

August 4, 2025

Ratings:
S&P: "AA"
Fitch: "AA+"
See "Other Information – Ratings"
herein

(See "Continuing Disclosure of
Information" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.



\$54,385,000*
CITY OF PRINCETON, TEXAS
(Collin County)
GENERAL OBLIGATION BONDS, SERIES 2025

Dated Date: August 15, 2025

Due: February 15, as shown on page 2

Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the \$54,385,000* City of Princeton, Texas, General Obligation Bonds, Series 2025 (the "Bonds"), will accrue from the Date of Delivery, and will be payable February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, an election held in the City of Princeton, Texas (the "City") on November 7, 2023, and are direct obligations of the City, payable from a direct and continuing ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Bonds (the "Bond Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Bonds (referred to herein as the "Bond Pricing Certificate" and together with the Bond Authorization Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "The Obligations - Authority for Issuance of the Obligations").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (1) constructing, improving and equipping parks, trails and recreational facilities, park buildings and the acquisition of land and interests in land therefor, (2) improving, expanding, upgrading and renovating the existing City library; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

CUSIP PREFIX: 742378
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the issuance of the \$24,410,000* City of Princeton, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025 (the "Certificates") under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). McCall, Parkhurst & Horton L.L.P. will also act as disclosure counsel to the City.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about September 3, 2025 (the "Date of Delivery").

BIDS DUE MONDAY, AUGUST 11, 2025 AT 9:30 AM CDT

* Preliminary, subject to change.

MATURITY SCHEDULE*

<u>Amount</u>	<u>Maturity</u> <u>2/15</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u> ⁽¹⁾
\$ 20,000	2026			
50,000	2027			
50,000	2028			
50,000	2029			
420,000	2030			
445,000	2031			
465,000	2032			
490,000	2033			
515,000	2034			
540,000	2035			
565,000	2036			
1,060,000	2037			
1,115,000	2038			
1,170,000	2039			
1,230,000	2040			
2,640,000	2041			
3,125,000	2042			
3,285,000	2043			
3,450,000	2044			
4,940,000	2045			
5,190,000	2046			
5,460,000	2047			
5,740,000	2048			
6,030,000	2049			
6,340,000	2050			

(Interest to accrue from Date of Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. The City, the Financial Advisor and the Initial Purchaser are not responsible for the selection or accuracy of the CUSIP numbers set forth above.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

August 4, 2025

(See "Continuing Disclosure of Information" herein)

Ratings:

S&P: "AA"

Fitch: "AA+"

See "Other Information – Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.



\$24,410,000*
CITY OF PRINCETON, TEXAS
(Collin County)
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: August 15, 2025

Due: February 15, as shown on page 2

Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the \$24,410,000* City of Princeton, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025 (the "Certificates"), will accrue from the Date of Delivery, and will be payable February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Certificates is U.S. Bank Trust Company, National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code as amended, and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's Waterworks and Sewer System (the "System"), as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Certificates (the "Certificate Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Certificates (referred to herein as the "Certificate Pricing Certificate" and together with the Certificate Authorization Ordinance, the "Certificate Ordinance") that will complete the sale of the Certificates (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations to be incurred in connection with (1) designing, constructing and equipping a public safety operations and training facility and acquiring land necessary for such facility and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

CUSIP PREFIX: 742378
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the issuance of the \$54,385,000* City of Princeton, Texas, General Obligation Bonds, Series 2025 (the "Bonds") under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). McCall, Parkhurst & Horton L.L.P. will also act as disclosure counsel to the City.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about September 3, 2025 (the "Date of Delivery").

BIDS DUE MONDAY, AUGUST 11, 2025 AT 10:00 AM CDT

* Preliminary, subject to change.

MATURITY SCHEDULE*

Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 20,000	2026			
50,000	2027			
50,000	2028			
50,000	2029			
275,000	2030			
285,000	2031			
305,000	2032			
320,000	2033			
335,000	2034			
555,000	2035			
1,015,000	2036			
1,070,000	2037			
1,125,000	2038			
1,180,000	2039			
1,240,000	2040			
1,305,000	2041			
1,375,000	2042			
1,445,000	2043			
1,520,000	2044			
1,595,000	2045			
1,675,000	2046			
1,765,000	2047			
1,855,000	2048			
1,950,000	2049			
2,050,000	2050			

(Interest to accrue from Date of Delivery)

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OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

For purpose of compliance with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Obligations described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of the Rule.

This Official Statement, which includes the cover pages and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP Numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Obligations.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE CITY, ITS FINANCIAL ADVISOR, AND THE INITIAL PURCHASER MAKE NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on an ongoing basis. No representation is made by the City regarding the use, presentation and interpretation of the financial information of the City made by third parties, including, without limitation, the Municipal Securities Rulemaking Board.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without this entire Official Statement.

THE CITY..... The City of Princeton is a home rule municipality and political subdivision of the State, located in Collin County, Texas. The City covers approximately 4.3 square miles (see "Introduction - Description of the City").

THE OBLIGATIONS..... The City's \$54,385,000* General Obligation Bonds, Series 2025 (the "Bonds") are being issued as serial Bonds maturing on February 15 of each year in the years 2026 through 2050 (see "The Obligations – Description of the Obligations").

The City's \$24,410,000* Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025 (the "Certificates"), are being issued as serial Certificates maturing on February 15 of each year in the years 2026 through 2050 (see "The Obligations – Description of the Obligations").

The Bonds and the Certificates are sometimes referred to collectively herein as the "Obligations".

PAYMENT OF INTEREST Interest on the Obligations accrues from the Date of Delivery and is payable February 15, 2026 and each August 15 and February 15 thereafter until maturity or prior redemption. (See "The Obligations - Description of the Obligations").

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, an election held in the City of Princeton, Texas (the "City") on November 7, 2023, and are direct obligations of the City, payable from a direct and continuing ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Bonds (the "Bond Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Bonds (referred to herein as the "Bond Pricing Certificate" and together with the Bond Authorization Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "The Obligations - Authority for Issuance of the Obligations").

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code as amended, and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's Waterworks and Sewer System (the "System") , as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Certificates (the "Certificate Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Certificates (referred to herein as the "Certificate Pricing Certificate" and together with the Certificate Authorization Ordinance, the "Certificate Ordinance") that will complete the sale of the Certificates (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

SECURITY FOR THE

BONDS..... The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the Bond Ordinance (see "The Obligations – Security and Source of Payment" and "The Obligations – Tax Rate Limitation").

SECURITY FOR

THE CERTIFICATES The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Certificate Ordinance authorizing the Certificates. In addition, the Certificates are payable from a pledge of surplus revenues of the City's Waterworks and Sewer System (the "System") (see "The Obligations - Security and Source of Payment" and "The Obligations – Tax Rate Limitations" herein.).

REDEMPTION	The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").
TAX EXEMPTION.....	In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "Tax Matters" herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS	<p>Proceeds from the sale of the Bonds will be used for (1) constructing, improving and equipping parks, trails and recreational facilities, park buildings, and the acquisition of land and interests in land therefor, (2) improving, expanding, upgrading and renovating the existing City library; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.</p> <p>Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations to be incurred in connection with (1) designing, constructing and equipping a public safety operations and training facility and acquiring land necessary for such facility and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.</p>
RATINGS FOR THE OBLIGATIONS	The Obligations and the presently outstanding tax supported debt of the City are rated "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P") and "AA+" by Fitch Rating Services ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System") .
PAYMENT RECORD	The City has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30				Ratio Funded			
	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt Outstanding ⁽³⁾	Per Capita Funded Tax Debt ⁽³⁾	Tax Debt to	% of Total Tax Collections
						Taxable	
						Assessed	
						Valuation ⁽³⁾	
2022	20,046	\$ 1,557,997,069	\$ 77,721.1	\$ 43,640,190	\$ 2,177	2.80%	99.88%
2023	26,664	2,330,604,233	87,406	40,545,222	1,521	1.74%	100.63%
2024	33,288	3,164,600,082	95,067	56,281,323	1,691	1.78%	100.21%
2025	46,661	3,794,479,667	81,320	129,395,317 ⁽⁴⁾	2,773 ⁽⁴⁾	3.41% ⁽⁴⁾	98.33% ⁽⁵⁾
2026	46,661	4,549,566,490	97,503	125,607,228 ⁽⁴⁾	2,692 ⁽⁴⁾	2.76% ⁽⁴⁾	0.00% ⁽⁶⁾

(1) Source: City officials.

(2) As reported by the Collin Central Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing year.

(3) Excludes self-supporting debt.

(4) Projected; includes the Obligations. Preliminary, subject to change.

(5) Collections as of June 30, 2025.

(6) Collections for Tax Year 2025 not yet available as of the publication of this Preliminary Official Statement.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 6,520,395	\$ 5,415,453	\$ 8,897,797	\$ 4,549,589	\$ 2,215,699 ⁽¹⁾
Total Revenue	25,709,392	20,061,022	16,378,654	16,397,790	11,993,934
Total Expenditures	27,300,601	20,351,499	18,408,120	12,686,313	10,132,848
Other Financing Sources (Uses)	2,900,549	1,395,419	(1,516,598)	835,002	432,955
Prior Period Adjustments	2,508,127	-	63,720	-	39,849
Increase (Decrease) in Fund Balance	3,817,467	1,104,942	(3,482,344)	4,546,479	2,333,890
Ending Balance	<u>\$ 10,337,862</u>	<u>\$ 6,520,395</u>	<u>\$ 5,415,453</u>	<u>\$ 9,096,068</u>	<u>\$ 4,549,589</u>

(1) Restated.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>
Eugene Escobar, Jr. Mayor	6 Months	November 2028
Terrance Johnson Councilmember, Place 1	6 Months	November 2028
Cristina Todd Councilmember, Place 2	6 Months	November 2028
Bryan Washington Councilmember, Place 3	4 Years	November 2027
Ryan Gerfers Councilmember, Place 4	1 Year	November 2027
Steven Deffibaugh Mayor Pro-Tem Councilmember, Place 5	18 Years	November 2027
Ben Long Councilmember, Place 6	9 Months	November 2026
Carolyn David-Graves Councilmember, Place 7	9 Months	November 2026

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Total Governmental Service</u>
Michael Mashburn	City Manager	1.6 Years	18 Years
Allison Cooke	Assistant City Manager	1 Year	14.5 Years
Fred Gibbs	Assistant City Manager	4 Months	23 Years
Kelly Wilson	Chief Financial Officer	2 Months	20 Years
Amber Anderson	City Secretary	8 Years	11 Years

CONSULTANTS AND ADVISORS

Independent Auditors	Brooks Watson & Company Houston, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

OFFICIAL STATEMENT
RELATING TO
\$54,385,000*
CITY OF PRINCETON, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025

AND
\$24,410,000*
CITY OF PRINCETON, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of \$54,385,000* General Obligation Bonds, Series 2025 (the "Bonds") and \$24,410,000* Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025 (the "Certificates," and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each to be adopted by the City Council of the City of Princeton, Texas (the "City") on the date of the sale of the Obligations and which will authorize the issuance of the Bonds and the Certificates, respectively. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

There follow in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified in this Official Statement, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and home rule city of the State, duly organized and existing under the laws of the State and its home rule charter. The City operates under a Council/Mayor form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and one of the Councilmembers' expiring in odd-numbered years and the terms of the other four Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The estimated 2025 population is 46,661. The City covers approximately 4.3 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (1) constructing, improving and equipping parks, trails and recreational facilities, park buildings and the acquisition of land and interests in land therefor, (2) improving, expanding, upgrading and renovating the existing City library; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations to be incurred in connection with (1) designing, constructing and equipping a public safety operations and training facility and acquiring land necessary for such facility and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

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SOURCES AND USES OF PROCEEDS . . . Proceeds from the sale of the Obligations are expected to be expended as follows:

<u>Sources of Funds</u>	<u>The Bonds</u>	<u>The Certificates</u>
Par Amount		
Reoffering Premium		
Total Sources of Funds	<u>\$ -</u>	<u>\$ -</u>
 <u>Uses of Funds</u>		
Deposit to Project Fund		
Total Underwriter's Discount		
Costs of Issuance ⁽¹⁾		
Total Uses of Funds	<u>\$ -</u>	<u>\$ -</u>

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated August 15, 2025 and mature on February 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest on the Obligations will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2026 and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE OBLIGATIONS . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, an election held in the City of Princeton, Texas (the "City") on November 7, 2023, and are direct obligations of the City of Princeton, Texas (the "City"), payable from a direct and continuing ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Bonds (the "Bond Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Bonds (referred to herein as the "Bond Pricing Certificate" and together with the Bond Authorization Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "The Obligations - Authority for Issuance of the Obligations").

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code as amended, and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's Waterworks and Sewer System (the "System") , as provided in an ordinance adopted by the City Council of the City on July 14, 2025 authorizing the issuance of the Certificates (the "Certificate Authorization Ordinance") which will delegate to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for the Certificates (referred to herein as the "Certificate Pricing Certificate" and together with the Certificate Authorization Ordinance, the "Certificate Ordinance") that will complete the sale of the Certificates (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

SECURITY AND SOURCE OF PAYMENT . . . The Obligations constitute direct obligations of the City payable from an annual direct and continuing ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "The Obligations - Tax Rate Limitation" below).

The Certificates are additionally secured by a lien on and pledge of the revenues of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or part of said revenues (herein sometimes referred to as surplus revenues of the System), as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum

ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all General Obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations of any series are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If a Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . At least 30 days prior to a redemption date for the Obligations, the City shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each such registered owner at the address shown on the Registration Books (hereinafter defined) of the Paying Agent/Registrar; provided however, that the failure to send, mail, or receive such notice described above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Obligation.

With respect to any optional redemption of the Obligations, unless the prerequisites to such redemption required by the Ordinances have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice may be of no force and effect, the Issuer shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed. Any Obligations subject to conditional redemption and such redemption having been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default under the terms of the Ordinance. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available, in part or in whole, on or before the redemption date shall not constitute an event of default.

NOTICE HAVING BEEN SO GIVEN AND THE FUNDS NECESSARY TO REDEEM SUCH OBLIGATIONS HAVING BEEN PROVIDED, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations being defeased. The Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge securities as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

In connection with pricing of the Obligations, the Pricing Officer may limit the categories of eligible Defeasance Securities.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Obligations, to call for redemption at an earlier date, Obligations which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation

of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Initial Purchaser (herein defined) believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to as the "Participants". DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Obligations shall be sent to DTC. If less than all of the Obligations of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to one or both series of the Obligations at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Obligations, as appropriate, will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Initial Purchaser of either series of the Obligations.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System of the Obligations is discontinued, printed Obligations will be issued to the DTC Participants or the Beneficial Owner, as the case may be, and such Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Obligations is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Obligations will be printed and delivered to the beneficial owners thereof, and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment; and, with respect to an Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

REPLACEMENT OBLIGATIONS . . . If any outstanding Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, damaged, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated or damaged Obligation. In the case of any Obligation issued in lieu of and substitution for an Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Obligation has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last calendar day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder for the purpose of amending or supplementing the Ordinances to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinances that are not inconsistent with the provisions thereof and which, in the opinion of nationally-recognized bond counsel selected by the City, do not materially adversely affect the interests of the holders.

The Ordinances further provide that the holders of the Obligations aggregating in principal amount a majority of the outstanding Obligations of such series shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations; (ii) reducing the rate of interest borne by any of the outstanding Obligations; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Obligations, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations; although the City relies on the authority of Chapter 1371 for the issuance of the Obligations, the City has not waived sovereign immunity as permitted by Chapter 1371. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "The Obligations - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Obligations. Initially, the only registered owner of the Obligations will be Cede & Co., as DTC's nominee.

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to state mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION– City Application of Tax Code" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations

tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2023, which may be applied to a city's tax rate in tax years 2022 through 2024 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the

calculation of the various defined tax rates.

ISSUER AND TAX PAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

The foregoing sections represents the City's current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

ISSUER'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants a local option exemption of \$25,000 on the market value of the residence homesteads of persons who are 65 years of age or older or disabled.

The City has not granted any part of the additional exemption of up to 20% of the market value of residence homesteads.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Collin Central Appraisal District collects taxes for the City.

The City does not permit split payments of taxes, and discounts for the early payment of taxes are not allowed.

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

The City has not adopted a tax abatement policy.

CHAPTER 380 AGREEMENTS . . . The City has entered into multiple Chapter 380 Agreements relating to business development projects to promote economic development within the City (the "Chapter 380 Grants"). The Chapter 380 Grants require the construction of a minimum square footage of space or the construction of a facility worth an agreed-upon valuation for ad valorem taxation. All developers have met all such requirements during the current fiscal year. Except as otherwise noted, each Chapter 380 Grant is available for a period of 10 years beginning on the dates the certificates of occupancy were received. The City has entered into a Chapter 380 agreement with TSHH, LLC, effective January 1, 2022, for a period of 10 years. The City has entered into a Chapter 380 agreement with IC-SB Princeton Land Partners, LP, effective June 8, 2020, for a period of 15 years. The Princeton Community Development Corporation has entered into a Chapter 380 agreement with IC-SB Princeton Land Partners, LP, effective May 19, 2022, for a period of 15 years.

TAX INCREMENT REINVESTMENT ZONE . . . The City has created six tax increment reinvestment zones.

