit - The Economic Development Corporation ("EDC") was incorporated October 1, 2005. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City. The Corporation promotes development of commercial real estate, fosters local prosperity, and offers a competitive advantage for new, relocating, and expanding businesses.

The Community Development Corporation ("CDC") was incorporated July 3, 1997. The CDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. These funds can be used for economic incentives and development and improvement in the quality of life for its citizens.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Reporting Entity (continuing)

Blended Component Unit - The City created Tax Increment Reinvestment Zone #1 (TIRZ) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. The TIRZ commenced December 2015 and will terminate in December 2045, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves their budgets and any debt issuances. The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and it does not issue separate financial statements.

The fund information for the component units can be found in the supplementary information in this report. There are no separate financial statements issued for the component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to 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.

3. Basis of Presentation, Basis of Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the 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 nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the funds financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Improvement Funds. The major proprietary funds are the Water and Sewer fund and the Storm Drainage Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

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 year. 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses 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 is the proprietary funds. 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 increase (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. 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 when susceptible to accrual, in other words, as soon as 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 obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

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

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreased (expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and storm water drainage are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds:

The *General Fund* accounts for several primary services (e.g., police fire, public works, library, parks and recreation) and is the primary operating unit of the City.

The Debt Service *Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Improvement Funds* account for the financing and improvements/construction of buildings and infrastructure including streets and sidewalks. Funds are provided primarily through bond sales and interest earnings.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

The *Water and Sewer Fund* accounts for the operations of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed annually.

The *Storm Water Drainage Fund* accounts for the City's storm water management program.

4. 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. Receivable and Payable Balances

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

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

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets.

d. Inventory

Inventory of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at acquisition value as of the time received. 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.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4. Financial Statement Amounts
 - e. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2017, \$79,850 of such interest costs were capitalized in the proprietary funds.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

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

<u>Asset Class</u>	<u>Years</u>
Infrastructure	30-45
Buildings and Improvements	15-45
Machinery and equipment	5-10

- f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has the following items that qualify for reporting in this category: (a) pension plan contributions made from the measurement date of the pension plan to the current fiscal year-end, (b) the difference between projected and actual investment earnings that are amortized as a component of pensions expense on a closed basis over a five-year period; and (c) deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies in this category: the difference in expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

- g. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time) benefits. A liability for unpaid accumulated compensated absences is recorded in relation to these amounts in the government-wide and proprietary financial statements.

- h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, 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 are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

i. Fund Equity

In the fund financial statements, governmental funds report reservations of 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 they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

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 that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making (the Council), or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

A summary of the City's fund balance policy as adopted by the Council follows:

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 GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 90 days of total expenditures, with 8.34% or less being cause for concern. At the end of fiscal year 2017, the City is in compliance with this minimum fund balance policy.

j. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial 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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

k. Fund Balance Flow Assumption

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

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, and are accounted for in both the governmental and proprietary funds.

m. Pensions

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures in the governmental fund statements which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability that represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2014. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position of the City's pension plan with TMRS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows/outflows and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

n. 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.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

n. Property Taxes (continued)

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its 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 for 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 year.

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 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2017, the City had a tax rate of \$0.68989 per \$100 assessed valuation based upon the maximum rates described above.

o. Comparative Data/Reclassification

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

p. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

q. Use of Estimates

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

r. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

s. Program Expenses

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

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	n/a

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	n/a

3. Budgets and Budgetary Accounting

The City adopts budgets for the General Fund and Debt Service Fund annually for the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budget 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.

C. DEPOSITS AND INVESTMENTS

Pursuant to provisions of both the Texas Public Funds Investment Act (PFIA) and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage level are collateralized by securities held by a third party custodian and pledged to the City in an amount not less than 102% (on a market value basis) of the City's deposit of public funds and any accrued interest.

Cash Deposits

At September 30, 2017, the carrying amount of the City's demand deposits was \$7,861,880 and the bank balance was \$4,660,921 . The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC plus pledged collateral held by the City's agent bank in the City's name. Monthly collateral value reports are received from the bank as required by the City's investment policy.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

C. DEPOSITS AND INVESTMENTS

Cash Deposits (continued)

Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 3,205,011
Restricted cash and cash equivalents	14,581,469
Total cash and cash equivalents	<u>\$ 17,786,480</u>
Governmental - Restricted Cash	
Police seizure	\$ 3,659
Municipal court	80,953
Debt service	549,252
Capital improvement	9,668,071
Total cash and cash equivalents	<u>\$ 10,301,935</u>
Business-type- Restricted Cash	
Customer Deposits	\$ 598,536
Debt Service	70,884
Capital projects	3,610,114
Total cash and cash equivalents	<u>\$ 4,279,534</u>
Total Restricted Cash	<u>\$ 14,581,469</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the city adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Portfolio disclosures as of September 30, 2017 are as follows:

- All pledged collateral was held by an independent institution outside the bank's holding company and
- the portfolio contained no repurchase agreements

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost. The City does not have any limitations or restrictions on withdrawal.

Credit Risk

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

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

C. DEPOSITS AND INVESTMENTS

Credit Risk (continued)

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 4,046,741	41	N/A	AAA-m
TexSTAR	7,280,867	46	N/A	AAA-m
	<u>\$11,327,608</u>			

TexSTAR is administered by First Southwest Asset Management Inc. and JP Morgan 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.

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 position 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. The Pool 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 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.

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 years.

Concentration of Credit Risk

The City recognizes over-concentration of assets by market sector or maturity is 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, 2017, holdings in two local government investment pools represented 63% of the total portfolio.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

C. DEPOSITS AND INVESTMENTS *(continued)*

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy requires 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 102% 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, 2017, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. RECEIVABLES

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

	General	Debt Service	Water/Sewer	Storm Water Drainage	Total
Receivables:					
Taxes	\$ 360,266	\$ 25,739	\$ -	\$ -	\$ 386,005
Fees and Charges	1,052,892	-	1,025,350	42,189	2,120,431
Other	318,548	-	8,937	213	327,698
Gross Receivables	1,731,706	25,739	1,034,287	42,402	2,834,134
Less: allowances for uncollectible	<u>(944,726)</u>	<u>(2,574)</u>	<u>(136,381)</u>	<u>-</u>	<u>(1,083,681)</u>
Net Total Receivables	<u>\$ 786,980</u>	<u>\$ 23,165</u>	<u>\$ 897,906</u>	<u>\$ 42,402</u>	<u>\$ 1,750,453</u>

The Proprietary Fund accounts receivable includes unbilled charges for services of \$316,869 rendered as of fiscal year end.

E. INTERNAL BALANCES

All internal receivables and payables are considered short-term and, at September 30, 2017, were for costs associated with ongoing projects. The General CIP Fund owes the Proprietary Funds \$37,148.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

F. NOTE RECEIVABLE

The Economic Development Corporation agreed to pay a portion of the City's 2016 Certificates of Obligation by remitting to the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-EDC	<u>\$ 527,691</u>	<u>\$ -</u>	<u>\$ (81,983)</u>	<u>\$ 445,708</u>	<u>\$ 43,986</u>

Requirements as follows:

Year Ending Sept 30	Payment
2018	\$ 43,986
2019	43,199
2020	42,333
2021	37,940
2022	35,245
2023-2027	170,205
2028-2029	72,800
	<u>\$ 445,708</u>

The Community Development Corporation agreed to pay a portion of the City's 2011 General Obligation Refunding Bonds by the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-CDC	<u>\$ 1,425,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 1,350,000</u>	<u>\$ 75,000</u>

Requirements as follows:

Year Ending Sept 30	Payment
2018	\$ 75,000
2019	75,000
2020	75,000
2021	75,000
2022	75,000
2023-2027	375,000
2028-2032	375,000
2033-2036	225,000
	<u>\$ 1,350,000</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

G. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2017 was as follows:

	Beginning Balances	Additions/ Transfers	Decreases/ Transfers	Ending Balances
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 866,817	\$ -	\$ -	\$ 866,817
Construction in Progress	3,630,566	5,957,943	(2,203,726)	7,384,783
Total capital assets, not being depreciated	4,497,383	5,957,943	(2,203,726)	8,251,600
Capital assets, being depreciated:				
Buildings & Improvements	1,600,231	-	-	1,600,231
Infrastructure	13,912,963	6,080,995	-	19,993,958
Parks & Improvements	1,401,459	19,500	-	1,420,959
Machinery & Vehicles	2,151,089	145,399	(25,000)	2,271,488
Total capital assets being depreciated	19,065,742	6,245,894	(25,000)	25,286,636
Less accumulated depreciation for:				
Buildings & Improvements	(705,702)	(42,395)	-	(748,097)
Infrastructure	(2,236,145)	(781,878)	-	(3,018,023)
Parks & Improvements	(281,182)	(84,893)	-	(366,075)
Machinery & Vehicles	(1,728,767)	(200,493)	25,000	(1,904,260)
Total accumulated depreciation	(4,951,796)	(1,109,659)	25,000	(6,036,455)
Total capital assets, being depreciated, net	14,113,946	5,136,235	-	19,250,181
Governmental activities capital assets, net	<u>\$ 18,611,329</u>	<u>\$ 11,094,178</u>	<u>\$ (2,203,726)</u>	<u>\$ 27,501,781</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 180,353	\$ -	\$ -	\$ 180,353
Construction in Progress	835,509	2,239,769	(600,264)	2,475,014
Total capital assets, not being depreciated	1,015,862	2,239,769	(600,264)	2,655,367
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure	16,544,883	5,275,194	-	21,820,077
Machinery & Vehicles	620,048	44,087	-	664,135
Total capital assets being depreciated	17,400,257	5,319,281	-	22,719,538
Less accumulated depreciation for:				
Buildings & Improvements	(94,984)	(5,586)	-	(100,570)
Infrastructure	(4,140,006)	(483,323)	-	(4,623,329)
Machinery & Vehicles	(371,539)	(64,221)	-	(435,760)
Total accumulated depreciation	(4,606,529)	(553,130)	-	(5,159,659)
Total capital assets, being depreciated, net	12,793,728	4,766,151	-	17,559,879
Business-type activities capital asset, net	<u>\$ 13,809,590</u>	<u>\$ 7,005,920</u>	<u>\$ (600,264)</u>	<u>\$ 20,215,246</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

G. CAPITAL ASSETS (continued)

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

Governmental activities:	
General Government	\$ 12,819
Public Services	17,064
Public Safety	163,723
Public Works, including depreciation of general infrastructure assets	820,352
Parks and Cultural	95,701
Total depreciation expense - governmental activities	<u>\$ 1,109,659</u>
Business-type activities:	
Water and Sewer	\$ 532,246
Storm Water	20,884
Total depreciation expense - business-type activities	<u>\$ 553,130</u>

The City and management did not take note of any significantly impaired capital assets that are idle at the end of the current fiscal year.