The City created Reinvestment Zone Number Two ("Zone 2") on August 12, 2019. Zone 2, which has a duration until December 31, 2050, encompasses approximately 95 acres located in the City's Whitewing Trails Public Improvement District. The City has agreed to contribute 50% of its "tax increment" each year (the "tax increment" being the taxable assessed value of property in Zone 2 each year less the "base value" which is the taxable assessed value of property in Zone 2 at the time of creation (\$1,477,391)). During the term of Zone 2, the increase in value of new development that occurs in Zone 2 will generate approximately \$19.8 million for the City (\$1.0 million to the TIRZ Fund and \$18.8 million to the City). Zone 2 income will be used to supplement or offset the assessments levied on the single-family property located in Phase 1 of the Whitewing Trails Public Improvement District. The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

The City created Reinvestment Zone Number Three ("Zone 3") on July 25, 2022. Zone 3, which has a duration until December 31, 2052 or until all Zone 3 obligations have been paid, encompasses approximately 547 acres located in the City's Eastridge Public Improvement District. The City has agreed to contribute 45% of its "tax increment" each year (the "tax increment" being the taxable assessed value of property in Zone 3 each year less the "base value" which is the taxable assessed value of property in Zone 3 at the time of creation (\$4,920,145)). Zone 3 income will be used to supplement or offset the assessments levied on the single-family property located in the Eastridge Public Improvement District. The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

The City created Reinvestment Zone Number Four ("Zone 4") on August 14, 2023. Zone 4, which has a duration until December 31, 2053 or until all Zone 4 obligations have been paid, encompasses approximately 433 acres located in the City's Sicily Public Improvement District. The City has agreed to contribute 55% of its "tax increment" each year for single family residential properties and 80% of its tax increment for commercial and multifamily properties (the "tax increment" being the taxable assessed value of property in Zone 4 each year less the "base value" which is the taxable assessed value of property in Zone 4 at the time of creation (\$131,733)). Zone 4 income will be used to supplement or offset the assessments levied on the property located in the Sicily Public Improvement District. The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

The City created Reinvestment Zone Number Five ("Zone 5") on November 14, 2022. Zone 5, which has a duration until December 31, 2052 or until all Zone 5 obligations have been paid, encompasses approximately 740 acres located in the City's Whitewing Trails Public Improvement District No. 2. The City has agreed to contribute 4.866% of its "tax increment" each year (the "tax increment" being the taxable assessed value of property in Zone 5 each year less the "base value" which is the taxable assessed value of property in Zone 5 at the time of creation (\$1,062,514)). Zone 5 income will be used to supplement or offset the assessments levied on the single-family property located in the Whitewing Trails Public Improvement District No. 2. The tax increment revenues

anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

The City created Reinvestment Zone Number Six ("Zone 6") on October 10, 2023. Zone 6, which has a duration until December 31, 2053 or until all Zone 6 obligations have been paid, encompasses approximately 228 acres located in the City's Southridge Public Improvement District. The City has agreed to contribute 45% of its "tax increment" each year (the "tax increment" being the taxable assessed value of property in Zone 6 each year less the "base value" which is the taxable assessed value of property in Zone 6 at the time of creation (\$8,726,921). Zone 6 income will be used to supplement or offset the assessments levied on the single-family property located in the Southridge Public Improvement District. The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

The City created Reinvestment Zone Number Seven ("Zone 7") on March 24, 2025. Zone 7, which has a duration until December 31, 2055 or until all Zone 7 obligations have been paid, encompasses approximately 252 acres located in the City's Westridge Public Improvement District. The City has agreed to contribute 45% of its "tax increment" each year (the "tax increment" being the taxable assessed value of property in Zone 7 each year less the "base value" which is the taxable assessed value of property in Zone 7 at the time of creation (\$7,565,955). Zone 7 income will be used to supplement or offset the assessments levied on the single-family property located in the Westridge Public Improvement District. The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.

PROPERTY DEVELOPMENT MORATORIUM. . The City has seen rapid growth in recent years which has created challenges in maintaining adequate city services such as water, sewage, roads, and emergency services. On September 23, 2024, the City Council made findings that (i) the City's water, wastewater, and roadway infrastructure is operating at, near, or beyond capacity; and (ii) there is a significant need for and overcapacity of police facilities in the City, and the City Council imposed a moratorium on the acceptance, authorization, and approvals necessary for residential property development in the City. On September 23, 2024, the City Council adopted a moratorium to temporarily pause residential property development in the City to allow City staff to study, update, and strengthen its development regulations, ordinances, and procedures to (i) properly plan, prepare, and provide for the orderly growth and development in the City; and (ii) ensure that impending and future residential property development is conducted in a fiscally-sustainable and responsible manner to adequately protect the health, safety, environment, quality of life, and general welfare of the City and its residents. The moratorium paused all permits and approvals for property development in the City for 120 days after adoption but did not apply to ongoing projects, grandfathered projects with vested rights, or executed Development Agreements. The initial moratorium was for a term of 120 days and on January 13, 2025, the City Council voted to extend the moratorium for 180 days, expiring on November 30, 2025.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by the Collin Central Appraisal District (excluding totally exempt property)		\$ 5,082,838,699
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	\$ 30,289,851	
Productivity Loss	166,449,491	
Freeze Taxable Value	239,170,060	
Solar	1,436,802	
Over 65	21,603,021	
Disabled Person	2,688,310	
Pollution Control	31,478	
Disabled Vet	71,603,196	\$ 533,272,209
2025/26 Taxable Assessed Valuation		\$ 4,549,566,490
General Obligation Debt as of 8/1/2025 ⁽³⁾		\$ 79,970,000
The Bonds ⁽²⁾		54,385,000
The Certificates ⁽²⁾		24,410,000
Total General Obligation Debt as of 8/1/2025		\$ 158,765,000
Less: Self Supporting General Obligation Debt Balance as of 8/1/2025		
Community Development Corporation Debt	\$ 4,762,250	
Economic Development Corporation Debt	727,433	
Water and Sewer System Debt	23,880,000	\$ 29,369,683
Net General Obligation Debt Payable from Ad Valorem Taxes ⁽²⁾⁽³⁾		\$ 129,395,317
General Obligation Interest and Sinking Fund as of 7/1/2025 ⁽⁴⁾		\$ 5,440,495
2024/25 Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.84%

2025 Estimated Population - 46,661

2025/26 Per Capita Taxable Assessed Valuation - \$97,503

2025/26 Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$2,773

(1) Preliminary, subject to change. As reported by the Collin Central Appraisal District as of April 17, 2025.

(2) Preliminary, subject to change.

(3) General obligation debt in the amounts shown for which repayment is provided from surplus net revenues of the City's waterworks and sewer system, sales tax revenues from the Princeton Community Development Corporation (the "CDC") and sales tax revenues from the Princeton Economic Development Corporation (the "EDC"). The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from the respective revenue sources; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. Includes a portion of the Certificates expected to be paid from revenues of the CDC. Preliminary, subject to changes.

(4) The City has a debt service payment in the amount of \$1,541,089 due on August 15, 2025.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,715,998,183	73.11%	\$ 3,240,825,991	75.73%	\$ 2,808,030,255	75.70%
Real, Residential, Multi-Family	273,799,683	5.39%	228,892,471	5.35%	177,448,255	4.78%
Real, Vacant Lots/Tracts	166,585,946	3.28%	112,416,545	2.63%	58,780,535	1.58%
Real, Acreage (Land Only)	166,800,507	3.28%	120,756,456	2.82%	143,802,212	3.88%
Real, Farm and Ranch Improvements	25,309,175	0.50%	23,389,154	0.55%	86,119,284	2.32%
Real, Commercial & Industrial	286,474,906	5.64%	240,171,431	5.61%	177,590,317	4.79%
Real and Tangible, Personal Utilities	46,861,630	0.92%	35,678,465	0.83%	24,497,067	0.66%
Tangible Personal, Commercial & Industrial	51,687,237	1.02%	47,055,217	1.10%	43,860,674	1.18%
Tangible Personal, Other	7,995,876	0.16%	8,131,566	0.19%	8,394,531	0.23%
Real Inventory	341,251,985	6.71%	221,899,949	5.19%	180,596,476	4.87%
Special Inventory	73,571	0.00%	73,881	0.00%	76,129	0.00%
Total Appraised Value Before Exemptions	\$ 5,082,838,699	100.00%	\$ 4,279,291,126	100.00%	\$ 3,709,195,735	100.00%
Less: Total Exemptions	533,272,209		484,811,459		544,595,653	
Adjustments	-		-		-	
Taxable Assessed Value	<u>\$ 4,549,566,490</u>		<u>\$ 3,794,479,667</u>		<u>\$ 3,164,600,082</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 2,119,897,952	75.68%	\$ 1,309,950,395	74.61%
Real, Residential, Multi-Family	117,606,865	4.20%	75,538,321	4.30%
Real, Vacant Lots/Tracts	77,699,325	2.77%	43,332,525	2.47%
Real, Acreage (Land Only)	128,994,093	4.61%	62,310,210	3.55%
Real, Farm and Ranch Improvements	26,975,709	0.96%	7,882,119	0.45%
Real, Commercial & Industrial	136,097,024	4.86%	111,724,518	6.36%
Real and Tangible, Personal Utilities	15,630,886	0.56%	10,140,430	0.58%
Tangible Personal, Commercial & Industrial	36,824,368	1.31%	32,085,098	1.83%
Tangible Personal, Other	8,276,191	0.30%	4,303,436	0.25%
Real Inventory	133,086,959	4.75%	98,408,521	5.61%
Special Inventory	71,554	0.00%	45,884	0.00%
Total Appraised Value Before Exemptions	\$ 2,801,160,926	100.00%	\$ 1,755,721,457	100.00%
Less: Total Exemptions/Reductions	470,556,693		197,724,388	
Adjustments	-		-	
Taxable Assessed Value	<u>\$ 2,330,604,233</u>		<u>\$ 1,557,997,069</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Collin Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt Outstanding ⁽³⁾	Per Capita Funded Net Tax Debt	Ratio Net Tax Debt to Taxable Assessed Valuation
2022	20,046	\$ 1,557,997,069	\$ 77,721	\$ 43,640,190	\$ 2,177	2.80%
2023	26,664	2,330,604,233	87,406	40,545,222	1,521	1.74%
2024	33,288	3,164,600,082	95,067	56,281,323	1,691	1.78%
2025	46,661	3,794,479,667	81,320	129,395,317 ⁽⁴⁾	2,773 ⁽⁴⁾	3.41% ⁽⁴⁾
2026	46,661	4,549,566,490	97,503	125,607,228 ⁽⁴⁾	2,692 ⁽⁴⁾	2.76% ⁽⁴⁾

(1) Source: City Officials.

(2) As reported by the Collin Central Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year.

(3) Excludes self-supporting debt.

(4) Includes the Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	Tax Rate Distribution		% of Current Collections		% of Total Collections
		General Fund	Interest and Sinking Fund	Tax Levy		
2021	\$ 0.6512	\$ 0.3991	\$ 0.2521	\$ 8,512,610	99.23%	99.88%
2022	0.6025	0.3773	0.2252	9,827,462	99.58%	99.88%
2023	0.5345	0.3136	0.2209	12,958,001	99.39%	99.73%
2024	0.4402	0.2609	0.1794	14,449,776	99.30%	99.30%
2025	0.4402	0.2567	0.1836	17,469,999 ⁽¹⁾	98.33% ⁽¹⁾	98.33% ⁽¹⁾

(1) Collections as of June 30, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Core PBSFR Princeton 982 LLC	Developer	\$ 70,651,966	1.55%
NexMetro Towne Center LP	Home Builder	32,726,857	0.72%
Whitewing Highgates LP	Apartments	29,912,628	0.66%
HLC Southgate LLC	Apartments	28,211,326	0.62%
Townhomes at PM Holding LLC	Townhomes	27,777,778	0.61%
Cope Equities LLC	Developer	25,240,944	0.55%
Spectrum Gulf Coast LLC	Utility	22,842,525	0.50%
Amerco Real Estate Company	Commerical Real Estate	22,067,400	0.49%
TSHH LLC	Home Builder	20,986,752	0.46%
GRBK Edgewood LLC	Home Builder	19,693,721	0.43%
		<u>\$ 300,111,897</u>	<u>6.60%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (however, see "The Obligations - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Net Principal and Interest Requirements, 2025	\$	7,531,071
\$0.1690 Tax Rate at 98% Collection Produces	\$	7,534,992
Net Average Principal and Interest Requirements (2025-2050) ⁽¹⁾	\$	8,686,757
\$0.1949 Tax Rate at 98% Collection Produces	\$	8,689,763
Net Maximum Annual Principal and Interest Requirements, 2027 ⁽¹⁾	\$	9,487,610
\$0.2128 Tax Rate at 98% Collection Produces	\$	9,487,848

(1) Excludes self-supporting debt. Includes the Obligations. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2024/25 Taxable Assessed Value	2024/25 Tax Rate	Total Funded Debt As of 7/1/2025	Estimated % Applicable	City's Overlapping Funded Debt As of 7/1/2025
City of Princeton	\$ 4,549,566,490	\$ 0.4402	\$ 158,765,000 ⁽¹⁾	100.00%	\$ 158,765,000 ⁽¹⁾
Collin County	251,108,780,615	0.1493	776,095,000	1.52%	11,796,644
Collin County CCD	226,124,750,589	0.0812	459,865,000	1.52%	6,989,948
McKinney ISD	28,465,666,677	1.1252	399,370,000	0.71%	2,835,527
Princeton ISD	5,020,087,554	1.2552	527,869,034	63.89%	337,255,526

Total Direct and Overlapping Funded Debt \$ 517,642,645

Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation 11.38%

Per Capita Overlapping Funded Debt \$ 25,823

(1) Includes self-supporting debt. Includes the Obligations. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt Service			The Bonds ⁽¹⁾			The Certificates ⁽¹⁾			Total Debt Service	Debt Service Paid by Water/Sewer Revenues ⁽²⁾	Debt Service Paid by Transfer from CDC ⁽²⁾	Debt Service Paid by Transfer from EDC ⁽²⁾	Total Net Debt Service Requirements	% of Principal Retired
Ending	Principal	Interest	Total P&I	Principal	Interest	Total	Principal	Interest	Total						
2025	\$ 6,680,000	\$ 3,059,829	\$ 9,739,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,739,829	\$ 1,581,400	\$ 552,358	\$ 75,000	\$ 7,531,071	
2026	4,790,000	3,006,416	7,796,416	20,000	2,582,788	2,602,788	20,000	1,158,975	1,178,975	11,578,179	1,588,000	552,931	75,000	9,362,248	
2027	4,615,000	2,854,149	7,469,149	50,000	2,717,000	2,767,000	50,000	1,218,250	1,268,250	11,504,399	1,582,625	359,164	75,000	9,487,610	
2028	4,780,000	2,691,354	7,471,354	50,000	2,714,500	2,764,500	50,000	1,215,750	1,265,750	11,501,604	1,586,000	366,446	75,000	9,474,158	14.88%
2029	4,965,000	2,514,144	7,479,144	50,000	2,712,000	2,762,000	50,000	1,213,250	1,263,250	11,504,394	1,670,338	360,486	75,000	9,398,570	
2030	3,690,000	2,343,895	6,033,895	420,000	2,700,250	3,120,250	275,000	1,205,125	1,480,125	10,634,270	1,631,688	328,356	75,000	8,599,226	
2031	3,860,000	2,183,558	6,043,558	445,000	2,678,625	3,123,625	285,000	1,191,125	1,476,125	10,643,308	1,636,850	329,281	75,000	8,602,176	
2032	4,005,000	2,032,150	6,037,150	465,000	2,655,875	3,120,875	305,000	1,176,375	1,481,375	10,639,400	1,631,763	332,556	75,000	8,600,081	
2033	4,155,000	1,884,818	6,039,818	490,000	2,632,000	3,122,000	320,000	1,160,750	1,480,750	10,642,568	1,636,981	332,006	75,000	8,598,580	30.86%
2034	4,315,000	1,727,724	6,042,724	515,000	2,606,875	3,121,875	335,000	1,144,375	1,479,375	10,643,974	1,635,513	331,356	75,000	8,602,105	
2035	4,280,000	1,567,970	5,847,970	540,000	2,580,500	3,120,500	555,000	1,122,125	1,677,125	10,645,595	1,637,356	330,606	75,000	8,602,633	
2036	4,005,000	1,411,766	5,416,766	565,000	2,552,875	3,117,875	1,015,000	1,082,875	2,097,875	10,632,516	1,631,975	329,756	75,000	8,595,785	
2037	3,630,000	1,261,581	4,891,581	1,060,000	2,512,250	3,572,250	1,070,000	1,030,750	2,100,750	10,564,581	1,634,250	328,806	-	8,601,525	
2038	3,790,000	1,110,981	4,900,981	1,115,000	2,457,875	3,572,875	1,125,000	975,875	2,100,875	10,574,731	1,639,350	332,706	-	8,602,675	47.75%
2039	3,400,000	964,706	4,364,706	1,170,000	2,400,750	3,570,750	1,180,000	918,250	2,098,250	10,033,706	1,108,325	331,456	-	8,593,925	
2040	3,535,000	823,256	4,358,256	1,230,000	2,340,750	3,570,750	1,240,000	857,750	2,097,750	10,026,756	1,101,825	330,106	-	8,594,825	
2041	2,350,000	707,416	3,057,416	2,640,000	2,244,000	4,884,000	1,305,000	794,125	2,099,125	10,040,541	1,108,950	328,453	-	8,603,138	
2042	1,755,000	625,675	2,380,675	3,125,000	2,099,875	5,224,875	1,375,000	727,125	2,102,125	9,707,675	1,104,575	-	-	8,603,100	
2043	1,825,000	550,606	2,375,606	3,285,000	1,939,625	5,224,625	1,445,000	656,625	2,101,625	9,701,856	1,101,606	-	-	8,600,250	64.99%
2044	1,905,000	475,046	2,380,046	3,450,000	1,771,250	5,221,250	1,520,000	582,500	2,102,500	9,703,796	1,105,046	-	-	8,598,750	
2045	685,000	422,241	1,107,241	4,940,000	1,561,500	6,501,500	1,595,000	504,625	2,099,625	9,708,366	1,107,241	-	-	8,601,125	
2046	715,000	393,191	1,108,191	5,190,000	1,308,250	6,498,250	1,675,000	422,875	2,097,875	9,704,316	1,108,191	-	-	8,596,125	
2047	745,000	362,896	1,107,896	5,460,000	1,042,000	6,502,000	1,765,000	336,875	2,101,875	9,711,771	1,107,896	-	-	8,603,875	
2048	775,000	330,969	1,105,969	5,740,000	762,000	6,502,000	1,855,000	246,375	2,101,375	9,709,344	1,105,969	-	-	8,603,375	85.98%
2049	1,735,000	277,631	2,012,631	6,030,000	467,750	6,497,750	1,950,000	151,250	2,101,250	10,611,631	2,012,631	-	-	8,599,000	
2050	1,810,000	202,300	2,012,300	6,340,000	158,500	6,498,500	2,050,000	51,250	2,101,250	10,612,050	2,012,300	-	-	8,599,750	
2051	1,885,000	123,781	2,008,781	-	-	-	-	-	-	2,008,781	2,008,781	-	-	-	
2052	1,970,000	41,863	2,011,863	-	-	-	-	-	-	2,011,863	2,011,863	-	-	-	100.00%
	<u>\$ 86,650,000</u>	<u>\$ 35,951,912</u>	<u>\$ 122,601,912</u>	<u>\$ 54,385,000</u>	<u>\$ 52,199,663</u>	<u>\$ 106,584,663</u>	<u>\$ 24,410,000</u>	<u>\$ 21,145,225</u>	<u>\$ 45,555,225</u>	<u>\$ 274,741,799</u>	<u>\$ 41,829,288</u>	<u>\$ 6,156,831</u>	<u>\$ 900,000</u>	<u>\$ 225,855,681</u>	

(1) Preliminary, subject to change.

(2) General obligation debt in the amounts shown for which repayment is currently provided from the surplus net revenues of the City's waterworks and sewer system, sales tax revenues from the CDC and sales tax revenues from the EDC. It is the City's current policy to provide these payments from the respective revenue sources; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to levy and collect an ad valorem tax sufficient to make such debt service payments. The amount of self-supporting debt is based on the percentages shown in Table 10 – Computation of Self-Supporting Debt.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2025		\$	7,531,071
Interest and Sinking Fund Balance, Fiscal Year Ended 9/30/2024	\$	4,104,077	
Budgeted Interest and Sinking Fund Tax Levy, FY 2024-2025		6,874,036	
Estimated Interest Income, FY 2024-2025		<u>250,000</u>	<u>11,228,113</u>
Estimated Balance, Fiscal Year Ending 9/30/2025	\$		3,697,042

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

	Waterworks and Sewer System	CDC Fund	EDC Fund
Net Revenue from System, Fiscal Year Ended 9/30/2024	\$ 18,177,198	\$ 1,646,900	\$ 1,886,057
Less: Requirements for Revenue Bonds, Fiscal Year Ending 9/30/2025	-	-	-
Balance Available for Other Purposes	\$ 18,177,198	\$ 1,646,900	\$ 1,886,057
System General Obligation Bond Debt Service Requirements, Fiscal Year Ending 9/30/2025	<u>1,581,400</u>	<u>552,358</u>	<u>75,000</u>
Balance Available for Other Purposes after System General Obligation Debt Service	\$ 16,595,798	\$ 1,094,543	\$ 1,811,057
Percentage of System General Obligation Bonds Self-Supporting	100.00%	0.00%	100.00%

Note:

Funds available will be used to cover the debt service.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date	Amount Authorized	Amount Previously Issued	Authorization Being Used	Unissued Balance
Parks & Recreation	11/7/2023	\$ 108,100,000	\$ -	\$ 54,050,000	\$ 54,050,000
Library	11/7/2023	<u>1,000,000</u>	-	<u>1,000,000</u>	-
Total		\$ 109,100,000	\$ -	\$ 55,050,000	\$ 54,050,000

- (1) The "Authorization Being Used" consists of the par amount of the Bonds plus any premium on the Bonds which will be deposited to the Project Fund and allocated against voted authorization.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt in the next 12 months.

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TABLE 12 – OTHER OBLIGATIONS

The City entered into a lease to finance vehicles/equipment. The property is classified as right-to-use asset with a total carrying value as of yearend for governmental activities of \$560,202.

Year ending September 30,	Governmental Activities	
	Principal	Interest
2025	\$ 211,707	\$ 21,662
2026	174,757	11,568
2027	87,835	4,712
2028	43,191	1,452
2029	26,870	88
	<u>544,360</u>	<u>39,482</u>

The City entered into a lease to finance vehicles/equipment. The property is classified as right-to-use asset with a total carrying value as of yearend for business-type activities of \$151,630.

Year ending September 30,	Business-Type Activities	
	Principal	Interest
2025	\$ 89,905	\$ 4,693
2026	33,133	1,262
2027	12,982	28
	<u>136,020</u>	<u>5,983</u>

COMMITMENTS AND CONTINGENCIES

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

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the 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 the GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

In 2009, GTUA agreed to issue revenue bonds for improvements and to increase capacity to the City's existing wastewater treatment plant facilities. In March 2019 these bonds were part of a refunding series issued by GTUA. The balance of this refunding debt is \$1,970,000 and will be paid in full in September 2029.

In 2018, GTUA agreed to issue revenue bonds in the amount of \$15,200,000 to finance the planning, acquisition, design, and construction of certain water system improvements identified by the City as the Forest Grove pump station. The pump station is slated to go online in the Spring of 2022. The balance of the bonds is \$14,530,000 and will be paid in full in FY2048.

In 2022, GTUA agreed to issue revenue bonds in the amount of \$13,060,000 to finance the planning, acquisition, design, and construction of certain water system improvements identified by the City as the South Elevated Storage. Construction began in the summer of 2022. The balance of the bonds is \$12,400,000 and will be paid in full in FY2052.

The City's obligation to GTUA for the current fiscal year was \$1,601,846. 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:

<u>Year Ending September 30:</u>	GTUA Obligations	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 700,000	\$ 810,483
2026	720,000	783,315
2027	755,000	755,051
2028	780,000	725,218
2029	810,000	694,105
2030-2034	4,790,000	3,027,877
2035-2039	5,450,000	2,356,877
2040-2044	6,205,000	1,544,504
2045-2049	6,160,000	742,962
2050-2054	1,860,000	112,800
Total Payments	<u>\$28,230,000</u>	<u>\$ 11,553,192</u>

PENSION FUND

PLAN DESCRIPTION . . . The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

For a more in depth description, see the City's audit in Appendix B.

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FINANCIAL INFORMATION

TABLE 13 - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenue					
Program Revenues:					
Charge for Services	\$ 9,194,173	\$ 8,741,799	\$ 11,084,970	\$ 11,292,107	\$ 9,413,940
Grants and Contributions	38,464,962	21,438,572	28,089,255	10,485,706	17,198,592
General Revenues:					
Property Taxes	14,521,870	13,084,667	10,014,435	8,789,551	7,472,581
Sales Taxes	4,037,443	3,359,746	2,817,389	2,473,784	1,928,514
Franchise Taxes	877,872	754,629	590,858	434,131	417,291
Other taxes	-	-	4,133	3,749	2,613
Unrestricted Investment Earnings	2,846,059	2,012,953	336,203	27,098	128,794
Franchise Fees	-	-	-	-	-
Miscellaneous Revenue	1,237,410	1,323,879	23,917	14,713	68,405
Total General Revenues and Transfers	<u>\$ 71,179,789</u>	<u>\$ 50,716,245</u>	<u>\$ 52,961,160</u>	<u>\$ 33,520,839</u>	<u>\$ 36,630,730</u>
Expenses					
Primary Government:					
Governmental Activities					
General Government	\$ 4,938,898	\$ 3,668,100	\$ 2,852,012	\$ 1,821,210	\$ 1,236,657
Public Safety	12,133,301	9,582,884	7,016,634	6,136,367	5,377,955
Public Works	12,327,808	8,041,809	5,426,108	5,735,515	229,122
Library	405,790	357,341	263,117	267,697	1,326,917
Public Services	3,577,431	2,549,290	2,132,971	1,677,660	1,056,310
Culture and Recreation	1,098,652	1,141,138	1,378,074	1,281,216	3,335,833
Interest and Fiscal Charges	1,487,352	1,380,047	1,433,349	1,351,592	782,724
Total Expenses	<u>\$ 35,969,232</u>	<u>\$ 26,720,609</u>	<u>\$ 20,502,265</u>	<u>\$ 18,271,257</u>	<u>\$ 13,345,518</u>
Change in Net Position	\$ 35,210,557	\$ 23,995,636	\$ 32,458,895	\$ 15,249,582	\$ 23,285,212
Transfers	1,074,892	(130,480)	(226,906)	(365,070)	187,106
Total Other Financing Sources (uses)	<u>\$ 36,285,449</u>	<u>\$ 23,865,156</u>	<u>\$ 32,231,989</u>	<u>\$ 14,884,512</u>	<u>\$ 23,472,318</u>
Net Position - Beginning	136,522,349	112,731,626	80,638,033	65,753,521	42,278,429
Prior Period Adjustments	-	(74,433)	(138,396)	-	2,774
Net Position - Ending	<u>\$ 172,807,798</u>	<u>\$ 136,522,349</u>	<u>\$ 112,731,626</u>	<u>\$ 80,638,033</u>	<u>\$ 65,753,521</u>

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TABLE 13A – SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Ad Valorem Taxes	\$ 8,538,993	\$ 6,703,001	\$ 5,531,584	\$ 4,737,982	\$ 3,877,930
Non-Property Taxes	4,915,315	3,388,240	2,143,433	1,901,035	1,442,373
Permits and Licenses	3,692,494	3,082,362	2,811,222	3,125,155	2,052,232
Fines and Forfeitures	332,785	264,564	265,233	316,669	196,658
Franchise Fees	-	-	602,533	434,131	417,291
Intergovernmental	931,007	302,984	556,843	2,779,636	1,322,449
Rental Income	-	-	12,000	13,200	14,400
Interest Income	994,069	432,892	59,329	11,075	36,707
Charge For Services	5,072,199	5,351,071	4,329,628	2,695,145	2,606,262
Donations	-	-	41,182	308,186	8,556
Miscellaneous	1,232,530	535,908	25,667	75,576	19,076
Total Revenues	\$ 25,709,392	\$ 20,061,022	\$ 16,378,654	\$ 16,397,790	\$ 11,993,934
Expenditures:					
General Government:	\$ 4,137,591	\$ 2,907,335	\$ 2,348,659	\$ 1,744,633	\$ 1,041,877
Public Safety	12,131,590	9,453,582	6,613,336	5,611,768	4,852,909
Public Works	3,246,698	2,850,968	1,145,984	1,049,096	1,034,379
Library	381,934	327,641	236,204	236,382	194,545
Public Services and Operations	3,513,468	2,506,483	2,147,822	1,643,383	1,266,617
Cultural and Recreation	240,921	210,618	988,122	883,117	724,981
Debt Service	938,214	499,532	1,211,840	421,063	414,259
Capital Outlay	2,710,185	1,595,340	3,716,153	1,096,871	603,281
Total Expenditures	\$ 27,300,601	\$ 20,351,499	\$ 18,408,120	\$ 12,686,313	\$ 10,132,848
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,591,209)	\$ (290,477)	\$ (2,029,466)	\$ 3,711,477	\$ 1,861,086
Sale of Assets	-	-	21,365	1,300	161,286
Rights-to-Use Lease Proceeds	-	-	332,566	-	-
Bond/Lease Proceeds	1,162,351	1,165,978	-	836,837	268,047
Budgeted Transfers In (Out)	1,738,198	229,441	(1,870,529)	(3,135)	3,622
Total Other Financing Sources	\$ 2,900,549	\$ 1,395,419	\$ (1,516,598)	\$ 835,002	\$ 432,955
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,309,340	1,104,942	(3,546,064)	4,546,479	2,294,041
Beginning Fund Balance	6,520,395	5,415,453	8,897,797 ⁽¹⁾	4,549,589	2,215,699 ⁽¹⁾
Prior Period Adjustments	2,508,127	-	63,720	-	39,849
Ending Fund Balance	\$ 10,337,862	\$ 6,520,395	\$ 5,415,453	\$ 9,096,068	\$ 4,549,589

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On May 29, 1997, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development. On May 7, 2005, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development. The sales tax for the economic development is collected solely for the benefit of the Princeton Community Development Corporation and the Princeton Economic Development Corporation (the "Corporations"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations.

Fiscal Year Ended 9/30	1% City Sales & Use Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita	1/2% 4B Sales Tax Collections	1/2% 4A Sales Tax Collections
2021	\$ 2,347,825	27.58%	\$ 27.58	\$ 127.68	\$ 1,173,913	\$ 1,173,913
2022	2,810,726	28.60%	28.60	140.21	1,405,363	1,405,363
2023	3,229,470	24.92%	24.92	121.12	1,614,735	1,614,735
2024	3,969,433	27.47%	27.47	119.25	1,984,717	1,984,717
2025	3,631,191 ⁽¹⁾	20.79%	20.79	77.82	1,815,595 ⁽¹⁾	1,815,595 ⁽¹⁾

(1) Collections through July 2025. Source: Texas State Comptroller.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City of Princeton conform to generally accepted accounting principles as applicable to governments. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues under the modified accrual basis of accounting are recognized when the revenues become measurable and available as current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

General Fund Balance . . . The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund Balance . . . The debt service fund is used to account for the accumulating of resources for, and payment of, general long-term debt principal and interest.

Capital Projects Fund . . . The City's policy is to use bond proceeds for capital expenditures only and not to fund normal City operations.

Budgetary Procedures . . . The City operates on an October through September fiscal year. Formal budgetary integration is employed as a management control device during the year in the governmental and proprietary funds. The budgets were properly amended during the fiscal year. The governmental funds budgets are basically consistent with generally accepted accounting principles. The proprietary fund budget varies from generally accepted accounting principles in that the City budgets as an expense principal on debt service, interest incurred during construction periods, and capital outlay paid for with current operating funds. Capital outlay paid from bond funds have not been budgeted.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law, including particularly V.T.C.A., Texas Government Code, Chapter 2256, as amended (the "PFIA"), in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by

the FDIC or the National Credit Union Share Insurance Fund (the “NCUSIF”) or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City’s account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers’ acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government’s investment policy regarding the debt issuance or the agreement.

The City’s investment policy authorizes investment of City funds in the investments described in the first paragraph of this section.

Under Texas law, the City's investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived.” At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies and adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment activities between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy; (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (6) restrict the investment in mutual funds in the aggregate to no more than 80% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer; and (9) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of June 30, 2025, the City’s investable funds were invested in the following categories:

Type	% of	
	Market Value	Market Value
TexPool	79.91%	\$ 3,917,316
Cash	19.73%	967,351
Investments	0.36%	17,474
Total	100.00%	\$ 4,902,141

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TAX MATTERS

OPINION...On the date of initial delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. (See Appendix C -- Forms of Bond Counsel's Opinions).

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance of the Obligations.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the facilities financed or refinanced with proceeds of the Obligations. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of Obligations may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . .The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the healthcare premium assistance and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES...Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

FUTURE AND PROPOSED LEGISLATION... Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances and in respect to Non-U.S. Holders, certification as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2025 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will provide notice that the audited financial statements are not available, will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

EVENT NOTICES . . . The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Obligations, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties.

As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. (Neither the Obligations nor the Ordinances make any provision for debt service reserves, liquidity enhancement or credit enhancement). For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION. . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations of either series at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Obligations in the primary offering of the Obligations.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described below, during the last five years, the City has complied in all material respects with all of its continuing disclosure undertakings pursuant to the Rule.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "AA" by S&P and "AA+" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective view of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

LITIGATION

It is the opinion of the City Attorney and City Officials that there is no pending or threatened litigation against the City that would have a material adverse impact upon the City's financial condition or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Obligations be

assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “Other Information - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcripts of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect, and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “Tax Matters” herein. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement to verify that such information conforms to the provisions of the Ordinances.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of _____, which produces compensation to the Initial Purchaser in the amount of \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Bonds are sold in the secondary market.

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the “Initial Purchaser”) to purchase the Certificates at the interest rates shown on page 4 of this Official Statement at a price of _____, which produces compensation to the Initial Purchaser in the amount of \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 4 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding

the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinances will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Initial Purchasers.

Pricing Officer
City of Princeton, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

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

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

PRINCIPAL EMPLOYERS

Name of Employer	Approximate Number of Employees
Princeton ISD	897
Walmart	300
City of Princeton	98
Villa Asuncion Independent	70
McDonalds	36
Jack in the Box	25
Charley's Concrete	20
Tractor Supply	19
Taco Bell	12
First Bank and Trust	10

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA)⁽¹⁾

	June 2025	Average Annual				
		2024	2023	2022	2021	2020
Collin County						
Civilian Labor Force	687,973	680,301	644,705	625,323	599,164	575,879
Total Employment	662,071	654,384	622,134	605,500	573,302	539,871
Unemployment	25,902	25,917	22,571	19,823	25,862	36,008
Unemployment Rate	3.8%	3.8%	3.5%	3.2%	4.3%	6.3%
State of Texas						
Civilian Labor Force	15,844,159	15,608,932	15,067,153	14,672,312	14,292,315	13,871,780
Total Employment	15,199,591	14,971,373	14,472,524	14,093,906	13,486,624	13,381,020
Unemployment	644,568	637,559	594,629	578,406	805,691	490,760
Unemployment Rate	4.1%	4.1%	3.9%	3.9%	5.6%	3.5%

(1) Source: Texas Employment Commission.

APPENDIX B

EXCERPTS FROM THE
CITY OF PRINCETON, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Princeton, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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PRINCETON
TEXAS

Annual Comprehensive Financial Report

For the Fiscal Year Ended:
September 30, 2024

PROGRESS WITH PURPOSE



PRINCETON
TEXAS

CITY OF PRINCETON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended September 30, 2024



PRINCETON
TEXAS

Prepared by:

City Manager
Michael Mashburn

Director of Finance
Sophie Packard



PRINCETON

TEXAS

City of Princeton, Texas

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September 30, 2024

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INTRODUCTORY SECTION



PRINCETON

TEXAS



April 3, 2025

Honorable Mayor, Members of the City Council,
And Citizens of the City of Princeton

The Finance Department of the City of Princeton is pleased to submit the Annual Comprehensive Financial Report of the City of Princeton, Texas, for the fiscal year ended September 30, 2024.

The report is published to provide the City Council, management staff, our citizens, and other interested parties with detailed information concerning the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Princeton. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Government Accounting Standards Board (GASB), the National Council of Government Accounting (NCGA) and the American Institute of Certified Public Accounts (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, BrooksWatson & Co., PLLC, whose report is included herein, has audited the City's financial statements.