Capitalized interest costs recorded for the business-type activities for the fiscal year totaled \$83,793.

H. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2017. The projects include building construction, street infrastructure and improvements, and water/sewer infrastructure improvements. At fiscal year-end, the City's commitments with contractors are as follows:

<u>Project Description</u>	<u>Project Budget Appropriation</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Hike and Bike Trail	\$ 600,553	\$ 33,753	\$ 566,800
Parkview Heights Park	260,000	272,351	(12,351)
Beauchamp Blvd	6,874,686	5,123,904	1,750,782
Public Works building	2,450,000	1,590,686	859,314
City Hall - design	135,000	110,256	24,744
Safer Routes-sidewalks	695,000	81,922	613,078
San Remo round-about	100,000	14,070	85,930
Florence Drive	370,558	73,935	296,623
CR400/FM546	224,000	13,063	210,937
Briar Grove	215,865	9,177	206,688
Total Governmental	<u>11,925,662</u>	<u>7,323,117</u>	<u>4,602,545</u>
16" waterline-Hwy 380	620,000	498,400	121,600
Tickey Creek sewer line	1,400,000	1,673,306	-
Peachtree sewer line	475,000	3,564	471,436
Hazelwood sewer line	290,000	259,016	30,984
Total Business-type	<u>2,785,000</u>	<u>2,434,286</u>	<u>624,020</u>
TOTAL	<u>\$ 14,710,662</u>	<u>\$ 9,757,403</u>	<u>\$ 5,226,565</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2017, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
General obligations bonds & Certificates of Obligation	\$ 9,341,500	\$ 8,465,000	\$ (439,300)	\$ 17,367,200	\$ 476,600
Plus: for bond premiums	287,852	76,590	(18,779)	345,663	18,779
Less: for bond discounts	(108,625)	(50,390)	9,667	(149,348)	(9,667)
Tax anticipation note	755,000	-	(185,000)	570,000	185,000
Total Bonds Payable	10,275,727	8,491,200	(633,412)	18,133,515	670,712
Capital lease payable	260,385	110,814	(146,822)	224,377	86,950
Compensated absences	217,926	203,677	(170,165)	251,438	28,676
Net pension liability	231,448	80,488	-	311,936	-
Governmental activity Long-term Debt	<u>\$ 10,985,486</u>	<u>\$ 8,886,179</u>	<u>\$ (950,399)</u>	<u>\$ 18,921,266</u>	<u>\$ 786,338</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
General obligations bonds & Certificates of Obligation	\$ 8,192,800	\$ -	\$ (180,000)	\$ 8,012,800	\$ 298,400
Plus: for bond premiums	462,998	-	(21,264)	441,734	21,264
Less: for bond discounts	(27,208)	-	2,474	(24,734)	(2,474)
Total Bonds Payable	8,628,590	-	(198,790)	8,429,800	317,190
Capital lease payable	150,592	44,087	(48,707)	145,972	55,093
Compensated absences	70,892	34,318	(20,772)	84,438	2,358
Net pension liability	87,561	30,775	-	118,336	-
Business-type activity Long-term Debt	<u>\$ 8,937,635</u>	<u>\$ 109,180</u>	<u>\$ (268,269)</u>	<u>\$ 8,778,546</u>	<u>\$ 374,641</u>

Compensated absences

Compensated absences represent the estimated liability for employees' accrued vacation leave and comp time for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. LONG-TERM OBLIGATIONS (continued)

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2017	Due Within One Year
			September 30, 2016	Issued			
2009 Series, CO	4.13%	\$ 4,315,000	\$ 4,030,000	\$ -	\$ (100,000)	\$ 3,930,000	\$ 105,000
2011 Series, GO	2.00%	1,439,500	906,500	-	(144,300)	762,200	66,600
2013 Tax Note	1.90%	1,360,000	755,000	-	(185,000)	570,000	185,000
2014 Series, CO	2.50%	1,285,000	1,255,000	-	(50,000)	1,205,000	55,000
2015 Series, CO	2.50%	3,245,000	3,150,000	-	(65,000)	3,085,000	130,000
2016 Series, CO	2.00%	8,465,000	-	8,465,000	(80,000)	8,385,000	120,000
Total Bonds Payable		<u>20,109,500</u>	<u>10,096,500</u>	<u>8,465,000</u>	<u>(624,300)</u>	<u>17,937,200</u>	<u>661,600</u>
Capital lease - 2 F450		100,861	20,262	-	(20,262)	-	-
Capital lease - Dodge		164,000	44,040	-	(44,040)	-	-
Capital lease - Ford		29,809	18,355	-	-	18,355	5,848
Capital lease - EM/Unit		50,001	45,076	-	(16,127)	28,949	17,047
Capital lease - Ford		100,001	100,001	-	(31,470)	68,531	33,636
Capital lease - F150 & Explorer		51,167	-	51,167	(13,601)	37,566	11,831
Capital lease - F150		32,650	32,650	-	(8,597)	24,053	7,537
Capital lease - F350 & Gator		59,647	-	59,647	(12,725)	46,922	11,051
Totals		<u>\$20,697,636</u>	<u>\$ 10,356,884</u>	<u>\$ 8,575,814</u>	<u>\$ (771,122)</u>	<u>\$ 18,161,576</u>	<u>\$ 748,550</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements	
	Principal	Interest
2018	\$ 661,600	\$ 558,164
2019	731,600	541,503
2020	746,600	522,767
2021	764,200	500,604
2022	785,500	479,474
2023-2027	4,264,700	2,045,768
2028-2032	5,008,000	1,317,950
2033-2037	4,410,000	465,422
2038-2039	565,000	30,057
Totals	<u>\$ 17,937,200</u>	<u>\$ 6,461,709</u>

\$1,439,500 of Series 2011 General Obligation Refunding Bonds issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Bonds and the Series 2010 Tax and Revenue Certificates of Obligation.

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

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

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

\$2,345,000 of Series 2015 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2015 to pay the City's contractual obligations to be incurred in connection with the design, construction, engineering, and equipping of improvements to infrastructure and buildings.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. LONG-TERM OBLIGATIONS

Changes in Governmental Long-term Debt (continued)

\$8,465,000 of Series 2016 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 24, 2016 for the design, construction, engineering, and equipping of (1) constructing and improving new and existing streets and roads, sidewalks and related signage and lighting; expansion of Public Works facility; design costs for new City Hall; park improvements including trail improvements; and (2) paying costs and fees associated with projects and issuance of bonds.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts	Issued	Retired	Amounts	Due Within One Year
			Outstanding September 30, 2016			Outstanding September 30, 2017	
2007 Series, GO	4.00%	\$ 1,275,000	\$ 860,000	\$ -	\$ (60,000)	\$ 800,000	\$ 55,000
2007 Series, CO	4.00%	8,250,000	1,130,000	-	(180,000)	950,000	190,000
2011 Series, GO	2.00%	490,500	318,500	-	(50,700)	267,800	23,400
2015 Series, GO	3.00%	6,100,000	6,025,000	-	(30,000)	5,995,000	30,000
Total Bonds Payable		16,115,500	8,333,500	-	(320,700)	8,012,800	298,400
Capital lease - Caterpillar		103,842	62,281	-	(20,251)	42,030	20,756
Capital lease - Ford		29,809	18,355	-	-	18,355	5,848
Capital lease - F350		41,988	32,715	-	(7,478)	25,237	7,927
Capital lease - Camera		51,457	37,241	-	(11,572)	25,669	12,394
Capital lease - F350		44,087	-	44,087	(9,406)	34,681	8,168
Totals		<u>\$ 16,386,683</u>	<u>\$ 8,484,092</u>	<u>\$ 44,087</u>	<u>\$ (369,407)</u>	<u>\$ 8,158,772</u>	<u>\$ 353,493</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2018	\$ 298,400	\$ 342,428	\$ 640,828
2019	313,400	314,483	627,883
2020	328,400	285,818	614,218
2021	345,800	256,464	602,264
2022	354,500	230,438	584,938
2023-2027	1,950,300	1,014,113	2,964,413
2028-2032	1,872,000	662,055	2,534,055
2033-2037	2,080,000	303,825	2,383,825
2038	470,000	9,400	479,400
Totals	<u>\$ 8,012,800</u>	<u>\$ 3,419,024</u>	<u>\$ 11,431,824</u>

\$1,275,000 Series 2007 General Obligation Refunding Bonds were 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 were issued December 11, 2007 for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

\$490,500 Series 2011, General Obligation Refunding Bonds were issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. LONG-TERM OBLIGATIONS

Changes in Business-type Long-term Debt (continued)

\$6,100,000 Series 2015, General Obligation Refunding Bonds were issued October 28, 2015. These proceeds were used to advance refund \$5,930,000 of outstanding Series 2007 General Obligation Refunding Bonds which had an interest rate of 4.00%. The net proceeds of \$6,227,204 (including a \$378,255 premium and after payment of \$134,925 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, \$5,930,000 of Series 2007 debt is considered defeased and that amount of the liability for those bonds has been removed from the statement of net position. The Series 2007 bonds still have \$950,000 of non-refunded debt recorded on the statement of net position at September 30, 2017. The reacquisition price exceeded the net carrying amount of the old debt by \$127,204. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded Series 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 22 years by \$1,270,735 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$893,533.