BrooksWatson & Co., PLLC., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Princeton's financial statements for the year ended September 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD & A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Princeton, incorporated in May 1912, is located at the intersection of U.S. Highway 380 and Farm Road 75, and Farm Road 982 in northeast Collin County 8 miles east of McKinney, 24 miles west of Greenville, and 45 miles northwest of Dallas-Fort Worth International Airport. The City is primarily residential and a rapidly growing city in Collin County, one of the fastest growing counties in Texas.

The City of Princeton's population has been on a rapid rise, making it one of the fastest-growing cities in the U.S. With a population of just over 17,000 in 2020, the City has seen a substantial increase due to suburban expansion from nearby cities like McKinney, Frisco, and Plano. Presently, the City sits at a population of more than 40,000 and is approximately 91% residential. Princeton has 10 square miles within its incorporated limits with more than 1,000 undeveloped acres. It also has an additional 60 square miles of extra-territorial jurisdiction for potential future growth. The City is forecasting an average addition of 1,100 single-family residential homes each of the next seven years, with this year anticipated to be more than 2,800.

The City of Princeton operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and five other members all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All Council members are elected for two-year terms.

This report includes all funds and account groups of the primary government. The government provides a full range of services including police and fire protection; the construction and maintenance of streets and infrastructure; recreation and cultural events, including a library. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for two legally separate component units – Princeton Economic Development Corporation, and Princeton Community Development Corporation which are reported as a blended component unit within the City of Princeton financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget no later than September 30th- the close of the fiscal year. This annual budget serves as the foundation for the City of Princeton's financial planning and control. The budget is prepared by fund, category (personnel, supplies, maintenance, contractual and capital) and department. Departments may reallocate resources within their department budgets, with the City Manager's approval, but reallocation between funds or increases in appropriations requires Council approval.

Local Economy

With supply chain issues resolving, and the housing market remaining strong even though mortgage rates have increased, the North Texas economy has displayed resiliency. Retail sales remain strong, however reflecting more modest increases in FY 2024. Demand for homes still exceeds the supply, thus home values have held their value. Job creation, especially in North Texas, is strong, however, somewhat hampered by the continuing worker shortages. A few corporate relocations to the general area will also contribute to the housing market remaining strong, although potentially constrained by the limited housing inventory.

An estimated 1,841 single-family building permits were issued during fiscal year 2024, compared to the previous four-year average of 1,623. In addition, there were 5,694 new water connections added during the fiscal year. Development in the City has remained steady and new commercial projects continue to be proposed along with a steady flow of single-family building permits being issued. Since the City's tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

The City completed the 2,000,000-gallon South Elevated Storage Tank, Sheamar Lane Wastewater Interceptor, and Tickey Creek Wastewater Improvements by the end of the fiscal year. Street reconstruction for San Remo was also completed during fiscal year 2024. The final stages of construction for our Fire Station #2 and the Eastridge Booster Station were nearing completion and expected to be completed in fiscal year 2025. At the beginning of 2024, rehabilitation began for the Dogwood Pump Station and the design stage for the 2,000,000-gallon North Elevated Storage Tank.

In July 2024 Second Street reopened to the public and it is a well-utilized roadway for traffic heading north and south through town. Several streets in the City are under construction along with the related utilities under the roadways. New city projects discussed that will be underway are Hwy 380 12" waterline, Boorman Lane Reconstruction, and many park projects.

An effort by the Community Development Corporation has focused largely on the development of park facilities. With the assistance of developers, willing landowners, and funding made possible through bond sales and park fees, the City acquired an additional 100 acres of land for future park sites and facilities. Improvements at J.J. Book Wilson Park on Beauchamp Blvd, the parking lot, additional shade sails, and restroom; facilities and entrance features at J.M. Caldwell Community Park, and additional features i.e. restroom facilities and entrance features at the Municipal Park at City Hall.

The City received \$3,000,000 from the American Rescue and Recovery Act funding used on a more robust broadband service. Implementation of its Communication Plan addresses the continued funding for this project. Ultimately the plan will cover areas that are currently underserved and provide the City with better connectivity to all of its families.

Long Term Financial Planning

Economic Development, specifically retail has been a primary objective and continues to be desired. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. A stated focus of the Council has been to maintain the current tax rate. However, with State Legislation implementing revenue caps, it has forced reductions in the tax rate. A challenge to maintain the service level of services provided for in this community.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands. Princeton contracts with North Texas Municipal Water District for water and wastewater treatment. A utility rate study with NexGen Strategies was updated to provide funding sources for the increase in customers served and the infrastructure needed for the next five years.

Major Initiatives

The City's staff, following the directives of the City Council, City Manager and Development Director, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens can live and work in an enviable environment. The following are initiatives and programs relating to general government functions:

- Received the Government Officers Association (GFOA) Certificate of Achievement or Excellence in Financial Reporting for the submitted 2023 Annual Comprehensive Financial Report.
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2024 Budget.
- Instituted a PAYGO financing model for future vehicle needs.
- Achieved a Fitch double upgrade from A- to AA+ and a Standard & Poor's bond upgrade from AA to AA Stable.
- Established a cost recovery program by contracting with municipal utility districts for fire and EMS services.
- Implemented Culture Index Surveys to assist current leadership with supervision and hiring candidates that fit the current culture.
- Improved employee retention and decreased turnover rates by more than 40%.
- Established an Information Technology Department with two full-time personnel.

- Created an equipment and inventory system management system to track conditions and reduce costs.
- Upgraded the Police Department's server, enabling stakeholders to remotely access video evidence.
- Implemented a system to track all IT issues and requests, ensuring support for staff and stakeholders.
- Initiated projects to provide WiFi access at all City parks, improving connectivity for residents.
- Established a 24/7/365 Security Operations Center (SOC) to monitor the City's IT infrastructure, providing alerts for any detected anomalies and enhancing the security of private information.
- Implemented a moratorium on residential development to assess current needs and service levels and to plan for the future.
- Revamped Code Enforcement to Code Compliance with a focus on resident education. This change has applied a more diplomatic approach to enforcing the code.
- Launched new interactive maps for the public, including a City of Princeton Interactive Map, Land Entitlements Map, Road Maintenance Management Map, and revamped static PDF maps displaying annexations, zoning, subdivisions, utilities, thoroughfare plan, and the downtown overlay area.
- Established Major Projects Page as a "one-stop" shop for residents to see project status for significant City projects.
- Established a Communication Plan, Crisis Communication Plan, and Media Relations Policy.
- Organized and executed the first-ever 2024 Budget Town Hall Open House.
- Organized and implemented the City's first Resident Satisfaction Survey to gather resident feedback and conducted several small surveys to gauge feedback specific to Library, Special Events, and website use.
- Created a New Resident Resource Guide to help direct newcomers to services/resources.
- Rebranded Code Red to Princeton Alerts and increased the number of residents signed up for alerts.
- Added six Criminal Investigation Division (CID) vehicles, four patrol trucks, and 15 patrol vehicles.
- Purchased new load-bearing, armor-plated ballistic vests to enhance police officer safety.
- Established and equipped new units, including a Commercial Motor Vehicle (CMV) Unit, a Bicycle Unit and Special Response Team (SRT), a Mobile Fingerprint Unit, and added a Mental Health Officer.
- Invested in advanced technology, including a digital ticket writer, the Trimble (DOM) crime and accident reconstruction system, a Talino Forensic Computer, and drones.
- Achieved re-accreditation from the Texas Police Chiefs Association for best practices- a distinction given to less than 10% of police departments in Texas.
- Purchased two new fire trucks: a 100' platform and a pumper engine.
- Purchased five new advanced cardiac monitors with assistance from the Princeton Community Development Corporation (PCDC).
- Capital Improvement Project Plans started to address water and wastewater needs.
- Developing a Water System Master Plan to provide a complete system analysis of projects needed to provide and improve the services to existing and future residents in our service area.
- Planned Dogwood Pump Station Upgrades to increase the pump service capacity. Additional plans developed for the North Elevated Storage Tank, a future 3-million-gallon water tower in the northwest portion of the Whitewing subdivision.
- Participation in Keep Texas Beautiful to protect waterways from litter and other debris. The City of Princeton is a Gold Level Keep Texas Beautiful City.
- Started the Master Drainage Plan and began updates to the Municipal Separate Stormwater Sewer System (MS4) Permit through the Texas Commission on Environmental Quality (TCEQ) for stormwater management.

- Began a Mobility and Safety Action Plan to provide a comprehensive analysis of our roadway network and assessments for current and future roadway needs, determine the flaws of our existing road, sidewalk, and pedestrian access networks, and review roadway configuration and construction project needs in the downtown district.
- Hosted 71 library programs including toddler phonics, kids story time, art camp, financial literacy, ESL classes, evening story time, and movie night.
- Increased the number of library patrons by 1,001 for a total of 9,848 patrons.
- Received 2024 Achievement of Excellence in Libraries Award.
- Received 2025 Texas State Library System Accreditation
- Lois Nelson Public Library housed more than 13,960 books and offered 80,000 digital resources.
- Received grants from TSLAC and other agencies.
- Received funding from Collin County to continue library services for Collin County residents.
- Continued to increase collection efforts on outstanding warrants.
- Complete all court processes and procedures in a timely manner.
- Municipal Court became a Court of Record.
- Negotiated with vendors for pricing through The Interlocal Purchasing System.
- Updated inventory listing to include all City vehicles and equipment.
- Recreational Youth Sports saw an 18% increase in registration for overall youth sports from 2023.
- Established brand logos for all youth sports programs.
- First-ever National Parks and Recreation Month hosted with an average of 200 attendees at each activity.
- Installed restrooms at J.M Caldwell Sr. Community Park
- Installed fitness court and shade structure at Veterans Memorial Park

Relevant Financial Policies

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, and 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 City Manager 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. Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 75-90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 75-90-day unassigned fund balance reserves.

During the fiscal year, expenditure controls are maintained by each department head with overall review by the Director of Finance. Weekly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for each week, month, as well as a year-to-date total, and an actual versus planned rate of expenditure.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provides reasonable assurance of proper recording of financial transactions.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Princeton for its annual comprehensive report for the fiscal year ended September 30, 2023. This was the 11th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy the generally accepted accounting principles and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2023 – the City's tenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operational guide, and a communication device.

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff and finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Princeton, preparation of this report would not have been possible.

Submitted respectfully,

A handwritten signature in black ink, appearing to read "Michael Mashburn", with a stylized, flowing script.

Michael Mashburn
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Princeton
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

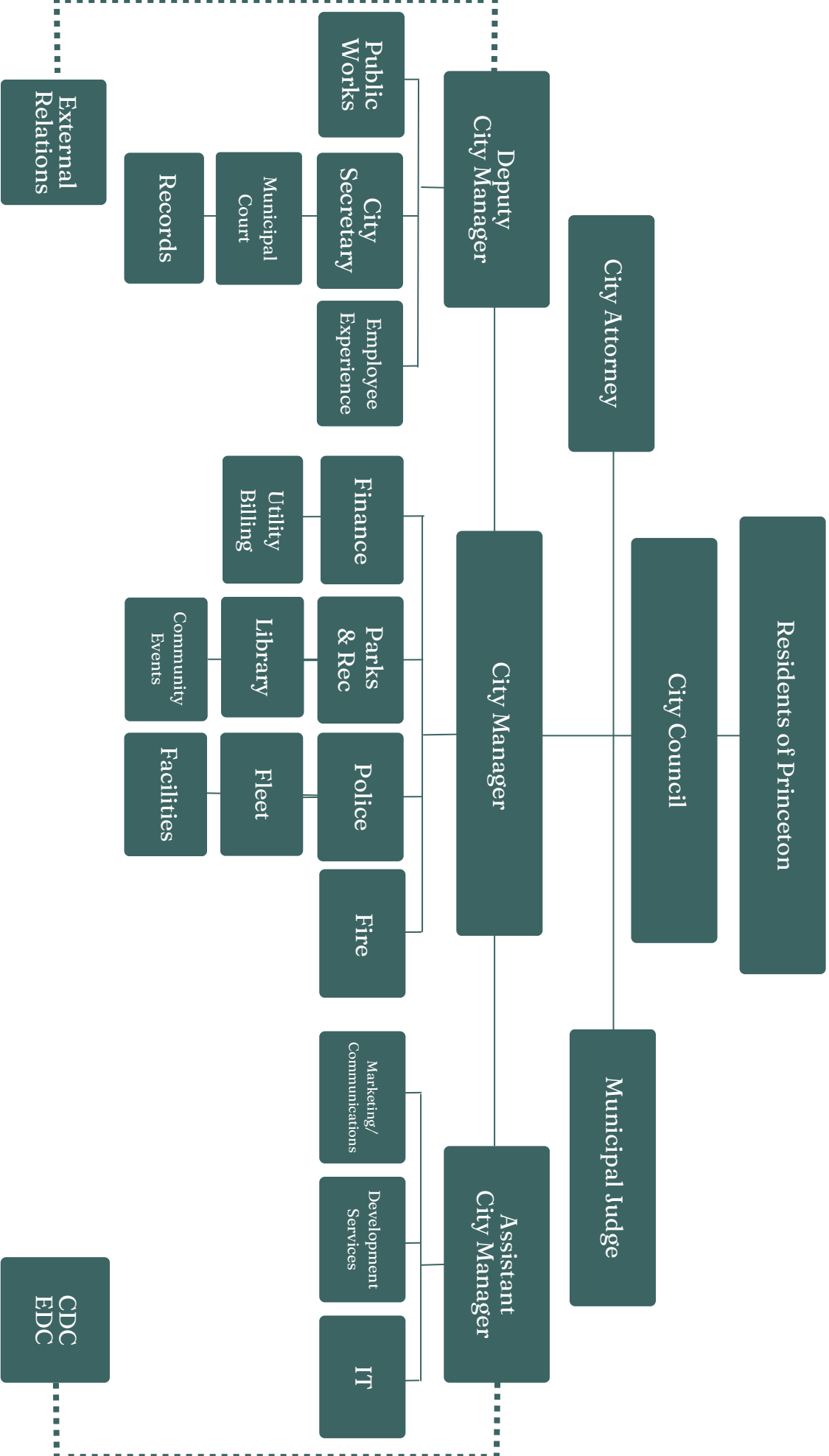
Christopher P. Morill

Executive Director/CEO



City of Princeton

Organizational Chart





Management Team

- **Michael Mashburn, City Manager**
- **John Land, Deputy City Manager**
- **Allison Cook, Assistant City Manager**
- **Amber Anderson, City Secretary**
- **Grant Lowry, City Attorney**
- **Dana Huffman, City Judge**

Department Directors

- **Chase Bryant, Director of Parks & Recreation**
- **Craig Fisher, Director of Development Services**
- **Erin Mudie, Director of Marketing and Communications**
- **Fallan Carillo, Director of Employee Experience**
- **Glenda Puckett, Library Director**
- **James Waters, Chief of Police**
- **Rick Irvine, Director of IT Infrastructure Services**
- **Sophie Packard, Director of Finance**
- **Steven Gammons, Fire Chief**
- **Tommy Mapp, Director of Public Works**



PRINCETON

TEXAS



CITY COUNCIL



BRIANNA CHACÓN, MAYOR



STEVEN DEFFIBAUGH, MAYOR PRO TEM, PLACE 5



DAVID KLEIBER, PLACE 1



MARLO OBERA, PLACE 2



BRIAN WASHINGTON, PLACE 3



RYAN GERFERS, PLACE 4



BEN LONG, PLACE 6



CAROLYN DAVID-GRAVES, PLACE 7



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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Princeton, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

Accounting Corrections

As discussed in Note V.H to the financial statements, the City restated the beginning net position/fund balance within government activities and the general fund to properly reflect corrections to capital assets, leases, and capital outlays in the prior year. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information as listed in the table of contents, 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 combining and individual nonmajor fund financial statements and other budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical, and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
April 3, 2025



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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



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City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

As management of the City of Princeton, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2024 by \$353,997,136. Of this amount, \$59,703,480 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$92,993,171. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$50,789,440 at September 30, 2024, an increase of \$6,645,006 from the prior fiscal year; this includes an increase of \$1,309,340 in the general fund, an increase of \$1,193,347 in the debt service fund, a decrease of \$2,861,796 in the TIRZ #1 fund, an increase of \$4,100,002 in the streets project fund, an increase of \$4,451,732 in the parks project fund, and a decrease of \$1,547,619 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$10,038,597 or 37% of total general fund expenditures.
- The City's total long-term bonds, tax notes, notes payable, and lease liabilities reflected a net decrease (including premiums) of \$4,431,667. The total governmental long-term debt at the close of the fiscal year was \$50,128,265. Self-supporting debt of the proprietary fund was \$54,558,907.

Overview of the Financial Statements

The discussion and analysis provided here 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) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2024

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, library, parks and recreation and development services. The business-type activities of the City include utility and storm water drainage operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Princeton Economic Development Corporation and Princeton Municipal Development District, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zone (TIRZ), although also legally separate, function for all practical purposes as a department of the City, and therefore have been included as an integral part of the primary government.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same 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 a government's near-term financing requirements.

City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2024

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 the 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 maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, TIRZ fund, street projects fund, and park projects fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund, TIRZ fund, debt service fund, street projects fund, court fund, police fund, and American Rescue Plan Act Fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its utility operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for future capital and equipment purchases.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the storm water drainage fund because both are considered major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2024

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. The funding for the developments are derived from PID bonds that are held in trust by the City. The City is responsible for ensuring that the assets reported are used for their intended purposes. These custodial funds use the economic resources measurement focus.

Component Units

The City maintains the accounting and financial statements for three component units. The Princeton Economic Development Corporation and the Princeton Community Development Corporation are reported as discrete component units on the government-wide financial statements. The Tax Increment Reinvestment Zone (TIRZ) fund is presented as a blended component unit and is considered a major governmental fund for the current fiscal year.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund and impact fee fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Princeton, assets and deferred outflows exceeded liabilities and deferred inflows by \$353,997,136 as of September 30, 2024 in the primary government.

The largest portion of the City's net position, \$245,993,671, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Total current and other assets of the primary government increased by \$19,252,650. The increase was primarily due to current year operating surpluses.

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

Total capital assets of the primary government increased by \$68,447,377 was primarily attributable to new capital contributions for street/roadway improvements and utility infrastructure in the current year.

Total other liabilities of business-type activities decreased by \$1,033,896 primarily due to greater outstanding vendor payables and unpaid retainage for capital improvement projects at the end of the prior year.

Total long-term liabilities of the primary government decreased by \$4,635,402 primarily due to current year principal payments outweighing new lease and note issuances.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
Current and						
other assets	\$ 57,533,669	\$ 58,410,957	\$ 115,944,626	\$ 49,026,974	\$ 47,665,002	\$ 96,691,976
Long-term receivables	5,429,781	-	5,429,781	5,907,323	-	5,907,323
Capital assets, net	165,062,037	182,023,643	347,085,680	140,142,332	138,495,971	278,638,303
Total Assets	228,025,487	240,434,600	468,460,087	195,076,629	186,160,973	381,237,602
Total Deferred						
Outflows	1,569,987	505,420	2,075,407	1,507,402	507,094	2,014,496
Other liabilities	9,270,157	6,231,194	15,501,351	9,307,231	7,265,090	16,572,321
Long-term liabilities	47,439,149	53,504,124	100,943,273	50,670,810	54,907,865	105,578,675
Total Liabilities	56,709,306	59,735,318	116,444,624	59,978,041	62,172,955	122,150,996
Total Deferred						
Inflows	78,370	15,364	93,734	83,641	13,496	97,137
Net Position:						
Net investment						
in capital assets	116,284,469	129,709,202	245,993,671	91,909,419	83,383,917	175,293,336
Restricted	36,774,331	11,525,654	48,299,985	28,061,829	13,955,894	42,017,723
Unrestricted	19,748,998	39,954,482	59,703,480	16,551,101	27,141,805	43,692,906
Total Net Position	\$ 172,807,798	\$ 181,189,338	\$ 353,997,136	\$ 136,522,349	\$ 124,481,616	\$ 261,003,965

City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2024

Statement of Activities:

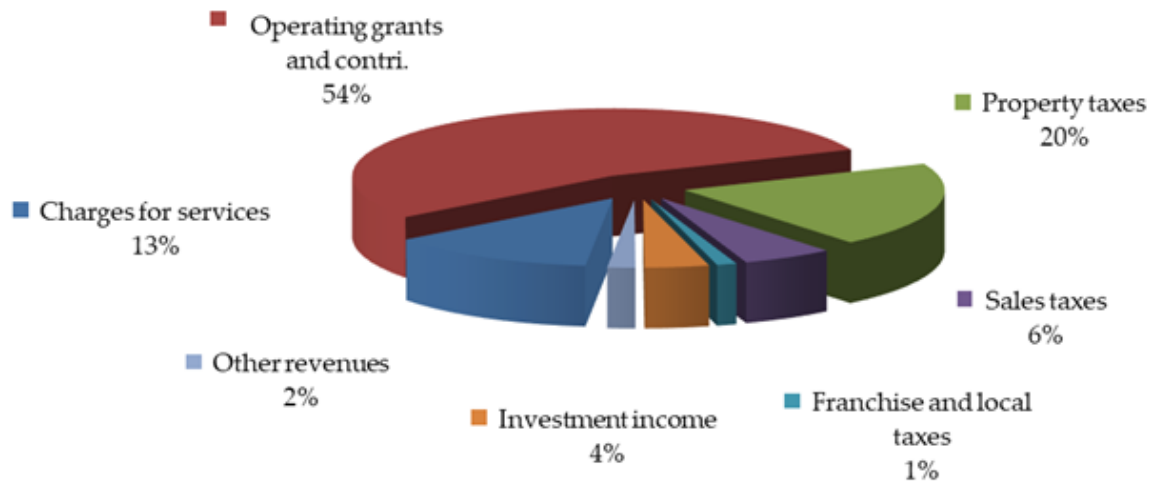
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 9,194,173	\$ 40,851,484	\$ 50,045,657	\$ 8,741,799	\$ 30,516,679	\$ 39,258,478
Operating grants and contri.	931,007	-	931,007	828,125	675,319	1,503,444
Capital grants and contri.	37,533,955	41,944,631	79,478,586	20,610,447	20,538,737	41,149,184
General revenues:						
Property taxes	14,521,870	-	14,521,870	13,084,667	-	13,084,667
Sales taxes	4,037,443	-	4,037,443	3,359,746	-	3,359,746
Franchise and local taxes	877,872	-	877,872	754,629	-	754,629
Investment income	2,846,059	2,120,622	4,966,681	2,012,953	1,750,485	3,763,438
Other revenues	1,237,410	94,233	1,331,643	1,323,879	13,285	1,337,164
Total Revenues	71,179,789	85,010,970	156,190,759	50,716,245	53,494,505	104,210,750
Expenses						
General government	4,938,898	-	4,938,898	3,668,100	-	3,668,100
Public safety	12,133,301	-	12,133,301	9,582,884	-	9,582,884
Library	405,790	-	405,790	357,341	-	357,341
Public services and operations	3,577,431	-	3,577,431	2,549,290	-	2,549,290
Parks and recreation	1,098,652	-	1,098,652	1,141,138	-	1,141,138
Public works	12,327,808	-	12,327,808	8,041,809	-	8,041,809
Water and sewer	-	23,667,391	23,667,391	-	20,281,756	20,281,756
Storm water drainage	-	1,655,052	1,655,052	-	1,774,521	1,774,521
Interest and fiscal charges	1,487,352	1,905,913	3,393,265	1,380,047	1,890,793	3,270,840
Total Expenses	35,969,232	27,228,356	63,197,588	26,720,609	23,947,070	50,667,679
Change in Net Position						
Before Transfers	35,210,557	57,782,614	92,993,171	23,995,636	29,547,435	53,543,071
Transfers	1,074,892	(1,074,892)	-	(130,480)	130,480	-
Total	1,074,892	(1,074,892)	-	(130,480)	130,480	-
Change in Net Position	36,285,449	56,707,722	92,993,171	23,865,156	29,677,915	53,543,071
Beginning Net Position, as previously stated	136,522,349	124,481,616	261,003,965	112,657,193	94,803,701	207,460,894
Ending Net Position	\$ 172,807,798	\$ 181,189,338	\$ 353,997,136	\$ 136,522,349	\$ 124,481,616	\$ 261,003,965

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

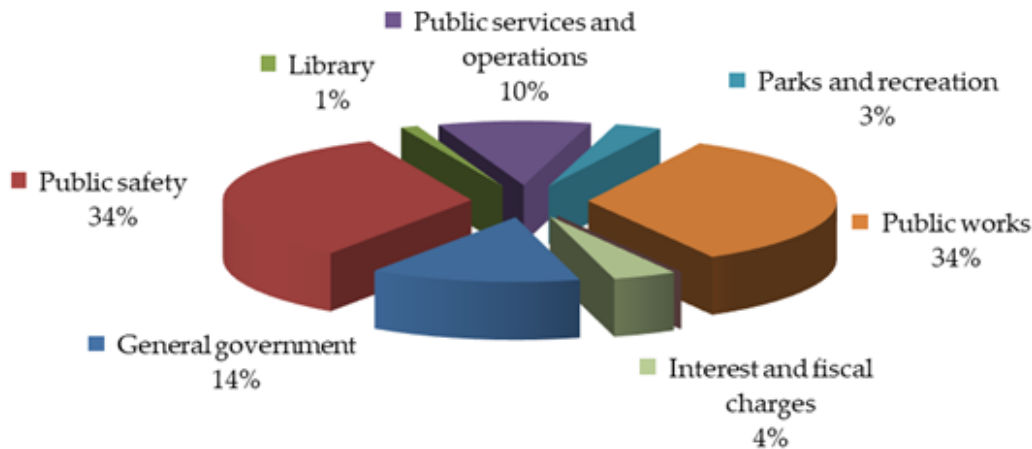


For the year ended September 30, 2024, revenues from governmental activities totaled \$71,179,789. Operating grants and contributions, property taxes, and charges for services are the City's largest general revenue sources. Overall revenue increased \$20,463,544 or 40%. Property taxes increased by \$1,437,203 or 11% during the current year. The increase is primarily due to greater appraised property values in the current year as a result of continued growth and development throughout the community. Operating grants and contributions increased by \$102,882 or 12% primarily due to nonrecurring intergovernmental funds received from Collin County for fire/ambulance services. Capital grants and contributions increased by \$16,923,508 or 82% due to nonrecurring developer contributions in the current year. Charges for services increased by \$452,374 or 5% primarily due to nonrecurring building permits in the current year. Sales taxes increased by \$677,697 or 20% due to continued economic growth fueled by local purchases. Investment income increased by \$833,106 or 41% due primarily to higher interest rates and higher interest bearing account balances in the current year. Franchise and local taxes increased by \$123,243 or 16% primarily due to an overall increase in franchise fee income related to greater electrical, gas, and garbage usage in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

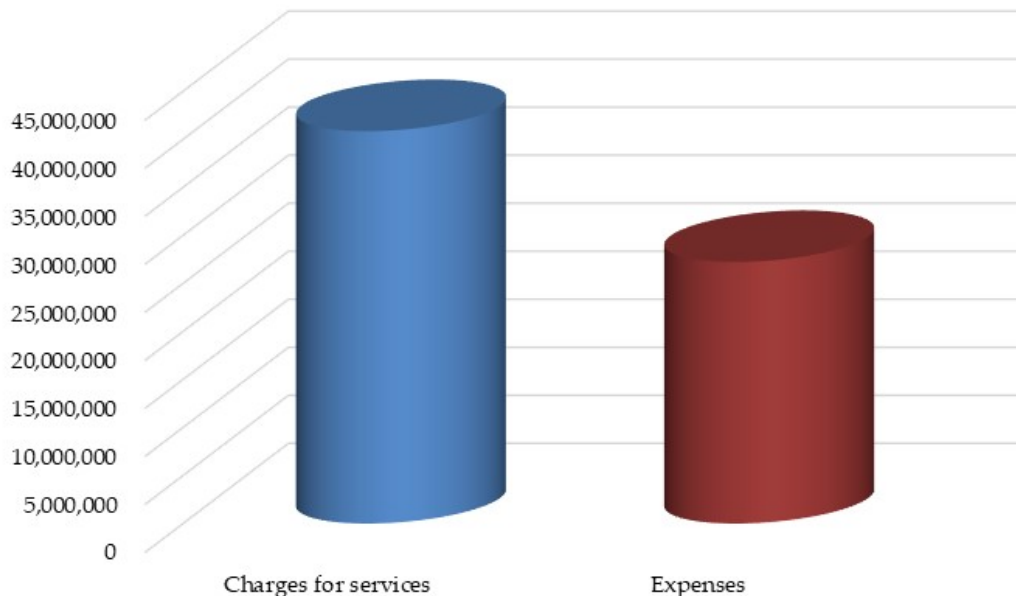


For the year ended September 30, 2024, expenses for governmental activities totaled \$35,969,232. This represents an increase of \$9,248,623 or 35% from the prior year. The City's largest functional expense is public safety of \$12,133,301. Public safety expenses increased by \$2,550,417 or 27% primarily due to greater personnel costs resulting from increased compensation related to new hires and annual raises approved in the current year. In addition, the City incurred greater asset depreciation expenses and spent more on personal protective equipment in the current year. Public works expense increased by \$4,285,999 or 53% which is primarily due to greater depreciation expense, personnel costs, and nonrecurring street lighting maintenance in the current year. General government increased by \$1,270,798 or 35% primarily due to greater personnel costs, contract services, and information technology expenses in the current year. Public services expenses increased by \$1,028,141 or 40% primarily due to greater personnel costs, nonrecurring engineering services, community event costs, and building maintenance costs in the current year. All other expenses remained relatively consistent with the previous year.

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$40,851,484. This is an increase of \$10,334,805 or 34% from the previous year. This increase directly relates to the City's growth, greater active customer accounts, and greater overall utility consumption during the current year. Operating grants decreased by \$675,319 or 100% which is directly related to the nonrecurring GTUA reimbursement received related to the Forest Grove project in the prior year. Capital grants and contributions increased by \$21,405,894, or over 100%, as a result of capital contributions received from local developers as part of the continued expansion and growth within the City. Investment income increased by \$370,137 or over 100% primarily due to greater interest-bearing accounts and realization of higher interest rates during the current year.

Total expenses increased \$3,281,286 or 14%, to a total of \$27,228,356. This increase is due primarily to greater water purchases from North Texas Municipal Water District and greater solid waste collection, which is in line with the increase in active customer accounts compared to the prior year. In addition, there was an increase in personnel costs related to new hires and salary increases over the course of the year.

Storm water drainage expenses decreased \$119,469 or 7% primarily due to the decline in asset depreciation expenses.

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

At September 30, 2024, the City's governmental funds reported combined fund balances of \$50,789,440, an increase of \$6,645,006 in comparison with the prior year. Approximately 20% of this amount, \$10,034,576, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted*. The amount not in spendable form is \$184,916, and the amount restricted for particular purposes, \$40,569,948.

As of the end of the year the general fund reflected a total fund balance of \$10,337,862. Of this, \$184,916 is considered nonspendable, \$114,349 is considered restricted, and \$10,038,597 is unassigned. The general fund balance increased by \$1,309,340 compared to the budgeted increase of \$823,470. The fund's increase was primarily due to greater than anticipated sales taxes and charges for services and greater than expected other financing sources. In addition, the fund reflected greater taxes, license and permit revenue, and other revenues compared to what was received in the prior year.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of general fund is 38% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$10,038,597 is 37% of total general fund expenditures.

The debt service fund had an ending fund balance of \$4,104,077 at September 30, 2024, an increase of \$1,193,347. The increase was a result of greater than anticipated property tax and interest income during the current year.

The TIRZ fund had an ending fund balance of \$57,186, a decrease of \$2,861,796. The decrease was solely a result of transfers out to the general fund due to the termination of TIRZ #1 during the year.

The street projects fund had an ending fund balance of \$16,119,301, an increase of \$4,100,002. The increase was primarily a result of greater than anticipated roadway impact fees received in the current year. Impact and development increased significantly by \$4,313,133 when compared to the prior year.

The park projects fund had an ending fund balance of \$13,804,495, an increase of \$4,451,732. The increase is primarily due to greater PID and park development fees in the current year. During the

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

year, the City expended \$1,287,179 on various projects, utilizing funds designated for capital projects. Capital outlay expenses decreased by \$4,458,288 when compared to the prior year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position for the utility and storm draining fund totaled \$181,189,338. Unrestricted net position of the enterprise funds at the close of the fiscal year amounted to \$39,954,482. Total net position increased \$56,707,722. The funds had net investment in capital assets of \$129,709,202. The City operates and maintains a utility distribution system with force mains and lift stations. The following are additional comments regarding operations of the enterprise fund:

- The City received capital contributions of \$41,944,631 consisting of utility infrastructure.
- Operational expenses excluding depreciation and amortization were \$18,222,847.
- Cash and cash equivalents in the proprietary funds were \$15,598,766 at fiscal yearend.
- Investment balances (qualifying as cash equivalents) in the proprietary funds were \$33,655,765 at fiscal yearend.

An internal service fund was established to track and allocate resources for future equipment purchases. Revenue for the fund consists of budgeted transfers from the General Fund and Utility Fund. The fund was created at the end of the current fiscal year and, as a result, reported no expenses during the year. The ending fund balance was \$2,000,000, which will be retained to support future equipment acquisitions.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive variance of \$941,160 over budgeted general fund revenues. There was a total negative variance of \$1,352,869 in budgeted expenditure appropriations. \$411,709 was the budget deficit of revenues over expenditures before other financing sources (uses). There was a total net positive budget variance of \$485,870. Total expenditures (including transfers out) exceeding appropriations at the legal level of control by \$1,555,952.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$165,062,037 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$182,023,643 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total investment in capital assets increased by \$68,447,377, net of depreciation.

City of Princeton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2024

Major capital asset events during the current year include the following:

- Purchased fifteen 2024 Chevy Tahoes for \$477,104.
- Purchased vehicles/equipment through lease financing totaling \$361,895.
- Made improvements to Fire Station No. 2 for \$1,810,098.
- Improvements to 2nd Street totaling \$1,173,316.
- Improvements to Caldwell park restrooms and shade sail for \$679,994.
- Purchased new equipment for fire department for \$2,017,721.
- Purchased new vehicles/equipment for police department totaling \$508,771.
- Street infrastructure improvements totaling \$26,608,798.
- Caldwell Park phase 1 buildout project expenses for \$477,640.
- US 380 utility relocation investments for \$145,183.
- Phase 1 & 2 improvements to Windmore water/sewer infrastructure totaling \$8,610,241.
- Phase 9 & 10 improvements to Windchester water/sewer infrastructure totaling \$6,711,595.
- Phase 3 & 5 improvements to Eastridge water/sewer infrastructure totaling \$4,883,971.
- Phase 2 improvements to Forest Park water/sewer infrastructure totaling \$453,937.
- Phase 2A improvements to Southridge water/sewer infrastructure for \$4,048,207.
- Improvements to Hazelwood south water system for \$4,045,592.
- Improvements to the Penmatsa sewer infrastructure totaling \$2,073,874.
- Purchased freightliner sewer truck for \$488,716.
- Purchased various public works equipment for \$163,479.
- Elevated storage tank improvements totaling \$618,058.
- Dogwood pump station improvements for \$2,704,072.
- Eastridge booster station improvements totaling \$4,022,913.
- New storm water infrastructure improvements and additions totaling \$11,117,214.

More detailed information about the City's capital assets is presented in note IV.C to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt obligations (including premiums) of \$104,687,172. Of this amount, \$53,128,569 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions. The City entered into new notes payable agreements totaling \$884,145 in the current year. The City entered into multiple lease agreements during the current year totaling \$361,895. More detailed information about the City's long-term liabilities is presented in note IV. D and E to the financial statements.

City of Princeton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Princeton and improving services provided to their public citizens. The City is budgeting for continued growth when preparing the budget for the upcoming year.

The 2024-2025 Fiscal Year Budget was approved by City Council on September 16, 2024. The tax rate adopted that same day was \$0.440226 per \$100 assessed value, remaining stable with the previous year's rate. The City's Ad Valorem tax base is expected to grow in new property again this year. It is estimated this new property will add \$1,899,290 in additional ad valorem revenues. This increase will help to offset the growing increase in the City's operating costs to provide adequate services to the citizens of Princeton, Texas.