J. COMMITMENTS

CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

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

The City has contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The City's obligation to GTUA for the current fiscal year was \$427,478. This is recorded as maintenance and operating expense in the Water and Sewer Fund.

Minimum contractual commitments to be paid to GTUA by the City are as follows:

Year Ending September 30:	Requirement
2018	\$ 428,238
2019	428,233
2020	432,313
2021	429,945
2022	431,563
2023-2027	2,155,598
2028-2029	859,118
TOTAL	<u>\$ 5,165,008</u>

K. CAPITAL LEASES

Governmental activities:

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 was paid in full in July 2017.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in September 2013 in the amount of \$121,000 for the purchase of three 2013 Dodge Chargers with video and police uplifts. The lease is to be repaid over four years with an interest rate of 3.548%. This 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. This lease was paid in full in March 2017.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

K. CAPITAL LEASES (continued)

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

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2016 in the amount of \$32,650 for the purchase of an F150 truck. The lease is to be repaid over four years with an interest rate of 6.2%. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of \$50,001 for the purchase of an EMV Unit. The lease is to be repaid over four years with an interest rate of 5.56%. The lease matures in May 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of \$100,001 for the purchase of two Ford vehicles. The lease is to be repaid over four years with an interest rate of 3.69%. The lease matures in July 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2017 in the amount of \$103,734 for the purchase of two F350 trucks and one Gator 4x4. One truck and Gator is paid from governmental funds and one truck is paid from proprietary funds. This lease is to be repaid over five years with an interest rate of 4.163%. It will be paid in full in July 2021.

Capital Lease obligations are as follows:

Year ending September 30:	Annual Lease Payments
2018	\$ 96,560
2019	90,484
2020	42,629
2021	12,923
Total minimum lease payments	<u>242,596</u>
Less amounts representing interest	<u>(18,219)</u>
Present value of net minimum payments	<u>\$ 224,377</u>

Business-type activities:

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

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

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of \$41,986 for the purchase of an F350 truck. The lease is to be repaid in five year with an interest rate of 7.10%. The lease matures in May 2020.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in March 2016 in the amount of \$51,547 for the purchase of a sewer camera. The lease is to be repaid over four years with an interest rate of 7.10%. The lease matures in March 2019.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

K. CAPITAL LEASES (continued)

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2017 in the amount of \$103,734 for the purchase of two F350 trucks and one Gator 4x4. One truck is paid from governmental funds and one truck and the Gator is paid from proprietary funds. This lease is to be repaid over five years with an interest rate of 4.163%. It will be paid in full in July 2021.

Capital Lease obligations are as follows:

Year ending September 30:	Annual Lease Payments
2018	\$ 61,696
2019	61,696
2020	25,679
2021	<u>9,552</u>
Total minimum lease payments	158,623
Less amounts representing interest	<u>(12,651)</u>
Present value of net minimum payments	<u>\$ 145,972</u>

L. 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 \$118,009. The other operating leases that the City is under obligation for relate to office equipment, web services, and internet services. The future minimum lease payments for these leases are as follows:

FYE Sept 30	Building	Office Eqpt & Services
2018	\$ 114,504	\$ 8,608
2019	114,504	8,608
2020	9,542	8,608
2021	-	8,608
2022	-	7,883
Thereafter	<u>-</u>	<u>1,793</u>
	<u>\$ 238,550</u>	<u>\$ 44,108</u>

M. PENSION PLAN

1. Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.org.

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

2. Benefits Provided

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

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

M. PENSION PLAN

2. Benefits Provided (continued)

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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	
	2017	2016
Employee deposit rate	7.00%	7.00%
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 retirees)	70% of CPI Repeating	70% of CPI Repeating

Amortization Bases and Payments

Year Established	Description	Years Remaining	Base	Payment
2013	2013 Valuation (Fresh Start)	27	\$ 423,200	\$ 24,801
2014	2014 Experience	27	(104,396)	(6,118)
2015	2015 Experience	27	(85,217)	(4,994)
2015	2015 Actuarial Changes	29	8,912	501
2016	2016 Experience	25	109,038	6,695
			<u>\$ 351,537</u>	<u>\$ 20,885</u>

Employees covered by benefit terms:

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Number of:	Plan Year	
	2016	2015
Inactive employees or beneficiaries currently receiving benefits	16	14
Inactive employees entitled to but not yet receiving benefits	27	25
Active employees	60	44
Total	<u>103</u>	<u>83</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

M. PENSION PLAN (continued)

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.33% and 10.61% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$351,537 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2016, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 10.50% including inflation
Investment rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative assets allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

M. PENSION PLAN

Actuarial assumptions: (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 4,612,736	\$ 4,291,281	\$ 321,455
Service cost	422,523	-	422,523
Interest (on the total pension liability)	318,863	-	318,863
Difference between expected and actual experience	-	-	-
Changes of assumptions	94,966	-	94,966
Benefit payments, including refunds of employee contributions	(200,204)	(200,204)	-
Contributions - employer	-	264,028	(264,028)
Contributions - employee	-	173,775	(173,775)
Net investment income	-	289,272	(289,272)
Administrative expense	-	(3,275)	3,275
Other	-	(176)	176
Net changes	<u>636,148</u>	<u>523,420</u>	<u>112,728</u>
Balance at December 31, 2016	<u>\$ 5,248,884</u>	<u>\$ 4,814,701</u>	<u>\$ 434,183</u>

Sensitivity of the net pension liability to changes in the discount rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 1,338,876</u>	<u>\$ 434,183</u>	<u>\$ (285,091)</u>

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$327,223.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

M. PENSION PLAN

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2017, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ -	\$ 16,082
Changes in actuarial assumptions	2,812	-
Difference between projected and actual investment earnings	187,855	-
Contributions subsequent to the measurement date	274,301	-
	<u>\$ 464,968</u>	<u>\$ 16,082</u>

\$265,366 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:

December 31	
2017	\$ 45,822
2018	57,423
2019	61,661
2020	9,679
2021	-
Thereafter	-
Total	<u>\$174,585</u>

6. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$3,053, \$2,366, and \$2,265, respectively, which equaled the required contributions each year.

N. VOLUNTEER FIREFIGHTERS RETIREMENT

The City participates in the Texas Emergency Services Retirement System (TESRS). This is a pension system for volunteer firefighters and first responders. Members are half-vested at 10 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. Members are fully-vested at 15 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. The City currently has 25 volunteer firefighters participating. During the fiscal year, \$13,536 was paid to TESRS.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

O. HEALTH CARE COVERAGE

During the year ended September 30, 2017, employees of the City were covered by a health, dental, and vision insurance plans. The City contributed \$899 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$38 per employee (100% of the cost per employee) for dental insurance and \$6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

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. The City has renewed all coverage and policies for fiscal year 2017-2018.

Q. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

R. ADDITIONAL WATER AND SEWER INFORMATION

The City secures its water supply from the North Texas Municipal Water District ("NTMWD"), 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 of \$2.53 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$1,220,781.

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

Gallons Pumped	491,491,000
Gallons Billed	468,097,700

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

S. TRANSFERS

Transfers between funds were due to debt service support as follows:

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Debt Service Fund	\$ 33,491	-
Water and Sewer Fund	-	33,491
	<u>\$ 33,491</u>	<u>\$ 33,491</u>

T. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were recorded to correct recording of compensated absences accrual in prior years.

Governmental:

Reverse monies due from component units- negative cash	\$ (330,930)
Reverse developer costs expensed in prior year	13,733
	<u>\$ (317,197)</u>

Business-type:

Reverse asset and debt obligation, net-GTUA ownership	<u>\$ (1,135,176)</u>
-------------------------------------------------------	-----------------------

U. 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 each of these actions and does not believe that they will materially affect the City's operations or financial position.

V. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2017 up through February 28, 2018, the date the financial statements were available to be issued and discovered two subsequent events. The City secured a capital lease with BB&T in the amount of \$1,995,220 for the purchase of vehicles and equipment and GTUA will issue revenue bonds in the amount of \$16,710,000 for the purpose of constructing a pump station, ground storage, and infrastructure for the City.

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 ("EDC") is a discretely presented component on the combined financial statements. The EDC was incorporated October 1, 2005 and 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.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	n/a

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**W. PRINCETON ECONOMIC DEVELOPMENT CORPORATION
 COMPLIANCE AND ACCOUNTABILITY (continued)**

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	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 691,552</u>
Savings and checking accounts	\$ 116
Investment Pools	691,436
Total cash and cash equivalents	<u>\$ 691,552</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 at all times.