Highlights of the 2025 budget include:

- A balanced budget, with total revenues equal to or greater than total expenditures.
- Implemented pay-as-you-go (PAYGO) funding to improve flexibility and reduce the growth of debt and associated interest payments.
- Proposed compensation plan to ensure competitive and fair wages.
- Adding 21 additional full-time employees.

The total combined revenue budget for the fiscal year 2024-2025 totals \$135,369,706. This is due, in large part, to an increase in charges for services in the Water & Wastewater Fund, the issuance of bonds, and building permits due to continued development. Total combined expenditures budgeted for the fiscal year 2024-2025 were \$112,673,670. This includes funding for both operating and capital purposes. This amount represents a \$41,831,760 increase, or 59%. This is due in large part to debt to be issued in FY25 and construction of parks projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 2000 E. Princeton Rd., Princeton Texas 75407 or call (972) 736-2416.



PRINCETON

TEXAS

FINANCIAL STATEMENTS

City of Princeton, Texas

STATEMENT OF NET POSITION

September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 56,931,185	\$ 51,414,285	\$ 108,345,470
Investments	566,828	-	566,828
Receivables, net	1,054,971	4,764,032	5,819,003
Note receivable due from component unit	942,813	-	942,813
Inventory	64,849	84,997	149,846
Prepays	120,067	599	120,666
Internal balances	(2,147,044)	2,147,044	-
Total Current Assets	57,533,669	58,410,957	115,944,626
Noncurrent assets:			
Note receivable due from component unit	5,429,781	-	5,429,781
Note receivable	-	-	-
Capital assets:			
Non-depreciable	19,613,187	17,226,793	36,839,980
Net depreciable capital assets	145,448,850	164,796,850	310,245,700
Noncurrent Assets	170,491,818	182,023,643	352,515,461
Total Assets	228,025,487	240,434,600	468,460,087
<u>Deferred Outflows of Resources</u>			
Pension outflows	1,497,525	293,594	1,791,119
OPEB outflows	16,575	3,250	19,825
Deferred charge on refunding	55,887	208,576	264,463
Total Deferred Outflows of Resources	\$ 1,569,987	\$ 505,420	\$ 2,075,407

Component Units			
EDC		CDC	
\$	7,330,022	\$	3,897,135
	-		-
	354,949		346,068
	-		-
	-		-
	-		-
	-		-
	7,684,971		4,243,203
	-		-
	1,332,174		-
	1,433,663		18,532
	1,745,882		1,434,647
	4,511,719		1,453,179
	12,196,690		5,696,382
	-		-
	-		-
	-		-
\$	-	\$	-

City of Princeton, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,320,348	\$ 2,103,873	\$ 5,424,221
Accrued interest payable	169,228	137,367	306,595
Developer deposits	241,792	-	241,792
Customer deposits	-	2,411,367	2,411,367
Compensated absences - current	1,261,738	215,974	1,477,712
Long term debt due within one year	4,277,051	1,362,613	5,639,664
Current Liabilities	9,270,157	6,231,194	15,501,351
Noncurrent liabilities:			
Compensated absences, noncurrent	140,193	23,997	164,190
Long-term debt - noncurrent	45,851,214	53,196,294	99,047,508
Total pension liability	1,316,817	258,165	1,574,982
OPEB liability	130,925	25,668	156,593
Noncurrent Liabilities	47,439,149	53,504,124	100,943,273
Total Liabilities	56,709,306	59,735,318	116,444,624
<u>Deferred Inflows of Resources</u>			
Pension inflows	42,613	8,354	50,967
OPEB inflows	35,757	7,010	42,767
Total Deferred Inflows of Resources	78,370	15,364	93,734
<u>Net Position</u>			
Net investment in capital assets	116,284,469	129,709,202	245,993,671
Restricted for:			
Debt service	4,104,077	-	4,104,077
TIRZ activities	57,186	-	57,186
Use of impact fees	9,304,291	10,075,011	19,379,302
Capital improvements, including PEG fees	21,043,919	-	21,043,919
Public safety	264,858	-	264,858
Vehicle replacement	2,000,000	-	2,000,000
Storm water use	-	1,450,643	1,450,643
Economic development	-	-	-
Unrestricted	19,748,998	39,954,482	59,703,480
Total Net Position	\$ 172,807,798	\$ 181,189,338	\$ 353,997,136

See Notes to Financial Statements.

Component Units			
EDC		CDC	
\$	5,312	\$	99,813
	-		-
	-		-
	-		-
	-		-
	105,258		837,555
	<u>110,570</u>		<u>937,368</u>
	-		-
	696,413		4,733,368
	-		-
	-		-
	<u>696,413</u>		<u>4,733,368</u>
	<u>806,983</u>		<u>5,670,736</u>
	-		-
	-		-
	<u>-</u>		<u>-</u>
	<u>-</u>		<u>-</u>
	3,179,545		1,453,179
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	8,210,162		-
	-		(1,427,533)
\$	<u>11,389,707</u>	\$	<u>25,646</u>

City of Princeton, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,938,898	\$ 789,169	\$ 931,007	\$ -
Public safety	12,133,301	504,837	-	-
Library	405,790	6,299	-	-
Public services and operations	3,577,431	6,863,624	-	26,135,610
Parks and recreation	1,098,652	380,244	-	-
Public works	12,327,808	650,000	-	11,398,345
Interest and fiscal charges	1,487,352	-	-	-
Total Governmental Activities	<u>35,969,232</u>	<u>9,194,173</u>	<u>931,007</u>	<u>37,533,955</u>
Business-Type Activities				
Water and sewer	25,573,304	39,894,812	-	30,827,417
Storm water drainage	1,655,052	956,672	-	11,117,214
Total Business-Type Activities	<u>27,228,356</u>	<u>40,851,484</u>	<u>-</u>	<u>41,944,631</u>
Total Primary Government	<u>\$ 63,197,588</u>	<u>\$ 50,045,657</u>	<u>\$ 931,007</u>	<u>\$ 79,478,586</u>
Component Unit				
Princeton Economic				
Development Corporation	\$ 457,621	\$ -	\$ -	\$ -
Princeton Community				
Development Corporation	502,826	-	-	-
Total Component Units	<u>\$ 960,447</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property taxes				
Sales taxes				
Franchise and local taxes				
Investment income				
Other revenues				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Beginning Net Position				
Ending Net Position				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	EDC	CDC
\$ (3,218,722)	\$ -	\$ (3,218,722)	\$ -	\$ -
(11,628,464)	-	(11,628,464)	-	-
(399,491)	-	(399,491)	-	-
29,421,803	-	29,421,803	-	-
(718,408)	-	(718,408)	-	-
(279,463)	-	(279,463)	-	-
(1,487,352)	-	(1,487,352)	-	-
11,689,903	-	11,689,903	-	-
-	45,148,925	45,148,925	-	-
-	10,418,834	10,418,834	-	-
-	55,567,759	55,567,759	-	-
11,689,903	55,567,759	67,257,662	-	-
			(457,621)	-
			-	(502,826)
			(457,621)	(502,826)
14,521,870	-	14,521,870	-	-
4,037,443	-	4,037,443	2,014,575	2,014,575
877,872	-	877,872	-	-
2,846,059	2,120,622	4,966,681	302,260	135,151
1,237,410	94,233	1,331,643	26,843	-
1,074,892	(1,074,892)	-	-	-
24,595,546	1,139,963	25,735,509	2,343,678	2,149,726
36,285,449	56,707,722	92,993,171	1,886,057	1,646,900
136,522,349	124,481,616	261,003,965	9,503,650	(1,621,254)
\$ 172,807,798	\$ 181,189,338	\$ 353,997,136	\$ 11,389,707	\$ 25,646

City of Princeton, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Debt Service	TIRZ	Street Projects	Park Projects	Total Nonmajor Governmental	Total Governmental Funds
<u>Assets</u>							
Cash and cash equivalents	\$ 12,378,066	\$ 4,103,247	\$ 57,186	\$ 16,893,355	\$ 13,900,443	\$ 6,679,532	\$ 54,011,829
Investments	566,828	-	-	-	-	-	566,828
Receivables, net	962,886	86,538	-	-	-	5,547	1,054,971
Notes receivable (CU's)	-	6,372,594	-	-	-	-	6,372,594
Due from other funds	-	-	-	-	-	3,186	3,186
Inventories	64,849	-	-	-	-	-	64,849
Prepays	120,067	-	-	-	-	-	120,067
Restricted assets:							
Cash and cash equivalents	919,356	-	-	-	-	-	919,356
Total Assets	\$ 15,012,052	\$ 10,562,379	\$ 57,186	\$ 16,893,355	\$ 13,900,443	\$ 6,688,265	\$ 63,113,680
<u>Liabilities</u>							
Accounts payable and accrued liabilities	\$ 2,342,311	\$ 2,149	-	\$ 561,609	\$ 95,948	\$ 318,331	\$ 3,320,348
Developer deposits	29,347	-	-	212,445	-	-	241,792
Due to other funds	2,146,815	-	-	-	-	3,415	2,150,230
Total Liabilities	4,518,473	2,149	-	774,054	95,948	321,746	5,712,370
<u>Deferred Inflows of Resources</u>							
Unavailable revenue -							
Property taxes	126,799	83,559	-	-	-	-	210,358
Notes receivable (CU's)	-	6,372,594	-	-	-	-	6,372,594
Court	28,918	-	-	-	-	-	28,918
Total Deferred Inflows	155,717	6,456,153	-	-	-	-	6,611,870
<u>Fund Balances</u>							
Nonspendable for:							
Prepays	120,067	-	-	-	-	-	120,067
Inventories	64,849	-	-	-	-	-	64,849
Restricted for:							
Debt service	-	4,104,077	-	-	-	-	4,104,077
TIRZ activities	-	-	57,186	-	-	-	57,186
Capital improvements	-	-	-	16,119,301	-	6,105,682	22,224,983
Public safety	-	-	-	-	-	264,858	264,858
Parks and recreation	-	-	-	-	13,804,495	-	13,804,495
PEG	114,349	-	-	-	-	-	114,349
Unassigned	10,038,597	-	-	-	-	(4,021)	10,034,576
Total Fund Balances	10,337,862	4,104,077	57,186	16,119,301	13,804,495	6,366,519	50,789,440
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,012,052	\$ 10,562,379	\$ 57,186	\$ 16,893,355	\$ 13,900,443	\$ 6,688,265	\$ 63,113,680

See Notes to Financial Statements.

City of Princeton, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2024

Fund Balances - Total Governmental Funds	\$ 50,789,440
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	19,613,187
Capital assets - net depreciable	145,448,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property taxes	210,358
Notes receivable from component unit	6,372,594
Court	28,918
Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.	
Deferred charge on refunding	55,887
Deferred outflows of resources - Pension	1,497,525
Deferred outflows of resources - OPEB	16,575
Deferred inflow of resources - Pension	(42,613)
Deferred inflow of resources - OPEB	(35,757)
Internal service funds are used by management to charge the cost of vehicle replacement to individual departments and funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,000,000
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Bonds and tax notes payable	(42,976,430)
Bond premium/discount	(3,283,825)
Notes payable	(3,323,650)
Leases payable	(544,360)
Accrued interest	(169,228)
Compensated absences	(1,401,931)
Total pension liability	(1,316,817)
Total OPEB liability	(130,925)
Net Position of Governmental Activities	\$ 172,807,798

See Notes to Financial Statements.

City of Princeton, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Debt Service	TIRZ	Street Projects	Park Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property tax	\$ 8,538,993	\$ 5,895,263	\$ 32,370	\$ -	\$ -	-	\$ 14,466,626
Sales tax	4,037,443	-	-	-	-	-	4,037,443
Franchise and local taxes	877,872	-	-	-	-	-	877,872
Impact and development fees	-	-	-	6,270,942	2,690,603	-	8,961,545
Charges for services	5,072,199	-	-	-	-	-	5,072,199
License and permits	3,692,494	-	-	-	-	-	3,692,494
Intergovernmental	931,007	-	-	-	-	-	931,007
Fines and forfeitures	332,785	-	-	-	-	107,404	440,189
Contributions	-	-	-	-	2,436,800	-	2,436,800
Interest income	994,069	240,237	13,442	677,522	594,871	325,918	2,846,059
Other revenue	1,232,530	-	-	-	-	4,880	1,237,410
Total Revenues	25,709,392	6,135,500	45,812	6,948,464	5,722,274	438,202	44,999,644
Expenditures							
Current:							
General government	4,137,591	5,991	-	-	-	180,696	4,324,278
Public services and operations	3,513,468	-	-	-	-	-	3,513,468
Public works	3,246,698	-	-	-	-	-	3,246,698
Public safety	12,131,590	-	-	-	-	37,375	12,168,965
Library	381,934	-	-	-	-	-	381,934
Parks and recreation	240,921	-	-	-	-	-	240,921
Debt Service:							
Principal	776,716	3,453,489	-	-	-	-	4,230,205
Interest and fiscal charges	161,498	1,403,960	-	-	-	-	1,565,458
Capital outlay	2,710,185	-	-	3,028,475	1,287,179	1,894,115	8,919,954
Total Expenditures	27,300,601	4,863,440	-	3,028,475	1,287,179	2,112,186	38,591,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,591,209)	1,272,060	45,812	3,919,989	4,435,095	(1,673,984)	6,407,763
Other Financing Sources (Uses)							
Transfers in	2,941,281	-	-	180,013	62,310	188,675	3,372,279
Transfers (out)	(1,203,083)	(78,713)	(2,907,608)	-	(45,673)	(62,310)	(4,297,387)
Note issuance	884,145	-	-	-	-	-	884,145
Lease issuance	278,206	-	-	-	-	-	278,206
Total Other Sources (Uses)	2,900,549	(78,713)	(2,907,608)	180,013	16,637	126,365	237,243
Net Change in Fund Balances	1,309,340	1,193,347	(2,861,796)	4,100,002	4,451,732	(1,547,619)	6,645,006
Fund balances, 9/30/2023, as previously presented	6,520,395	2,910,730	2,918,982	12,019,299	9,352,763	7,914,138	41,636,307
Error corrections	2,508,127	-	-	-	-	-	2,508,127
Fund balances, 9/30/2023, as adjusted	9,028,522	2,910,730	2,918,982	12,019,299	9,352,763	7,914,138	44,144,434
Ending Fund Balances	\$ 10,337,862	\$ 4,104,077	\$ 57,186	\$ 16,119,301	\$ 13,804,495	\$ 6,366,519	\$ 50,789,440

See Notes to Financial Statements.

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, 2024

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

Net changes in fund balances - total governmental funds	\$	6,645,006
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		8,394,124
Depreciation expense		(9,610,030)
Developer contributions		26,135,610

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		44,535
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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.

Compensated absences		(435,240)
Pension expense		(14,504)
OPEB expense		(20,012)
Accrued interest		14,227

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Net change in deferred charges on refunding		(5,589)
Lease issuances		(278,206)
Note issuances		(884,145)
Principal payments on long-term debt		4,230,205
Amortization of debt premium and discount		69,468

Internal service funds are used by management to charge the cost of vehicle replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

		2,000,000
Change in Net Position of Governmental Activities	\$	36,285,449

See Notes to Financial Statements.

City of Princeton, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2024

	Business-type Activities			Governmental Activities
	Water & Sewer	Storm Water Drainage	Total Proprietary Funds	Internal Service Funds
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 49,254,531	\$ 2,159,754	\$ 51,414,285	\$ 2,000,000
Receivables, net	4,641,280	122,752	4,764,032	-
Due from other funds	2,147,044	-	2,147,044	-
Prepaid items	599	-	599	-
Inventory	84,997	-	84,997	-
Total Current Assets	56,128,451	2,282,506	58,410,957	2,000,000
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	17,226,793	-	17,226,793	-
Net depreciable capital assets	132,862,763	31,934,087	164,796,850	-
Total Noncurrent Assets	150,089,556	31,934,087	182,023,643	-
Total Assets	206,218,007	34,216,593	240,434,600	2,000,000
<u>Deferred Outflows of Resources</u>				
Pension outflows	275,362	18,232	293,594	-
OPEB outflows	3,048	202	3,250	-
Deferred charge on refunding	208,576	-	208,576	-
Total Deferred Outflows	\$ 486,986	\$ 18,434	\$ 505,420	\$ -

City of Princeton, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2024

	Business-type Activities			Governmental Activities
	Water & Sewer	Storm Water Drainage	Total Proprietary Funds	Internal Service Funds
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,092,160	\$ 11,713	\$ 2,103,873	\$ -
Accrued interest	137,367	-	137,367	-
Customer deposits	2,411,367	-	2,411,367	-
Compensated absences - current	209,679	6,295	215,974	-
Long-term debt - current	1,362,613	-	1,362,613	-
Total Current Liabilities	6,213,186	18,008	6,231,194	-
<u>Noncurrent Liabilities</u>				
Compensated absences, noncurrent	23,298	699	23,997	-
Long-term debt - noncurrent	53,196,294	-	53,196,294	-
Total pension liability	242,133	16,032	258,165	-
OPEB liability	24,074	1,594	25,668	-
Total Liabilities	59,698,985	36,333	59,735,318	-
<u>Deferred Inflows of Resources</u>				
Pension inflows	7,836	518	8,354	-
OPEB inflows	6,575	435	7,010	-
Total Deferred Inflows	14,411	953	15,364	-
<u>Net Position</u>				
Net investment in capital assets	97,775,115	31,934,087	129,709,202	-
Restricted for:				
Impact fees	10,075,011	-	10,075,011	-
Storm water	-	1,450,643	1,450,643	-
Vehicle replacement	-	-	-	2,000,000
Unrestricted	39,141,471	813,011	39,954,482	-
Total Net Position	\$ 146,991,597	\$ 34,197,741	\$ 181,189,338	\$ 2,000,000

See Notes to Financial Statements.