As of September 30, 2017, EDC had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 1,418,476	41	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were \$111,245 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

W. PRINCETON ECONOMIC DEVELOPMENT CORPORATION (continued)

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,012,000	\$ -	\$ -	\$ 1,012,000
Construction in progress	300,317	96,337	-	396,654
Total capital assets, not being depreciated:	1,312,317	96,337	-	1,408,654
Capital assets, being depreciated:				
Infrastructure	9,275	-	-	9,275
Total capital assets being depreciated:	9,275	-	-	9,275
Less accumulated depreciation for:				
Infrastructure	(9,275)	-	-	(9,275)
Total accumulated depreciation	(9,275)	-	-	(9,275)
Total capital assets, being depreciated, net	-	-	-	-
Governmental activities capital assets, net	<u>\$ 1,312,317</u>	<u>\$ 96,337</u>	<u>\$ -</u>	<u>\$ 1,408,654</u>

4. Construction Commitments

The EDC has one active construction projects as of September 30, 2017 for the development of the Industrial Park.

<u>Project Description</u>	<u>Project Budget Appropriation</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Industrial Park	\$ 474,440	\$ 396,654	\$ 77,786

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2017 is as follows:

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2016	Issued	Retired	Amounts Outstanding September 30, 2017	Due Within One Year
Note Payable-City	0.0%	\$ 1,152,000	\$ 1,425,000	\$ -	\$ (75,000)	\$ 1,350,000	\$ 75,000
Total Notes Payable		1,152,000	1,425,000	-	(75,000)	1,350,000	75,000
Net Pension Liability		-	1,212	676	-	1,888	-
Compensated Absence		-	2,752	1,425	-	4,177	-
		<u>\$ 1,152,000</u>	<u>\$ 1,428,964</u>	<u>\$ 2,101</u>	<u>\$ (75,000)</u>	<u>\$ 1,356,065</u>	<u>\$ 75,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2018	\$ 75,000
2019	75,000
2020	75,000
2021	75,000
2022	75,000
2023-2027	375,000
2028-2032	375,000
2026-2035	225,000
Totals	<u>\$ 1,350,000</u>

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

W. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

5. Long-Term Obligations (continued)

The EDC agreed to pay a portion of the 2016 Certificate of Obligations for the streets and roads, drainage, and streetscape improvements for the Industrial Park.

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

6. Health Care Coverage

During the year ended September 30, 2017, employees of the EDC were covered by a health, dental, and vision insurance plans. The City contributed \$899 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$38 per employee (100% of the cost per employee) for dental insurance and \$6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

7. Pension Plan

\$160 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2017, the EDC recognized pension expense of \$2,126.

8. Litigation

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

9. Prior Period Adjustment

The EDC has one prior period adjustment of \$23,088 to reverse prior year negative cash balance.

10. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2017 up through February 28, 2018, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

X. 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 ("CDC") is a discretely presented component on the combined financial statements. The CDC was incorporated July 3, 1997 and 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, buildings, equipment, facilities, expenditures for targeted infrastructure, and improvements throughout the City.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	n/a

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	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 715,749</u>
Savings and checking accounts	\$ 42
Investment Pools	715,707
Total cash and cash equivalents	<u>\$ 715,749</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 at all times.

As of September 30, 2017, CDC had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 715,707</u>	41	N/A	AAA-m

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

X. PRINCETON COMMUNITY DEVELOPMENT CORPORATION (continued)

2. Receivables

Receivables at the end of the fiscal year were \$111,245 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	\$ 137,685	\$ 5,850	\$ -	\$ 143,535
Total capital assets, not being depreciated:	137,685	5,850	-	143,535
Capital assets, being depreciated:				
Building and improvements	138,557	-	-	138,557
Machinery and equipment	9,275	-	-	9,275
Total capital assets being depreciated:	147,832	-	-	147,832
Less accumulated depreciation for:				
Building and improvements	(2,886)	(5,485)	-	(8,371)
Machinery and equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	(12,161)	(5,485)	-	(17,646)
Total capital assets, being depreciated, net	135,671	(5,485)	-	130,186
Governmental activities capital assets, net	\$ 273,356	\$ 365	\$ -	\$ 273,721

4. Construction Commitments

The CDC has one active construction projects as of September 30, 2017 for historical preservation of the Methodist Church.

<u>Project Description</u>	Project Budget Appropriation	Spent to Date	Remaining Commitment
Methodist Church - historical preservation	\$ 209,900	\$ 64,862	\$ 145,038

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2017 is as follows:

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30,		Amounts Outstanding September 30,		Due Within One Year
			2016	Issued	Retired	2017	
Note Payable-City	0.0%	\$ 941,259	\$ 527,691	\$ -	\$ (81,983)	\$ 445,708	\$ 43,986
Total Notes Payable		941,259	527,691	-	(81,983)	445,708	43,986
Net Pension Liability		-	1,233	789	-	2,022	-
Compensated Absence		-	2,752	1,321	-	4,073	-
		\$ 941,259	\$ 531,676	\$ 2,110	\$ (81,983)	\$ 451,803	\$ 43,986

**CITY OF PRINCETON, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

X. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

5. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2018	\$ 43,986
2019	43,199
2020	42,333
2021	37,940
2022	35,245
2023-2027	170,205
2028-2029	72,800
Totals	<u>\$ 445,708</u>

The CDC agreed to pay a portion of the City's 2011 General Obligation bonds.

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

6. Health Care Coverage

During the year ended September 30, 2017, employees of the CDC were covered by a health, dental, and vision insurance plans. The City contributed \$899 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$38 per employee (100% of the cost per employee) for dental insurance and \$6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

7. Pension Plan

\$160 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2017, the CDC recognized pension expense of \$2,133.

8. Litigation

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

9. Prior Period Adjustment

The CDC has one prior period adjustment of \$307,841 to reverse prior year negative cash balance.

10. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2017 up through February 28, 2018, 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, 2017**

**TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST THREE FISCAL YEARS (UNAUDITED)**

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
Actuarially determined contribution	\$ 166,531	\$ 228,154	\$ 264,028
Contributions in relation to the actuarially determined contribution	<u>\$ 166,531</u>	<u>\$ 228,154</u>	<u>\$ 264,028</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,820,011	\$ 2,035,165	\$ 2,482,506
Contributions as a percentage of covered payroll	9.15%	11.21%	10.64%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

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

**CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Total pension liability			
Service cost	\$ 422,523	\$ 339,669	\$ 270,343
Interest (on the Total Pension Liability)	318,863	302,819	281,321
Changes of benefit terms	-	-	-
Difference between expected and actual experience	94,966	(104,990)	(89,706)
Change of assumptions	-	4,858	-
Benefit payments, including refund of employee contributions	<u>(200,204)</u>	<u>(171,543)</u>	<u>(207,466)</u>
Net Change in Total Pension Liability	<u>636,148</u>	<u>370,813</u>	<u>254,492</u>
Total Pension Liability - Beginning	<u>4,612,736</u>	<u>4,241,923</u>	<u>3,987,431</u>
Total Pension Liability - Ending (a)	<u><u>\$ 5,248,884</u></u>	<u><u>\$ 4,612,736</u></u>	<u><u>\$ 4,241,923</u></u>
Plan Fiduciary Net Position			
Contributions - employers	\$ 264,028	\$ 228,154	\$ 166,531
Contributions - employees	173,775	142,462	127,401
Net investment income	289,272	6,036	216,789
Benefit payments, including refund of employee contributions	<u>(200,204)</u>	<u>(171,543)</u>	<u>(207,466)</u>
Administrative expense	<u>(3,275)</u>	<u>(3,676)</u>	<u>(2,263)</u>
Other	<u>(176)</u>	<u>(182)</u>	<u>(186)</u>
Net Change in Plan Fiduciary Net Position	<u>523,420</u>	<u>201,251</u>	<u>300,806</u>
Plan Fiduciary Net Position - Beginning	<u>4,291,280</u>	<u>4,090,029</u>	<u>3,789,223</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,814,700</u></u>	<u><u>\$ 4,291,280</u></u>	<u><u>\$ 4,090,029</u></u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 434,184</u>	<u>\$ 321,456</u>	<u>\$ 151,894</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.73%	93.03%	96.42%
Covered Employee Payroll	\$ 2,482,506	\$ 2,035,165	\$ 1,820,011
Net Pension Liability as a Percentage of Covered Employee Payroll	17.49%	15.80%	8.35%

Notes to Schedule:

N/A

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

SUPPLEMENTARY INFORMATION



**CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 1,059,445	\$ 1,137,055	\$ 1,181,071	\$ 44,016
Intergovernmental revenues	75,000	75,000	1,425,000	1,350,000
Miscellaneous	500	500	5,785	5,285
Total Revenues	<u>1,134,945</u>	<u>1,212,555</u>	<u>2,611,856</u>	<u>1,399,301</u>
EXPENDITURES				
General Government	3,559	3,559	2,038	1,521
Debt service:				
Principal retirement	538,241	594,300	624,300	(30,000)
Interest	564,708	552,768	523,288	29,480
Total Expenditures	<u>1,106,508</u>	<u>1,150,627</u>	<u>1,149,626</u>	<u>1,001</u>
Excess (deficiency) of revenues over (under) expenditures	28,437	61,928	1,462,230	1,400,302
Other Financing Sources (Uses)				
Transfers	-	(33,491)	(33,491)	-
Total Other Financing Sources (uses)	<u>-</u>	<u>(33,491)</u>	<u>(33,491)</u>	<u>-</u>
Net Change in Fund Balances	28,437	28,437	1,428,739	1,400,302
Fund Balance, October 1	917,661	917,661	917,661	
Fund Balance, September 30	<u>\$ 946,098</u>	<u>\$ 946,098</u>	<u>\$ 2,346,400</u>	

**CITY OF PRINCETON, TEXAS
 BALANCE SHEET
 ECONOMIC DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2017**

	EDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 691,552
Receivables, net of allowance for uncollectibles	111,245
Total Assets	<u>802,797</u>
LIABILITIES	
Accounts payable	16,558
Other liabilities	50
Accrued expenses	570
Total Liabilities	<u>17,178</u>
FUND BALANCES	
Committed:	
Capital projects	96,337
Community events	12,500
Debt service	75,000
Unassigned	601,782
Total Fund Balances	<u>785,619</u>
Total Liabilities and Fund Balances	<u>\$ 802,797</u>