PRINCETON

TEXAS

City of Princeton, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2024

	Business-type Activities			Governmental Activities
	Water & Sewer	Storm Water Drainage	Total Proprietary Funds	Internal Service Funds
<u>Operating Revenues</u>				
Charges for services	\$ 33,941,327	\$ 956,672	\$ 34,897,999	\$ -
Other revenue	94,233	-	94,233	-
Total Operating Revenues	34,035,560	956,672	34,992,232	-
<u>Operating Expenses</u>				
Personnel services	2,745,108	194,984	2,940,092	-
Water purchases	5,279,738	-	5,279,738	-
Supplies and materials	915,385	20,073	935,458	-
Repairs and maintenance	732,251	115,737	847,988	-
Utilities	3,416,374	-	3,416,374	-
Contractual services	4,824,038	9,557	4,833,595	-
Depreciation	5,754,497	1,314,701	7,069,198	-
Total Operating Expenses	23,667,391	1,655,052	25,322,443	-
Operating Income (Loss)	10,368,169	(698,380)	9,669,789	-
<u>Nonoperating Revenues (Expenses)</u>				
Impact fees	5,953,485	-	5,953,485	-
Interest income	2,054,532	66,090	2,120,622	-
Interest (expense)	(1,905,913)	-	(1,905,913)	-
Total Nonoperating Revenues (Expenses)	6,102,104	66,090	6,168,194	-
Income (Loss) Before Capital Contributions and Transfers	16,470,273	(632,290)	15,837,983	-
<u>Capital Contributions and Transfers</u>				
Capital contributions	30,827,417	11,117,214	41,944,631	-
Transfers in	105,121	-	105,121	2,000,000
Transfers (out)	(1,180,013)	-	(1,180,013)	-
Change in Net Position	46,222,798	10,484,924	56,707,722	2,000,000
Beginning net position	100,768,799	23,712,817	124,481,616	-
Ending Net Position	\$ 146,991,597	\$ 34,197,741	\$ 181,189,338	\$ 2,000,000

See Notes to Financial Statements.

City of Princeton, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2024

	Water & Sewer	Storm Water Drainage	Total Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 33,631,535	\$ 939,167	\$ 34,570,702
Payments to suppliers	(17,675,578)	(139,304)	(17,814,882)
Payments to employees	(2,756,886)	(190,300)	(2,947,186)
Net Cash Provided (Used) by Operating Activities	13,199,071	609,563	13,808,634
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers (out)	(1,180,013)	-	(1,180,013)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,074,892)	-	(1,074,892)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(9,791,649)	-	(9,791,649)
Impact fees	5,953,485	-	5,953,485
Principal paid on debt	(1,320,591)	-	(1,320,591)
Interest paid on debt	(1,950,212)	-	(1,950,212)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,108,967)	-	(7,108,967)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	2,054,532	66,090	2,120,622
Net Cash Provided (Used) by Investing Activities	2,054,532	66,090	2,120,622
Net Increase (Decrease) in Cash and Cash Equivalents	7,069,744	675,653	7,745,397
Beginning cash and cash equivalents	42,184,787	1,484,101	43,668,888
Ending Cash and Cash Equivalents	\$ 49,254,531	\$ 2,159,754	\$ 51,414,285

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2024

Schedule of Noncash Investing and Financing Activities:

See Notes to Financial Statements.

City of Princeton, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2024

	Fiduciary Funds
<u>Assets</u>	
Cash and cash equivalents	\$ 62,399,996
Special assessment receivable	169,279,044
Total Assets	231,679,040
<u>Liabilities</u>	
Long-term debt	169,279,044
Total Liabilities	169,279,044
<u>Net Position</u>	
Restricted for public improvement district	62,399,996
Total Net Position	\$ 62,399,996

See Notes to Financial Statements.

City of Princeton, Texas
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2023

	Fiduciary Funds
<u>Additions</u>	
Property owner assessments	\$ 10,856,407
Impact fee recoveries	35,602,417
Investment earnings	2,623,064
Total Additions	49,081,888
<u>Deductions</u>	
Payment to developer	26,179,763
Administrative expenses	446,772
Bond issuance costs	1,682,812
Debt service - interest	7,658,316
Total Deductions	35,967,663
Change in Net Position	13,114,225
Beginning net position	49,285,771
Ending Net Position	\$ 62,399,996

See Notes to Financial Statements.



PRINCETON

TEXAS

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 seven council members, as provided by its Home Rule Charter. 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 Princeton Economic Development Corporation (the "PEDC") and the Princeton Community Development Corporation (the "CDC"), although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Blended Component Units

Tax Increment Reinvestment Zone

The City created the Tax Increment Reinvestment Zone ("TIRZ") to provide additional financing resources to further enhance development within Zones 1 through 6. The City Council appoints the TIRZ Board, and Board members serve at the discretion of the Council. The TIRZ will terminate either upon a date designated by ordinance or upon the satisfaction of all project costs, tax increment bonds, notes, and obligations of the zone, whichever occurs earlier. The TIRZ is considered fiscally dependent on the City, as the City is responsible for approving its budget and any debt issuances. In addition, the City Council serves as the TIRZ Board, creating a shared governing body. The City also has operational responsibility for the TIRZ, managing its day-to-day operations and overseeing the implementation of its projects. Based on these factors, the TIRZ qualifies for blending under applicable accounting standards and is reported as a blended component unit of the City and as a major governmental fund. The TIRZ does not issue separate financial statements.

Discretely Presented Component Units

Princeton Economic Development Corporation

The Princeton Economic Development Corporation (the "EDC") was incorporated on 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.

Separate financial statements are not prepared.

Princeton Community Development Corporation

The Princeton Community Development Corporation (the "CDC") was incorporated on 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.

Separate financial statements are not prepared.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has two discretely presented component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, leisure services, development services, and nondepartmental. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Capital Projects Funds

The Capital Projects funds consist of various types of financial resources and are utilized in the acquiring or constructing of street/roadway infrastructure, buildings, and park infrastructure within the City. These funds include the street project fund, building project fund, and park projects fund. The street project fund and park project fund are considered to be major funds for reporting purposes. The building project fund is considered to be nonmajor for reporting purposes.

Tax Increment Reinvestment Zone

The TIRZ fund accounts for the property and sales taxes collected in the TIRZ zone for the purpose of funding infrastructure and projects in particular development areas. This fund is considered major for reporting purposes.

The government reports the following major enterprise fund:

Water and Sewer Fund

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.

Storm Drainage Fund

The Storm Water Drainage Fund accounts for the City's storm water development and maintenance to the residents of the City.

Additionally, the government reports the following fund types:

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenue sources for this fund include donations, fines and fees, and grants. The court, police ARPA, and business incentives funds are considered nonmajor for reporting purposes.

Internal Service Funds

Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's only internal service fund is used to account for equipment replacement.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Fiduciary Funds

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. The funding for the developments are derived from PID bonds that are held in trust by the City. The City is responsible for ensuring that the assets reported are used for their intended purposes. These custodial funds use the economic resources measurement focus. The City reports eight fiduciary funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial funds use economic measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, 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

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Right-to-use equipment	3 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	30 to 45 years
Buildings and improvements	15 to 45 years

6. Net Position Flow Assumption

Sometimes the government 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of an amount equal to or greater than 25% of operating expenditures. The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days. The debt service fund reserve is maintained at a level to support interest and principal payments in the event of a delay in property tax collections.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Leases

Lessee: The City is a lessee for noncancellable lease of equipment and vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the full-accrual financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

14. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding reported in the government-wide statement of net position. A 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 financial 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

E. Revenues and Expenditures/Expenses

1. 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

City employees earn vacation and comp time, which may either be taken or accumulated, up to certain amounts, until retirement or termination. Sick time and extended leave do not roll over and is not paid upon separation from the City. Upon termination or retirement, an employee is reimbursed up to a maximum number of 160 hours of unused vacation pay based upon the years of service. Sick leave is not paid at termination or retirement. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes 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.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, TIRZ, court, police, and American Rescue Plan funds. The capital project funds are appropriated on a project-length basis and often span a period of more than one year. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year, impacting certain governmental funds.

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available, or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended, if necessary.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A. Expenditures Exceeding Appropriations

During the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of control in the general fund and tax increment reinvestment zone fund by \$1,379,277 and \$2,907,608 (including transfers out), respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., 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's investments in 2a7-like pools such as TexStar are included in this category. Although the City's investments in TexStar are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required.

As of September 30, 2024, the primary government had the following investments:

Cash and Cash Equivalent	Value	Weighted Average Maturity (Years)	Credit Rating
Certificate of deposits	\$ 566,828	0.39	-
External investment pools			
TexPool	63,025,035	0.07	AAAm
TexSTAR	22,639,770	0.11	AAAm
Total fair value	<u>\$ 86,231,633</u>		

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The discretely presented component units, Princeton EDC and CDC, had the following investments at year end:

Cash and Cash Equivalent	Value	Weighted Average Maturity (Years)	Credit Rating
TexPool	\$ 9,050,560	0.07	AAAm
Total fair value	<u>\$ 9,050,560</u>		

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed three years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAm, or equivalent, by at least one nationally recognized rating service. As of September 30, 2024, the City's investment in TexPool was rated AAAm by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. As of September 30, 2024, the fair values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

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NOTES TO FINANCIAL STATEMENTS, Continued
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TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. 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, Standard & Poor's rates TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2024, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexSTAR

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAm. At September 30, 2024, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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B. Receivables

1. The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Nonmajor Govt.	Water and Sewer	Storm Water Drainage	Total
Property taxes	\$ 130,991	\$ 86,538	\$ -	\$ -	\$ -	\$ 217,529
Sales tax	692,136	-	-	-	-	692,136
Franchise taxes	111,569	-	-	-	-	111,569
Fines	1,333,250	-	5,547	-	-	1,338,797
Accounts	-	-	-	5,026,029	137,201	5,163,230
Notes (CU's)	-	6,372,594	-	-	-	6,372,594
Other	1,552	-	-	-	-	1,552
Allowance	(1,306,612)	-	-	(384,749)	(14,449)	(1,705,810)
Total	\$ 962,886	\$ 6,459,132	\$ 5,547	\$ 4,641,280	\$ 122,752	\$ 12,191,597

2. The following comprise receivable balances of the component units at year end:

	Princeton EDC	Princeton CDC	Total
Sales tax	\$ 346,068	\$ 346,068	\$ 692,136
Accounts	8,881	-	8,881
	\$ 354,949	\$ 346,068	\$ 701,017

3. The 2021 General Obligation Refunding Bonds were issued in October 2021. One of the Bonds that this issue paid in full was the 2011 General Obligation Refunding Bonds. The Community Development Corporation agreed to continue to pay its portion of the refunded debt. The portion of this debt will be paid in full in FY 2029. As of the year ending September 30, 2024 the balance was \$125,614.

The Community Development Corporation agreed to pay a portion of the City's 2019 Tax Note by remitting to the City from the receipts of local sales and use taxes received by the Corporation. The CDC's portion of the 2019 Tax Note is for the construction of the Community Center. As of the year ending September 30, 2024 the balance was \$560,000.

The Community Development Corporation agreed to pay a portion of the City's 2021 Certificate of Obligation Bonds by remitting to the City from the receipts of local sales and use taxes received by the Corporation. The CDC's portion of the 2021 CO is for funding of park improvements. As of the year ending September 30, 2024 the balance was \$4,885,000.

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NOTES TO FINANCIAL STATEMENTS, Continued
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The Economic Development Corporation agreed to pay a portion of the City's 2016 Certificates of Obligation to the City from the receipts of local sales and use taxes received by the corporation. As of the year ending September 30, 2024 the balance was \$801,980.

The following is a summary of long-term notes receivable for governmental activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>	<u>Due in One Year</u>
Long-Term Notes Receivables					
Community Development Corporation					
CDC Series 2021, Certificates of obligation	\$ 4,885,000	\$ -	\$ -	\$ 4,885,000	\$ 430,000
CDC Series 2012, General obligation bonds	125,614	-	-	125,614	37,555
CDC Series 2019, Tax note	560,000	-	-	560,000	370,000
Economic Development Corporation					
EDC Series 2016, Certificates of obligation	801,980	-	-	801,980	105,258
Total Long-Term Notes Receivables	<u><u>\$ 6,372,594</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,372,594</u></u>	<u><u>\$ 942,813</u></u>
Long-Term Notes Receivables due in more than one year				<u><u>\$ 5,429,781</u></u>	

Year ending September 30,	CDC		EDC	
	Principal	Interest	Principal	Interest
2025	\$ 837,555	\$ 246,100	\$ 105,258	\$ 44,742
2026	435,720	112,957	54,335	20,665
2027	250,719	102,718	55,767	19,233
2028	263,310	94,014	56,895	18,105
2029	268,310	84,755	59,410	15,591
2030-2034	1,360,000	293,555	325,160	49,840
2035-2039	1,510,000	143,330	145,155	4,845
2040-2041	645,000	13,561	-	-
	<u><u>\$ 5,570,614</u></u>	<u><u>\$ 1,090,990</u></u>	<u><u>\$ 801,980</u></u>	<u><u>\$ 173,021</u></u>

4. The following comprises a note receivable balance of the component unit, Princeton Economic Development Corporation, at year end. The note was issued for the sale of land with a principal amount of \$1,332,174 and an interest rate of 8%.

Year ending September 30,	Note Receivable	
	Principal	Interest
2025	\$ -	\$ 106,574
2026	-	106,574
2027	-	106,574
2028	-	106,574
2029	-	106,574
2030-2034	-	532,870
2035-2039	1,332,174	515,108
	<u><u>\$ 1,332,174</u></u>	<u><u>\$ 1,580,848</u></u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 5,775,180	\$ -	\$ -	\$ 5,775,180
Construction in progress	12,846,296	4,833,718	(3,842,007)	13,838,007
Total capital assets not being	<u>18,621,476</u>	<u>4,833,718</u>	<u>(3,842,007)</u>	<u>19,613,187</u>
Capital assets, being depreciated:				
Buildings and improvements	38,071,427	34,500	-	38,105,927
Machinery and equipment	6,462,127	2,752,057	-	9,214,184
Right to use assets	953,734	300,661	-	1,254,395
Infrastructure	106,092,526	26,608,798	3,842,007	136,543,331
Total capital assets being depreciated	<u>151,579,814</u>	<u>29,696,016</u>	<u>3,842,007</u>	<u>185,117,837</u>
Less accumulated depreciation				
Buildings and improvements	4,787,176	658,277	-	5,445,453
Machinery and equipment	4,110,682	632,578	-	4,743,260
Right to use assets	417,248	276,944	-	694,192
Infrastructure	20,743,851	8,042,231	-	28,786,082
Total accumulated depreciation	<u>30,058,957</u>	<u>9,610,030</u>	<u>-</u>	<u>39,668,987</u>
Net capital assets being depreciated	121,520,857	20,085,986	3,842,007	145,448,850
Total Capital Assets	<u><u>\$ 140,142,333</u></u>	<u><u>\$ 24,919,704</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 165,062,037</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 532,847
Public safety	700,705
Public works	7,001,847
Library	23,138
Public services and operations	59,261
Parks and recreation	1,292,232
Total Governmental Activities Depreciation Expense	<u><u>\$ 9,610,030</u></u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 286,763	\$ -	\$ -	\$ 286,763
Construction in progress	36,579,861	7,900,491	(27,540,322)	16,940,030
Total capital assets not being depreciated	36,866,624	7,900,491	(27,540,322)	17,226,793
Capital assets, being depreciated:				
Buildings and improvements	235,326	-	-	235,326
Machinery and equipment	1,516,999	624,739	-	2,141,738
Right-to-use assets	225,950	99,553	-	325,503
Infrastructure	127,821,692	41,972,087	27,540,322	197,334,101
Total capital assets being depreciated	129,799,967	42,696,379	27,540,322	200,036,668
Less accumulated depreciation				
Buildings and improvements	174,883	46,381	-	221,264
Machinery and equipment	1,377,595	92,691	-	1,470,286
Right-to-use assets	72,859	101,014	-	173,873
Infrastructure	26,545,283	6,829,112	-	33,374,395
Total accumulated depreciation	28,170,620	7,069,198	-	35,239,818
Net capital assets being depreciated	101,629,347	35,627,181	27,540,322	164,796,850
Total Capital Assets	\$ 138,495,971	\$ 43,527,672	\$ -	\$ 182,023,643

Depreciation was charged to business-type activities as follows:

Water & sewer	\$ 5,754,497
Storm drainage	1,314,701
Total Business-Type Activities Depreciation Expense	\$ 7,069,198

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,433,663	\$ -	\$ -	\$ 1,433,663
Construction in progress	18,532	-	-	18,532
Total capital assets not being depreciated	<u>1,452,195</u>	<u>-</u>	<u>-</u>	<u>1,452,195</u>
Capital assets, being depreciated:				
Buildings and improvements	1,470,614	-	-	1,470,614
Machinery and equipment	25,553	-	-	25,553
Infrastructure	1,956,328	24,774	-	1,981,102
Total capital assets being depreciated	<u>3,452,495</u>	<u>24,774</u>	<u>-</u>	<u>3,477,269</u>
Less accumulated depreciation				
Buildings and improvements	29,434	6,532	-	35,966
Machinery and equipment	25,553	-	-	25,553
Infrastructure	75,036	160,185	-	235,221
Total accumulated depreciation	<u>130,023</u>	<u>166,717</u>	<u>-</u>	<u>296,740</u>
Net capital assets being depreciated	<u>3,322,472</u>	<u>(141,943)</u>	<u>-</u>	<u>3,180,529</u>
Total Capital Assets	<u><u>\$ 4,774,667</u></u>	<u><u>\$ (141,943)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,632,724</u></u>

Depreciation was charged to component unit activities as follows:

Economic development	\$ 160,185
Community development	6,532
Total Component Unit Activities Depreciation Expense	<u><u>\$ 166,717</u></u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Other Long-term Liabilities

The following summarizes the changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and utility fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 966,691	\$ 1,085,322	\$ (650,082)	\$ 1,401,931	\$ 1,261,738
Total Governmental Activities	<u>\$ 966,691</u>	<u>\$ 1,085,322</u>	<u>\$ (650,082)</u>	<u>\$ 1,401,931</u>	<u>\$ 1,261,738</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 140,193</u>	
Business-Type Activities:					
Compensated Absences	\$ 198,077	\$ 139,981	\$ (98,087)	\$ 239,971	\$ 215,974
Total Business-Type Activities	<u>\$ 198,077</u>	<u>\$ 139,981</u>	<u>\$ (98,087)</u>	<u>\$ 239,971</u>	<u>\$ 215,974</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 23,997</u>	

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The general fund, debt service fund and water/sewer funds have typically been used to liquidate the long-term debt obligations for the primary government. The general fund is typically used to liquidate the net pension and OPEB liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Certificates of Obligations	\$ 35,695,000	\$ -	\$ (1,695,000)	\$ 34,000,000	\$ 1,755,000
General Obligation Bonds	2,024,919	-	(218,489)	1,806,430	226,291
Discount	(147,951)	-	147,951	-	-
Premium	3,501,244	-	(217,419)	3,283,825	-
Note payables	2,925,135	884,145	(485,630)	3,323,650	509,053
Tax notes	8,710,000	-	(1,540,000)	7,170,000	1,575,000
Other liabilities:					
Lease liabilities	557,240	278,206	(291,086)	544,360	211,707
Total Governmental Activities	\$ 53,265,587	\$ 1,162,351	\$ (4,299,673)	\$ 50,128,265	\$ 4,277,051
Long-term liabilities due in more than one year				\$ 45,851,214	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 6,030,081	\$ -	\$ (341,512)	\$ 5,688,569	\$ 352,708
Certificates of Obligations	19,420,000	-	(210,000)	19,210,000	220,000
Premium	1,351,761	-	(57,443)	1,294,318	-
Contractual obligations - GTUA	28,900,000	-	(670,000)	28,230,000	700,000
Other liabilities:					
Lease liabilities	151,410	83,689	(99,079)	136,020	89,905
Total Business-Type Activities	\$ 55,853,252	\$ 83,689	\$ (1,378,034)	\$ 54,558,907	\$ 1,362,613
Long-term liabilities due in more than one year				\$ 53,196,294	
Component Unit Activities					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 5,686,980	\$ -	\$ -	\$ 5,686,980	\$ 535,258
General Obligation Bonds	125,614	-	-	125,614	37,555
Tax notes	560,000	-	-	560,000	370,000
Total Component Unit Activities	\$ 6,372,594	\$ -	\$ -	\$ 6,372,594	\$ 942,813
Long-term liabilities due in more than one year				\$ 5,429,781	

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The business-type long-term debt will be repaid, plus accrued interest, from operating revenues of the utility fund.