**CITY OF PRINCETON, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 ECONOMIC DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 785,619
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.	1,417,929
Accumulated depreciation has not been included in the governmental fund financial statements.	(9,275)
Accrued liabilities for OPEB and net pension obligations have not been included in the fund financial statements.	(1,888)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	628
Accrued liabilities for compensated absences have not been included in the fund financial statements.	4,177
Notes Payable have not been included in the governmental fund financial statements.	<u>(1,356,065)</u>
Net assets of governmental activities - statement of net position	<u><u>\$ 841,125</u></u>

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	EDC Operating Fund
REVENUE	
Sales taxes	\$ 611,417
Investment income	3,754
Total Revenues	<u>615,171</u>
EXPENDITURES	
Current:	
Personnel	26,013
Contract services	5,844
Promotional and advertising	6,274
Supplies and maintenance	7,344
Office expenses and supplies	20,392
Capital outlay	96,337
Debt service:	
Principal retirement	75,000
Total Expenditures	<u>237,204</u>
Excess (deficiency) of revenues over (under) expenc	377,967
Fund Balance, October 1	384,564
Prior Period Adjustment	23,088
Fund Balance, September 30	<u>\$ 785,619</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, 2017**

**Net change in fund balance - statement of revenues, expenditures and
changes in fund balance - governmental funds** \$ 377,967

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period. 96,337

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,425,000)

Current year changes in long-term liability for pension and OPEB do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 160

Current year long-term debt principal payments on certificates of obligation are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements. 75,000

Change in net position - statement of activities \$ (875,536)

**CITY OF PRINCETON, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017**

	CDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 715,749
Receivables, net of allowance for uncollectibles	111,245
Total Assets	<u>826,994</u>
Liabilities	
Accounts payable	26,028
Total Liabilities	<u>26,028</u>
Fund Balances	
Committed:	
Capital projects	75,000
Community events	12,500
Projects	148,315
Debt	81,983
Unassigned	483,168
Total Fund Balances	<u>800,966</u>
Total Liabilities and Fund Balances	<u>\$ 826,994</u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 800,966
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.	291,367
Accumulated depreciation has not been included in the governmental fund financial statements.	(17,646)
Accrued liabilities for OPEB and net pension obligations have not been included in the fund financial statements.	(2,022)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	2,926
Accrued liabilities for compensated absences have not been included in the fund financial statements.	(4,073)
Notes Payable have not been included in the governmental fund financial statements.	<u>(445,708)</u>
Net assets of governmental activities - statement of net position	<u><u>\$ 625,810</u></u>

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	CDC Operating Fund
REVENUE	
Sales taxes	\$ 611,417
Investment income	4,163
Total Revenues	<u>615,580</u>
EXPENDITURES	
Current:	
Personnel	26,097
Contract services	13,947
Supplies & maintenance	7,344
Project costs	134,978
Community events	23,212
Capital outlay	5,850
Debt service:	
Principal retirement	81,983
Total Expenditures	<u>293,411</u>
Net change in fund balance	322,169
Fund Balance, October 1	170,956
Prior Period Adjustments	307,841
Fund Balance, September 30	<u>\$ 800,966</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, 2017**

**Net change in fund balance - statement of revenues, expenditures and
changes in fund balance - governmental funds** \$ 322,169

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

Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2010 capital outlays is to increase net assets. 5,850

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 assets. (5,485)

Current year changes in long-term liability for pension and OPEB do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 161

Current year long-term debt principal payments on certificates of obligation are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements. 81,983

Change in net position - statement of activities \$ 404,678

**CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 602,337	\$ 602,337	\$ 611,417	\$ 9,080
Investment Income	1,465	1,465	3,754	2,289
Total Revenues	<u>603,802</u>	<u>603,802</u>	<u>615,171</u>	<u>11,369</u>
EXPENDITURES				
Current:				
Economic Development	93,925	96,748	65,867	30,881
Capital Outlays	-	70,945	96,337	(25,392)
Debt Service:				
Principal Retirement	75,000	75,000	75,000	-
Total Expenditures	<u>168,925</u>	<u>242,693</u>	<u>237,204</u>	<u>5,489</u>
Net Change in Fund Balance	434,877	361,109	377,967	16,858
Fund Balance, October 1	384,564	384,564	384,564	
Prior Period Adjustments	-	-	23,088	
Fund Balance, September 30	<u>\$ 819,441</u>	<u>\$ 745,673</u>	<u>\$ 785,619</u>	

**CITY OF PRINCETON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 602,337	\$ 602,337	\$ 611,417	\$ 9,080
Investment Income	830	830	4,163	3,333
Total Revenues	<u>603,167</u>	<u>603,167</u>	<u>615,580</u>	<u>12,413</u>
EXPENDITURES				
Current:				
Community Development	113,075	236,390	205,578	30,812
Capital Outlays	75,000	85,000	5,850	79,150
Debt Service:				
Principal Retirement	81,983	81,983	81,983	-
Total Expenditures	<u>270,058</u>	<u>403,373</u>	<u>293,411</u>	<u>109,962</u>
Net Change in Fund Balance	333,109	199,794	322,169	122,375
Fund Balance, October 1	170,956	170,956	170,956	
Prior Period Adjustments	-	-	307,841	
Fund Balance, September 30	<u>\$ 504,065</u>	<u>\$ 370,750</u>	<u>\$ 800,966</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.

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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	81
Revenue Capacity	
These schedules contain information to help the reader assess the City's ability to generate its property and sales taxes.	90
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	94
Economic and Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	99
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	101

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

Table 1

	FISCAL YEAR				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 629,151	\$ 582,670	\$ 3,603,140	\$ 2,472,934	\$ 5,151,105
Restricted	601,405	935,212	354,706	5,128,261	2,162,925
Unrestricted	162,639	344,025	731,737	70,229	666,375
Total governmental activities net position	<u>1,393,195</u>	<u>1,861,907</u>	<u>4,689,583</u>	<u>7,671,424</u>	<u>7,980,405</u>
Business-type activities					
Net investment in capital assets	2,268,482	3,060,969	1,924,566	3,828,257	3,572,269
Restricted	431,377	124,237	323,770	734,362	620,769
Unrestricted	2,074,815	2,279,014	2,983,938	968,438	1,115,827
Total business-type activities net position	<u>4,774,674</u>	<u>5,464,220</u>	<u>5,232,274</u>	<u>5,531,057</u>	<u>5,308,865</u>
Primary government					
Net investment in capital assets	2,897,633	3,643,639	5,527,706	6,301,191	8,723,374
Restricted	1,032,782	1,059,449	678,476	5,862,623	2,783,694
Unrestricted	2,237,454	2,623,039	3,715,675	1,038,667	1,782,202
Total primary government net position	<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>

	FISCAL YEAR				
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 6,626,161	\$ 6,640,339	\$ 7,305,692	\$ 8,075,220	\$ 9,143,889
Restricted	642,768	2,990,401	3,152,746	4,140,512	9,628,521
Unrestricted	2,317,036	483,094	1,357,720	1,710,252	2,363,325
Total governmental activities net position	<u>9,585,965</u>	<u>10,113,834</u>	<u>11,816,158</u>	<u>13,925,984</u>	<u>21,135,735</u>
Business-type activities					
Net investment in capital assets	3,460,166	4,876,332	5,104,136	6,631,526	11,639,474
Restricted	766,049	808,064	994,498	1,851,788	3,188,024
Unrestricted	1,192,221	1,839,812	2,197,241	2,278,245	2,806,417
Total business-type activities net position	<u>5,418,436</u>	<u>7,524,208</u>	<u>8,295,875</u>	<u>10,761,559</u>	<u>17,633,915</u>
Primary government					
Net investment in capital assets	10,086,327	11,516,671	12,409,828	14,706,746	20,783,363
Restricted	1,408,817	3,798,465	4,147,244	5,992,300	12,816,545
Unrestricted	3,509,257	2,322,906	3,554,961	3,988,497	5,169,742
Total primary government net position	<u>\$ 15,004,401</u>	<u>\$ 17,638,042</u>	<u>\$ 20,112,033</u>	<u>\$ 24,687,543</u>	<u>\$ 38,769,650</u>

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

	FISCAL YEAR			
	2008	2009	2010	2011
EXPENSES				
Governmental activities:				
General government	\$ 650,757	\$ 444,068	\$ 525,180	\$ 787,033
Public safety	1,203,205	1,308,389	1,233,166	1,310,826
Public services and operations	282,444	254,443	246,159	272,659
Parks and recreation	94,347	184,002	242,239	197,735
Library	-	-	-	-
Public works	763,902	539,521	409,971	562,550
Interest on long-term debt	162,894	210,986	328,953	322,897
Total governmental activities expenses	<u>3,157,549</u>	<u>2,941,409</u>	<u>2,985,668</u>	<u>3,453,700</u>
Business-type activities:				
Water and sewer	2,308,804	2,670,635	3,220,575	3,837,065
Storm water drainage	-	-	-	-
Total business-type activities expenses	<u>2,308,804</u>	<u>2,670,635</u>	<u>3,220,575</u>	<u>3,837,065</u>
Total primary government expenses	<u>5,466,353</u>	<u>5,612,044</u>	<u>6,206,243</u>	<u>7,290,765</u>
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	97,644	2,240	-	-
Public safety	271,835	309,225	249,280	267,848
Public services and operations	-	-	-	-
Parks and recreation	32,230	8,325	14,119	9,421
Library	-	-	-	-
Public works	227,078	240,098	246,784	224,209
Operating grants and contributions	242,133	55,802	16,321	39,182
Capital grants and contributions	-	-	21,045	3,400
Total governmental activities program revenues	<u>870,920</u>	<u>615,690</u>	<u>547,549</u>	<u>544,060</u>
Business-type activities:				
Charge for services:				
Water and sewer	2,598,224	2,540,971	3,191,055	3,850,211
Storm water drainage	-	-	-	-
Capital grants and contributions	23,332	300,121	-	239,917
Total business-type activities program revenues	<u>2,621,556</u>	<u>2,841,092</u>	<u>3,191,055</u>	<u>4,090,128</u>
Total primary government program revenues	<u>3,492,476</u>	<u>3,456,782</u>	<u>3,738,604</u>	<u>4,634,188</u>
NET (EXPENSE)/REVENUE				
Governmental activities	(2,286,629)	(2,325,719)	(2,438,119)	(2,909,640)
Business-type activities	312,752	170,457	(29,520)	253,063
Total primary government program revenues	<u>(1,973,877)</u>	<u>(2,155,262)</u>	<u>(2,467,639)</u>	<u>(2,656,577)</u>
Net Expenses	<u>(1,973,877)</u>	<u>(2,155,262)</u>	<u>(2,467,639)</u>	<u>(2,656,577)</u>

FISCAL YEAR					
2012	2013	2014	2015	2016	2017
\$ 541,838	\$ 704,619	\$ 728,324	\$ 666,193	\$ 789,760	\$ 861,576
1,374,721	1,380,786	1,244,648	1,335,532	1,562,609	3,050,330
274,184	294,647	497,095	697,081	893,941	886,973
294,768	307,933	245,950	493,077	552,517	527,723
-	-	-	102,133	129,687	151,936
442,915	603,570	1,113,223	1,232,485	1,381,286	1,642,760
289,026	262,039	215,011	311,418	390,417	544,788
<u>3,217,452</u>	<u>3,553,594</u>	<u>4,044,251</u>	<u>4,837,919</u>	<u>5,700,217</u>	<u>7,666,086</u>
3,837,603	4,318,861	4,449,142	4,676,918	6,062,226	6,183,258
-	-	-	-	-	232,136
<u>3,837,603</u>	<u>4,318,861</u>	<u>4,449,142</u>	<u>4,676,918</u>	<u>6,062,226</u>	<u>6,415,394</u>
<u>7,055,055</u>	<u>7,872,455</u>	<u>8,493,393</u>	<u>9,514,837</u>	<u>11,762,443</u>	<u>14,081,480</u>
-	-	-	-	-	17,475
234,570	271,837	353,545	294,989	348,441	25,690
-	-	-	-	130,204	2,388,422
15,489	17,972	83,217	45,086	-	146,968
-	-	-	-	-	6,913
259,738	291,606	724,455	763,325	1,292,208	1,430,930
213,574	1,015,344	148,283	20,258	8,129	422,920
200,014	849,804	266,308	2,112,676	1,908,221	5,385,169
<u>923,385</u>	<u>2,446,563</u>	<u>1,575,808</u>	<u>3,236,334</u>	<u>3,687,203</u>	<u>9,824,487</u>
3,694,915	4,382,048	4,812,038	5,214,972	6,754,857	9,563,489
-	-	-	-	-	319,409
145,353	74,680	-	118,855	1,439,081	4,449,124
<u>3,840,268</u>	<u>4,456,728</u>	<u>4,812,038</u>	<u>5,333,827</u>	<u>8,193,938</u>	<u>14,332,022</u>
<u>4,763,653</u>	<u>6,903,291</u>	<u>6,387,846</u>	<u>8,570,161</u>	<u>11,881,141</u>	<u>24,156,509</u>
(2,294,067)	(1,107,031)	(2,468,443)	(1,601,585)	(2,013,014)	2,158,401
2,665	137,867	362,896	656,909	2,131,712	7,916,628
<u>(2,291,402)</u>	<u>(969,164)</u>	<u>(2,105,547)</u>	<u>(944,676)</u>	<u>118,698</u>	<u>10,075,029</u>

(continued)

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

	FISCAL YEAR			
	2008	2009	2010	2011
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property	\$ 1,620,974	\$ 2,065,415	\$ 2,082,305	\$ 2,060,352
Sales	365,080	342,593	368,307	387,708
Franchise	152,796	190,349	211,703	227,551
Beverage	3,137	3,113	2,724	-
Administrative fee	-	-	-	-
Investment income	129,242	34,295	18,541	9,552
Miscellaneous	30,305	70,563	30,864	336,730
Intergovernmental	-	138,019	2,592,361	2,896,341
Transfers	24,476	(350,449)	(54,097)	(26,753)
Total government activities	2,326,010	2,493,898	5,252,708	5,891,481
Business-type activities:				
Investment income	185,504	41,805	3,293	757
Miscellaneous	2,638	31,911	22,381	18,210
Intergovernmental revenue	-	-	-	-
Extraordinary items	-	-	75,000	-
Transfers	(24,476)	350,449	54,097	26,753
Total business-type activities	163,666	424,165	154,771	45,720
Total primary government	2,489,676	2,918,063	5,407,479	5,937,201
CHANGE IN NET POSITION				
Governmental activities	39,381	168,179	2,814,589	2,981,841
Business-type activities	476,418	594,622	125,251	298,783
Total primary government	515,799	762,801	2,939,840	3,280,624

Table 2
(continued)

FISCAL YEAR					
2012	2013	2014	2015	2016	2017
\$ 2,072,551	\$ 2,131,994	\$ 2,228,700	\$ 2,483,190	\$ 2,859,709	\$ 3,539,491
447,973	501,970	572,515	626,981	918,489	1,267,448
225,711	189,738	216,724	198,430	190,838	262,549
2,368	3,190	1,861	-	-	2,984
-	-	-	115,000	115,000	247,703
15,913	11,114	6,702	3,938	15,937	76,593
45,765	47,026	54,360	59,820	55,358	5,270
-	-	-	-	-	-
609	(32,841)	(84,550)	(132,418)	(32,491)	(33,491)
<u>2,810,890</u>	<u>2,852,191</u>	<u>2,996,312</u>	<u>3,354,941</u>	<u>4,122,840</u>	<u>5,368,547</u>
256	332	4,167	6,005	10,929	24,525
1,491	1,931	3,856	3,148	10,463	32,888
-	-	-	-	231,150	-
-	-	-	-	-	-
(609)	32,841	84,550	132,418	32,491	33,491
<u>1,138</u>	<u>35,104</u>	<u>92,573</u>	<u>141,571</u>	<u>285,033</u>	<u>90,904</u>
<u>2,812,028</u>	<u>2,887,295</u>	<u>3,088,885</u>	<u>3,496,512</u>	<u>4,407,873</u>	<u>5,459,451</u>
516,823	1,745,160	527,869	1,753,356	2,109,826	7,526,948
3,803	172,971	455,469	798,480	2,416,745	8,007,532
<u>520,626</u>	<u>1,918,131</u>	<u>983,338</u>	<u>2,551,836</u>	<u>4,526,571</u>	<u>15,534,480</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
2008	\$ 1,620,974	\$ 365,080	\$ 152,796	\$ 3,137	\$ 2,141,987
2009	2,065,415	342,593	190,349	3,113	2,601,470
2010	2,082,305	368,307	211,703	2,724	2,665,039
2011	2,060,352	387,708	227,551	3,542	2,679,153
2012	2,072,551	447,973	225,711	2,368	2,748,603
2013	2,131,994	501,970	189,738	3,190	2,826,892
2014	2,228,700	572,515	216,724	1,861	3,019,800
2015	2,483,190	626,981	313,430	2,614	3,426,215
2016	2,859,709	918,489	305,838	2,796	4,086,832
2017	3,539,491	1,267,448	262,549	2,984	5,072,472

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

Table 4

	FISCAL YEAR				
	2008	2009	2010	2011	2012
General Fund					
Nonspendable-prepaid	\$ -	\$ -	\$ -	\$ -	\$ 9,751
Restricted for:					
Court use	-	74,217	64,418	8,828	11,136
PEG capital	-	-	-	-	7,478
Committed for:					
Fire	-	-	-	18,731	89,034
Capital improvements	1,612,820	5,431,819	3,468,661	-	-
Assigned for:					
Police	-	-	1,084	1,084	4,015
Unassigned	351,407	245,869	402,869	(273,162)	(144,933)
Total General Fund	1,964,227	5,751,905	3,937,032	(244,519)	(23,519)
All Other Governmental Funds					
Restricted for:					
Debt service	590,964	277,778	290,288	342,532	372,018
Capital improvements	(152,474)	(203,476)	122,361	4,771,097	2,496,018
	\$ 438,490	\$ 74,302	\$ 412,649	\$ 5,113,629	\$ 2,868,036
	FISCAL YEAR				
	2013	2014	2015	2016	2017
General Fund					
Restricted for:					
Court use	\$ 13,472	\$ 82,263	\$ 96,279	\$ 78,136	\$ 80,953
Capital improvements	-	69,761	-	-	461,764
PEG capital	16,915	23,965	31,804	39,576	41,862
Committed for:					
Public Safety	104,114	102,263	66,009	68,584	3,659
Development	-	-	-	-	289,037
Assigned for:					
Capital replacement	-	-	-	-	38,500
Public Safety	-	-	-	-	66,998
General government	-	2,362	2,362	2,362	-
Unassigned	8,211	517,024	733,619	1,530,097	1,533,276
Total General Fund	142,712	797,638	930,073	1,718,755	2,516,049
All Other Governmental Funds					
Nonspendable	-	-	-	-	1,795,708
Restricted for:					
Debt service	436,983	431,132	388,020	917,661	550,692
Capital improvements	2,641,610	2,452,981	2,636,643	3,105,139	7,090,147
Committed for:					
Public safety	-	-	-	-	4,500
Parks	239,739	-	48,019	239,741	190,718
	\$ 3,318,332	\$ 2,884,113	\$ 3,072,682	\$ 4,262,541	\$ 9,631,765

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

	FISCAL YEAR			
	2008	2009	2010	2011
REVENUES				
Property taxes	\$ 1,620,974	\$ 2,075,209	\$ 2,102,158	\$ 2,052,550
Non-property taxes	521,013	536,055	582,734	618,801
License and permits	227,078	240,298	246,784	222,194
Fines/Court	241,470	267,448	210,408	204,011
Charges for services	72,312	50,641	52,991	48,252
Administrative fees	-	-	-	-
Impact fees	-	-	-	-
Grants and contributions	242,133	55,802	37,366	40,484
Donations	-	22,883	11,496	306,348
Investment income	129,242	34,296	18,542	9,552
Intergovernmental	87,927	139,520	2,592,361	2,862,740
Miscellaneous	25,996	47,679	19,367	26,843
Total Revenues	3,168,145	3,469,831	5,874,207	6,391,775
EXPENDITURES				
General government	630,669	437,374	469,005	744,937
Public safety	1,233,888	1,125,917	1,144,097	1,304,248
Public works	692,185	555,308	342,198	444,451
Public services and operations	280,392	251,771	244,025	268,658
Parks and recreation	22,879	141,724	190,555	185,225
Library	78,828	26,052	40,913	-
Capital outlay	392,433	1,002,291	4,386,064	2,234,246
Debt Service:				
Principal	204,000	1,581,501	386,840	638,357
Interest and other charges	151,353	160,197	355,766	324,670
Issuance cost and bond refunding	-	-	-	65,000
Total Expenditures	3,686,627	5,282,135	7,559,463	6,209,792
OTHER FINANCING SOURCES (USES)				
Note/Bond proceeds	-	5,431,819	250,000	1,481,682
Payments to bond refunding escrow agent	-	-	-	(1,144,500)
Insurance refunds	15,241	-	-	-
Net cost of issuance premium/(discount)	-	-	-	-
Sales of assets	-	-	-	27,021
Capital lease proceeds	28,052	-	-	-
Transfers	24,476	(350,449)	(54,097)	(26,753)
Total Other financing Sources (Uses)	67,769	5,081,370	195,903	337,450
NET CHANGE IN FUND BALANCES	\$ (450,713)	\$ 3,269,066	\$ (1,489,353)	\$ 519,433
Debt Service as a percentage of noncapital expenditures	10.79%	40.70%	23.40%	24.63%

Table 5

FISCAL YEAR					
2012	2013	2014	2015	2016	2017
\$ 2,108,665	\$ 2,148,647	\$ 2,229,646	\$ 2,496,373	\$ 2,868,605	\$ 3,539,491
676,052	694,898	791,100	828,025	1,112,122	1,532,981
259,738	291,606	724,455	763,325	1,292,208	1,139,145
195,497	223,980	325,175	266,473	313,762	354,807
69,510	91,097	83,217	45,086	130,204	1,058,393
-	-	-	115,000	115,000	247,703
-	-	-	-	-	1,430,930
159,988	85,994	11,525	20,258	8,129	343,855
11,722	17,680	17,010	14,448	16,177	20,466
15,913	11,114	6,702	3,938	15,938	76,593
246,248	768,746	217,809	1,212,846	1,177,809	1,568,006
38,630	40,186	29,947	42,759	36,385	19,260
<u>3,781,963</u>	<u>4,373,948</u>	<u>4,436,586</u>	<u>5,808,531</u>	<u>7,086,339</u>	<u>11,331,630</u>
490,861	609,017	725,630	571,945	684,955	845,858
1,174,580	1,151,292	1,293,428	1,445,434	1,630,932	2,875,713
333,393	429,004	460,504	700,550	748,702	754,261
269,557	291,680	276,377	476,654	636,406	869,608
229,804	109,854	95,038	403,473	460,734	442,678
210	133,852	95,733	103,605	117,758	139,977
2,604,944	1,696,947	494,965	2,205,877	3,917,850	6,122,703
494,283	566,061	478,089	550,866	649,425	771,122
287,818	258,593	211,565	307,171	388,396	531,818
-	28,143	-	68,397	84,689	68,700
<u>5,885,450</u>	<u>5,274,443</u>	<u>4,131,329</u>	<u>6,833,972</u>	<u>9,319,847</u>	<u>13,422,438</u>
114,066	1,549,861	-	1,360,000	3,245,000	8,465,000
-	-	-	-	-	-
-	-	-	89,052	202,141	26,200
-	-	-	-	-	6,000
-	-	-	29,809	182,652	110,814
609	(32,841)	(84,550)	(132,418)	(32,491)	(33,491)
<u>114,675</u>	<u>1,517,020</u>	<u>(84,550)</u>	<u>1,346,443</u>	<u>3,597,302</u>	<u>8,574,523</u>
<u>\$ (1,988,812)</u>	<u>\$ 616,525</u>	<u>\$ 220,707</u>	<u>\$ 321,002</u>	<u>\$ 1,363,794</u>	<u>\$ 6,483,715</u>
23.84%	23.05%	18.97%	18.54%	19.21%	17.85%

**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						
2008	\$ 273,868,089	\$ 34,332,079	\$ 15,228,146	\$ (52,816,440)	\$ 270,611,874	\$ 0.728394	\$ 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	0.728394	340,599,836	82.64%
2013	293,259,335	44,359,953	233,729	(62,018,127)	275,834,890	0.728394	337,853,017	81.64%
2014	313,596,419	49,171,779	2,510,382	(63,673,035)	301,605,545	0.738999	365,278,580	82.57%
2015	364,887,976	52,483,026	2,471,089	(75,771,626)	344,070,465	0.738999	419,842,091	81.95%
2016	431,633,366	56,757,007	2,701,269	(106,120,967)	384,970,675	0.721800	491,091,642	78.39%
2017	500,547,077	67,989,329	2,949,716	(108,947,539)	462,538,583	0.691890	571,486,122	80.94%

Source: Collin County Appraisal District

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

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

Table 7

Fiscal Year Ended Sept 30	City Direct Rates			Overlapping Rates*		
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
2008	\$ 0.405500	\$ 0.244200	\$ 0.649700	\$ 1.368700	\$ 0.245000	\$ 0.864930
2009	0.439990	0.288404	0.728394	1.490000	0.245000	0.086300
2010	0.439990	0.288404	0.728394	1.490000	0.245000	0.086300
2011	0.439990	0.288404	0.728394	1.591400	0.245000	0.086300
2012	0.439990	0.288404	0.728394	1.490000	0.240000	0.086300
2013	0.439990	0.288404	0.728394	1.490000	0.240000	0.086300
2014	0.511969	0.227030	0.738999	1.473600	0.240000	0.862990
2015	0.511969	0.227030	0.738999	1.480000	0.237500	0.836430
2016	0.503901	0.217899	0.721800	1.620000	0.235000	0.819600
2017	0.459509	0.230381	0.689890	1.620000	0.225000	0.819600

**CITY OF PRINCETON, TEXAS
 PRINCIPAL TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (unaudited)**

Table 8

Taxpayer	Assessed Taxable Value FY2017	Rank	Percentage of Assessed Taxable Value
Walmart Real Estate Business Trust	\$ 16,689,163	1	3.61%
Walmart Stores Texas LLC	9,575,362	2	2.07%
D R Horton - Texas Ltd	7,072,510	3	1.53%
Charley's Concrete Company, Inc	6,955,073	4	1.50%
Edison Development Co	5,111,556	5	1.11%
JDFIU Princeton LLC	4,608,549	6	1.00%
Princeton Village LLC	2,996,962	7	0.65%
Fall Manor Duplexes LLC & Hilltop Church	2,596,687	8	0.56%
311 Princeton Drive LLC	2,012,864	9	0.44%
LGI Homes - Texas LLC	1,830,960	10	0.40%
	<u>\$ 59,449,686</u>		
Total Assessed Taxable Value	<u>\$ 462,538,583</u>		

	Assessed Taxable Value FY2008	Rank	Percentage of Assessed Taxable Value
Edison Development Co	\$ 2,667,160	1	0.95%
CR 407 & FM 75 LLLP	2,382,507	2	0.85%
Gehan Homes, Ltd	2,313,900	3	0.82%
Princeton Village, LLC	2,275,380	4	0.81%
PMR Land/Princeton LP	2,198,321	5	0.78%
Princeton 380 Ltd	1,939,091	6	0.69%
First Bank Farmersville	1,885,778	7	0.67%
JOMC Properties, Inc	1,788,971	8	0.64%
Maria Cruz	1,693,293	9	0.60%
Serenity Builders, LLC	1,499,972	10	0.53%
	<u>\$ 20,644,373</u>		
Total Assessed Taxable Value	<u>\$ 281,174,941</u>		

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

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to-Date	
		Amount	% of Levy		Amount	% of Levy
2008	\$ 1,608,415	\$ 1,550,664	96.41%	\$ 52,732	\$ 1,603,396	99.69%
2009	1,997,108	1,955,460	97.91%	35,938	1,991,398	99.71%
2010	2,046,391	1,997,250	97.60%	41,580	2,038,830	99.63%
2011	2,041,553	1,999,672	97.95%	35,819	2,035,491	99.70%
2012	2,048,174	2,024,856	98.86%	17,616	2,042,472	99.72%
2013	2,101,230	2,093,767	99.64%	784	2,094,551	99.68%
2014	2,210,407	2,198,054	99.44%	2,356	2,200,410	99.55%
2015	2,449,973	2,440,330	99.61%	-	2,440,330	99.61%
2016	2,833,887	2,812,844	99.26%	4,569	2,817,413	99.42%
2017	3,605,161	3,539,491	98.18%	4,150	3,543,641	98.29%

Source: 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 Obligations	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligations	Other Obligations			
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	1,490,600	7,550,000	3,516	16,189,837	9.64%	2,178
2014	1,206,200	4,149,963	204,915	1,110,000	1,393,800	7,395,000	-	15,459,878	12.15%	1,781
2015	1,058,200	5,421,659	150,456	935,000	1,286,800	7,230,000	105,990	16,188,105	11.83%	1,730
2016	906,500	8,435,000	260,384	755,000	7,203,500	1,130,000	150,594	18,840,978	11.92%	1,818
2017	762,200	16,801,315	224,377	570,000	7,479,800	950,000	145,972	26,933,664	10.21%	2,533

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

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

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

Table 11

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less: Debt Service Funds (3)	Net Bonded Debt	% Net Bonded Debt to Assessed Property Value	Net Bonded Debt Per Capita
2008	5,750	\$ 270,611,874	\$ 2,834,000	\$ 590,964	\$ 2,243,036	1.05%	\$ 390
2009	6,282	281,366,199	6,929,736	277,778	6,651,958	2.46%	1,103
2010	6,400	281,174,941	6,817,896	328,806	6,489,090	2.42%	1,065
2011	6,807	280,866,773	6,481,021	342,532	6,138,489	2.31%	952
2012	7,440	281,488,698	6,100,804	372,018	5,728,786	2.17%	820
2013	7,469	277,934,890	7,145,721	429,895	6,715,826	2.57%	957
2014	8,769	301,605,545	6,671,078	431,132	6,239,946	2.21%	761
2015	9,356	344,070,465	7,565,315	386,489	7,178,826	2.20%	809
2016	10,632	384,970,675	10,356,884	389,971	9,966,913	2.69%	974
2017	10,632	462,538,583	18,133,515	550,692	17,582,823	3.92%	1,706

Source:

- (1) Collin County Appraisal District
- (2) Schedule of Bonds Payable and total bonds for fiscal year
- (3) Schedule of General Long-term debt and statistical section

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

**CITY OF PRINCETON, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017
 (unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	\$ 352,380,000	0.46%	\$ 1,620,948
Collin County CCD	14,590,000	0.46%	67,114
McKinney Independent School District	570,270,000	0.10%	570,270
Princeton Independent School District	137,205,641	53.01%	72,732,710
	<u>\$ 1,074,445,641</u>		\$ 74,991,042
City of Princeton			<u>\$ 18,357,892</u>
			<u>\$ 93,348,934</u>
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			20.18%
Per capita overlapping bonded debt			<u>\$ 8,780</u>

Source: "Texas Municipal Report" as of September 30, 2017, 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 AND DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)**

Table 13

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Limit Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.649600	0.728394	0.728394	0.728394	0.728394	0.756900	0.738999	0.721800	0.691886	0.689890
Available Tax Rate	\$ 1.8504	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7431	\$ 1.7610	\$ 1.7782	\$ 1.8081	\$ 1.8101

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 462,538,583
Add back exempt real property	206,878,761
Total assessed value	<u>\$ 669,417,344</u>
Debt limit (10% of total assessed value)	
Debt applicable to limit:	
Property tax supported debt	\$ 18,133,515
Less: Amount set aside for repayment of general debt	(550,692)
Total net debt applicable to limit	<u>\$ 17,582,823</u>
Legal debt margin	<u>2.63%</u>

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

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Annual Requirements		Times Coverage
				Principal	Interest	
2008	\$ 2,600,862	\$ 2,127,043	\$ 473,819	\$ 101,000	\$ 98,719	2.37
2009	2,546,595	2,534,718	11,877	220,000	479,206	0.02
2010	3,198,875	2,567,725	631,150	352,500	345,119	0.90
2011	3,868,421	3,324,228	544,193	216,500	463,160	0.80
2012	3,841,759	3,094,483	747,276	239,100	436,766	1.11
2013	4,383,979	3,449,737	934,242	251,800	429,508	1.37
2014	4,815,894	3,223,135	1,592,759	277,000	413,325	2.31
2015	5,218,120	3,418,349	1,799,771	288,300	401,744	2.61
2016	6,765,321	4,722,866	2,042,455	320,700	166,409	4.19
2017	6,824,537	5,163,318	1,661,219	298,400	342,428	2.59

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

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

Table 15

Fiscal Year	Estimated Population (1)	Personal Income	Per Capita income (2)	Average Age (3)	Grade School Enrollment (4)	Unemployment Rate (5)
2008	5,750	\$ 131,197,750	\$ 22,817	37	2,767	4.80%
2009	6,282	125,024,364	19,902 *	45	2,804	8.20%
2010	6,400	127,372,800	19,902 *	35	2,183	7.50%
2011	6,807	135,472,914	19,902 *	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%
2013	7,469	168,844,214	22,606	31	1,853	8.30%
2014	8,679	187,761,488	21,634	34	1,954	5.70%
2015	9,356	191,461,184	20,464	36	1,798	4.20%
2016	10,362	224,565,264	21,672	36	1,798	4.30%
2017	10,362	263,909,778	25,469	34	1,950	3.60%

Sources:

- 1 Kimley Horn Engineers
 - 2 United States Census Bureau
 - 3 Collin County
 - 4 Princeton ISD
 - 5 Texas Workforce Commission - (data for Collin County)
- * - Estimated by NCTCOG

**CITY OF PRINCETON, TEXAS
 PRINCIPAL EMPLOYERS
 SEPTEMBER 30, 2017
 (unaudited)**

Table 16

Name of Employer	2017	
	No. of Employees	Rank
Princeton Independent School District	575	1
Walmart	300	2
City of Princeton	75	3
Villa Asuncion	70	4
McDonalds	36	5
Jack in the Box	25	6
Charley's Concrete	20	7
Tractor Supply	19	8
Taco Bell	12	9
Citizens State Bank	10	10
Totals	1,142	

Name of Employer	2008	
	No. of Employees	Rank
Princeton Independent School District	395	1
City of Princeton	35	2
Villa Asuncion	30	3
McDonalds	16	4
Jackson Enterprises	16	5
Jack in the Box	11	6
Citizens Bank	10	7
Rainbow Connection Daycare	10	8
N/A	-	9
N/A	-	10
	523	

Note: Total employment within City is not available

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

Table 17

Function/Program	FISCAL YEAR				
	2008	2009	2010	2011	2012
General Government	6	5	5	5	5
Police	12	12	12	12	11
Fire	0	0	0	0	0
Municipal Court	3	2	2	2	2
Development/Code Enforcement	2	3	2	4	4
Library	0	1	1	1	1
Community Relations	0	0	0	0	0
Municipal Services	3*	8*	8	3	3
Streets	0*	0*	1	2	2
Facilities	0	0	0	0	0
Parks and Recreation	0*	0*	0	0	0
Utility Administration	4	4	4	3	3
Water, Sewer	3	12	10	2	3
Storm Water	0	0	0	0	0
Total	33	47	46	36	36

Function/Program	FISCAL YEAR				
	2013	2014	2015	2016	2017
General Government	5	5	5	5	6
Police	12	12	13	12	15
Fire	1	1	1	9	16
Municipal Court	3	3	2	3	3
Development/Code Enforcement	2	4	4	3	4
Library	1	1	1	2	2
Community Relations	0	0	1	1	1
Municipal Services	0	0	0	0	0
Streets	2	2	2	3	3
Facilities	0	0	0	4	4
Parks and Recreation	0	0	0	3	4
Utility Administration	3	3	3	3	3
Water, Sewer	5	6	6	7	9
Storm Water	0	0	0	0	2
Total	36	39	43	55	72

Source: City of Budget book

*- Beginning in FY2008, Parks, Streets, and Municipal Services were combined.

In FY2016, Parks, Facilities, and Streets are separate departments

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

Function/Program	FISCAL YEAR					FISCAL YEAR				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	768	245	293	267	291	296	352	236	364	378
Traffic violations	3,015	2,911	2,142	2,210	2,775	2,750	2,706	1,992	4,454	6,460
Fire										
Number of calls answered	553	1,032	973	1,215	1,254	1,355	1,536	1,555	1,929	2,100
Inspections, residential/commercial	43	32	60	35	42	33	155	168	178	189
Water/Sewer										
New connections	301	95	114	316	282	293	268	301	356	315
Avg daily consumption (gallons)	260,000	219,000	6,155,000	373,000	1,163,000	1,153,000	1,054,000	1,149,000	1,250,000	1,281,417
Water main breaks	1	4	24	50	100	175	188	193	143	155

Sources: City departments

N/A - information not available

* Includes residential, commercial and miscellaneous permits (fence, pools, etc)

** Parks was previously reported in the street department prior to FY2017

CITY OF PRINCETON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)

Table 19

Function/Program	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	4	6	6	9	11	11	12	14
Number of officers	12	12	12	12	11	,12	,12	13	12	15
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of firefighters	0	0	0	0	0	1	1	1	9	16
Number of volunteer firefighters	N/A	N/A	N/A	N/A	18	12	16	24	22	24
Streets										
Streets (miles)	23	23	23	23	23	24	26	28	64	69
Number of street lights	175	175	175	175	175	202	232	246	309	361
Water/Sewer										
Water lines (miles)	24	24	27	27	27	27.5	27.5	30	58.8	69
Sanitary sewer (miles)	20	20	50	50	50	50.5	50.5	53	44.8	50

Sources: City departments