Long-term debt for governmental activities at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
Certificates of Obligation			
2014 Certificates of obligation	2.50%	\$ 1,285,000	\$ 795,000
2015 Certificates of obligation	2.50%	3,245,000	2,100,000
2016 Certificates of obligation	2.00%	8,465,000	6,295,000
2020 Certificates of obligation	4.00-5.00%	17,365,000	15,285,000
2021 Certificates of obligation	4.00%	10,800,000	9,525,000
Total Certificates of Obligation		<u>41,160,000</u>	<u>34,000,000</u>
General Obligation Bonds			
2021 General obligation refunding bonds	2.00-4.00%	3,170,000	1,806,430
Tax Notes			
2019 Tax note	2.20%	7,790,000	2,095,000
2022 Tax note	1.90%	6,075,000	5,075,000
Total Tax Notes		<u>13,865,000</u>	<u>7,170,000</u>
Other Liabilities:			
Note payables	Various	4,229,109	3,323,650
Lease liabilities	5.00%	538,755	544,360
Total Governmental Activities		<u>\$ 62,962,864</u>	<u>\$ 46,844,440</u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Long-term debt for business-type activities at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Business-type Activities:			
Certificates of Obligation			
2022 Certificates of Obligation	4.15-6.00%	\$ 19,420,000	\$ 19,210,000
General Obligation Bonds			
2015 General obligation refunding bonds	2.00-4.00%	6,100,000	5,180,000
2021 General obligation refunding bonds	2.00-4.00%	3,170,000	508,569
Total General Obligation Bonds		\$ 9,270,000	\$ 5,688,569
Contractual Obligations - Greater Texoma Utility Authority ("GTUA")			
2018 GTUA	2.35%	14,665,000	14,395,000
2019 GTUA	2.53%	2,255,000	1,670,000
2022 GTUA	3.0-5.0%	13,060,000	12,165,000
Total General Obligation Bonds		\$ 29,980,000	\$ 28,230,000
Other Liabilities:			
Lease liabilities	5.0%	192,224	136,020
Total Business-Type Activities		\$ 58,862,224	\$ 53,264,589
Total Primary Government		\$ 119,251,587	\$ 99,172,521

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,

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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.

Long-term debt for component unit activities at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Component Unit Activities:			
Certificates of Obligation			
2016 Certificates of obligation	2.00%	\$ 8,465,000	\$ 801,980
2021 Certificates of obligation	4.00%	10,800,000	4,885,000
Total Certificates of Obligation		<u>19,265,000</u>	<u>5,686,980</u>
General Obligation Refunding Bonds			
2021 General obligation refunding bond	2.00-4.00%	3,170,000	125,614
Other Liabilities:			
Tax Notes	2.20%	7,790,000	560,000
Total Component Unit Activities		<u>\$ 41,700,000</u>	<u>\$ 6,372,594</u>

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Tax Notes		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 226,291	\$ 56,651	\$ 1,575,000	\$ 126,000	\$ 1,755,000	\$ 1,118,994
2026	230,193	52,086	1,605,000	92,647	1,820,000	1,055,319
2027	230,193	45,180	1,315,000	63,317	1,885,000	993,856
2028	249,701	35,582	1,340,000	38,095	1,945,000	923,834
2029	191,177	26,765	1,335,000	12,683	2,060,000	844,142
2030-2034	678,875	54,934	-	-	11,710,000	2,989,070
2035-2039	-	-	-	-	10,225,000	1,167,874
2040-2043	-	-	-	-	2,600,000	53,397
Total	<u>\$ 1,806,430</u>	<u>\$ 271,198</u>	<u>\$ 7,170,000</u>	<u>\$ 332,742</u>	<u>\$ 34,000,000</u>	<u>\$ 9,146,486</u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Lease Liabilities

Year ending September 30,	Governmental Activities	
	Principal	Interest
2025	\$ 211,707	\$ 21,662
2026	174,757	11,568
2027	87,835	4,712
2028	43,191	1,452
2029	26,870	88
	<u>\$ 544,360</u>	<u>\$ 39,482</u>

The City entered into a lease to finance vehicles/equipment. The property is classified as right-to-use asset with a total carrying value as of yearend for governmental activities of \$560,202.

Notes Payable

Year ending September 30,	Governmental Activities	
	Principal	Interest
2025	\$ 509,053	\$ 91,360
2026	451,628	121,838
2027	351,758	101,596
2028	366,346	87,008
2029	468,478	73,874
2030-2034	1,176,387	124,904
	<u>\$ 3,323,650</u>	<u>\$ 600,580</u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	GTUA Obligations	
	Principal	Interest
2025	\$ 700,000	\$ 810,483
2026	720,000	783,315
2027	755,000	755,051
2028	780,000	725,218
2029	810,000	694,105
2030-2034	4,790,000	3,027,877
2035-2039	5,450,000	2,356,877
2040-2044	6,205,000	1,544,504
2045-2049	6,160,000	742,962
2050-2054	1,860,000	112,800
Total	\$ 28,230,000	\$ 11,553,192

Year ending September 30,	General Obligation Bonds	
	Principal	Interest
2025	\$ 352,708	\$ 203,024
2026	364,807	192,139
2027	374,807	179,520
2028	390,299	165,793
2029	388,823	151,848
2030-2034	2,052,125	542,285
2035-2038	1,765,000	144,381
Total	\$ 5,688,569	\$ 1,578,990

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2025	\$ 220,000	\$ 884,325
2026	240,000	870,525
2027	250,000	855,825
2028	270,000	840,225
2029	370,000	821,025
2030-2034	2,005,000	3,780,975
2035-2039	2,540,000	3,204,875
2040-2044	2,995,000	2,527,003
2045-2049	4,655,000	1,786,929
2050-2052	5,665,000	367,944
Total	\$ 19,210,000	\$ 15,939,651

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Lease Liabilities

Year ending September 30,	Business-Type Activities	
	Principal	Interest
2025	\$ 89,905	\$ 4,693
2026	33,133	1,262
2027	12,982	28
	<u>\$ 136,020</u>	<u>\$ 5,983</u>

The City entered into a lease to finance vehicles/equipment. The property is classified as right-to-use asset with a total carrying value as of yearend for business-type activities of \$151,630.

The annual requirements to amortize component unit activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2025	\$ 535,258	\$ 274,342
2026	279,335	124,656
2027	285,767	119,102
2028	296,895	111,161
2029	304,410	98,947
2030-2034	1,685,160	343,395
2035-2039	1,655,155	148,175
2040-2041	645,000	13,561
Total	<u>\$ 5,686,980</u>	<u>\$ 1,233,339</u>

Year ending September 30,	General Obligation Bonds	
	Principal	Interest
2025	\$ 37,555	\$ 6,876
2026	20,720	2,849
2027	20,720	958
2028	23,310	1,399
2029	23,309	466
Total	<u>\$ 125,614</u>	<u>\$ 12,548</u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Year ending September 30,	Tax Notes	
	Principal	Interest
2025	\$ 370,000	\$ 16,500
2026	190,000	2,090
Total	\$ 560,000	\$ 18,590

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2015 and 2021 general obligation refunding and improvement bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. Current year balances for governmental activities totaled \$55,887 and \$208,576 for business-type activities. Current year amortization expense for governmental activities totaled \$5,589 and \$13,696 for business-type activities.

G. Public Improvement Districts

Special Assessment Revenue bonds are issued by the City for the Public Improvement Districts (PID) and are secured solely from assessment revenues generated by each PID. The City is not obligated in any manner for this special assessment debt but merely acts as the developer's agent in handling the debt service by each PID and forwarding to the Trustee for payment to the bond holders. The Trustee for the bond proceeds were deposited into trust accounts with Regions Bank for the purpose of funding improvements in the projects. Regions Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the Trustee.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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H. Interfund Transactions

Transfers between the primary government funds during the 2024 year were as follows:

Transfers Out:	Transfers In:						Total
	General	Street Projects	Park Projects	Nonmajor Govt.	Water and Sewer	Internal Service	
General	\$ -	\$ -	\$ -	\$ 176,675	\$ 26,408	\$ 1,000,000	\$ 1,203,083
Debt service	-	-	-	-	78,713	-	78,713
TIRZ #1	2,907,608	-	-	-	-	-	2,907,608
Park projects	33,673	-	-	12,000	-	-	45,673
Nonmajor govt.	-	-	62,310	-	-	-	62,310
Water and sewer	-	180,013	-	-	-	1,000,000	1,180,013
Total	\$ 2,941,281	\$ 180,013	\$ 62,310	\$ 188,675	\$ 105,121	\$ 2,000,000	\$ 5,477,400

Transfers from the utility fund were used to fund the operating budget of the general fund and do not relate to specific expenditures that are being reimbursed. Transfers from the general fund to the capital projects fund were made for construction projects.

The compositions of interfund balances as of year end were as follows:

Due from: (Receivable fund)	Due to: (Payable fund)		Total
	General Fund	Nonmajor Governmental	
Nonmajor governmental	\$ 3,186	\$ -	\$ 3,186
Water and sewer	2,143,629	3,415	2,147,044
	\$ 2,146,815	\$ 3,415	\$ 2,150,230

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled with issuance of new debt or the collection of property taxes.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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I. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use. The following is a list of restricted net position of the City:

	Governmental Activities	Business-Type Activities	EDC
Restricted for:			
Debt service	\$ 4,104,077	\$ -	\$ -
TIRZ activities	57,186	-	-
Use of impact fees	9,304,291	10,075,011	-
Capital improvements	21,043,919	-	-
* Public safety	264,858	-	-
Vehicle replacement	2,000,000	-	-
Storm water use	-	1,450,643	-
Economic development	-	-	8,210,162
Municipal development	-	-	-
Total	\$ 36,774,331	\$ 11,525,654	\$ 8,210,162

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Construction Commitments

The government has active construction projects as of September 30, 2024. The projects include street construction and improvements and the construction of additional water lines and repairs. At year end the government's commitments with contractors are as follows:

Government Activities:

Project Description	Project Budget		Remaining Commitment
	Appropriation	Expended to Date	
R30 2ND ST RECON	\$ 3,557,194	3,344,184	\$ 213,010
R35 SAN REMO RECON	466,000	466,000	-
R55 TEAKWOOD DR RECON	1,053,528	1,053,528	-
R45 MYRICK LANE	12,692,226	12,692,226	-
F03 FIRE STATION #2	6,175,038	6,132,290	42,747
P24 JJ BOOK WILSON PARK PH1	2,989,958	2,989,958	-
P32 CALDWELL PARK RR & SS	319,055	292,255	26,800
P36 PARKS & REC FACILITY	3,017,996	3,017,996	-
	<u>\$ 30,270,995</u>	<u>\$ 29,988,438</u>	<u>\$ 282,557</u>

Business-Type Activities:

Project Description	Project Budget		Remaining Commitment
	Appropriation	Expended to Date	
W38 EASTRIDGE BOOSTER STATION	\$ 6,250,000	\$ 1,389,850	\$ 4,860,150
S38 SHEAMAR L WWTR INTERCEPTOR	17,167,420	16,145,327	1,022,093
S40 TICKEY CREEK P1 WWTR INTERCEPTOR	4,217,310	3,853,151	364,159
W19 DOGWOOD PUMP STATION	4,287,210	2,122,195	2,165,015
W40 US 380 UTILITY RELOCATION	3,634,678	-	3,634,678
	<u>\$ 35,556,618</u>	<u>\$ 23,510,523</u>	<u>\$ 12,046,095</u>

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Princeton participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

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 governing body of the city, within the options available in the state statutes governing TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Plan provisions for the City were as follows:

	<u>Plan Year 2022</u>	<u>Plan Year 2023</u>
Employee deposit rate	7.0%	7.0%
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	70% of CPI

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	67
Active employees	159
Total	249

3. Contributions

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

Employees for the City of Princeton were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Princeton were 12.01% and 11.58% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,430,874, the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset 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).

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Real Return	12.0%	8.0%
Real Estate	12.0%	7.6%
Absolute Return	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability 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 Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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%
\$ 4,582,295	\$ 1,574,982	\$ (827,026)

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/22	\$ 13,361,164	\$ 11,827,158	\$ 1,534,006
Changes for the year:			
Service Cost	1,910,117	-	1,910,117
Interest	957,354	-	957,354
Difference between expected and actual experience	643,743	-	643,743
Changes of assumptions	(67,054)	-	(67,054)
Contributions – employer	-	1,278,107	(1,278,107)
Contributions – employee	-	758,843	(758,843)
Net investment income	-	1,375,003	(1,375,003)
Benefit payments, including refunds of emp. contributions	(266,414)	(266,414)	-
Administrative expense	-	(8,708)	8,708
Other changes	-	(61)	61
Net changes	3,177,746	3,136,770	40,976
Balance at 12/31/23	<u>\$ 16,538,910</u>	<u>\$ 14,963,928</u>	<u>\$ 1,574,982</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2024, the City recognized pension expense of \$1,437,435.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 445,070	\$ -
Changes in actuarial assumptions		(50,967)
Investment earnings	252,853	-
Contributions subsequent to the measurement date	1,093,196	-
Total	\$ 1,791,119	\$ (50,967)

The City reported \$1,093,196 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2025	\$ 199,243
2026	160,413
2027	254,241
2028	(49,892)
2025	82,951
Thereafter	-
Total	\$ 646,956

Other Postemployment Benefits

1. Plan Description

The City also participates in a single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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 2024, 2023 and 2022 were \$5,081, \$3,813 and \$2,301, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
 (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.03%	0.03%	100.0%
2023	0.04%	0.04%	100.0%
2024	0.03%	0.03%	100.0%

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	10
Active employees	159
Total	185

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85%, including inflation per year
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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 Tables with Blue Collar Adjustment, 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.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease (2.77%)	Current Single Rate Assumption 3.77%	1% Increase (4.77%)
\$ 191,364	\$ 156,593	\$ 130,059

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/22	\$ 128,442
Changes for the year:	
Service Cost	20,597
Interest	5,531
Difference between expected and actual experience	(953)
Changes of assumptions	7,312
Benefit payments	(4,336)
Net changes	28,151
Balance at 12/31/23	\$ 156,593

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$20,393.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumption changes	\$ -	(29,177)
Difference between expected and actual experience	-	(13,590)
Contributions subsequent to measurement date	19,825	-
Total	\$ 19,825	\$ (42,767)

The City reported \$19,825 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:		
2024	\$	(6,168)
2025		(5,902)
2026		(6,362)
2027		(8,338)
2028		(9,875)
Thereafter		(6,122)
	\$	(42,767)

E. Health Care Coverage

During the year ended September 30, 2024, employees of the City were covered by a health, dental, and vision insurance plans. The City contributed \$688 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$3.42 per month per employee (100% of the cost per employee) for dental insurance and \$6 per month 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.

City of Princeton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

F. 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. Due to these factors, 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 \$3.39 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$5,279,738.

G. Tax Abatement Disclosures

The City enters into economic development agreements designed to promote development within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property base and economic vitality of the City. These programs may abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and the Revenue Sharing Agreement as covered under Texas Tax Code § 321.3022(b), which allows a municipality to request that the State Comptroller provide information related to the amount of sales and use tax paid during the preceding or current calendar year. The City has entered into two incentive agreement and allowed \$180,696 in tax abatements during the year ended September 30, 2024.

H. Restatement

During the year ended September 30, 2024, the City identified and corrected errors related to the prior year's financial statements, resulting in restatements to the general fund and governmental activities.

City of Princeton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

In the prior year, certain capital outlay expenditures were recorded for assets that had not yet been received. As a result, capital outlay expenditures were overstated in the general fund, and capital assets were overstated in governmental activities. This correction reduces both previously reported expenditures and capital assets.

Additionally, a lease agreement was executed in the prior year, but the associated funds had not yet been received by the City. At the fund level, this resulted in the omission of lease proceeds and the related escrow balance, while at the government-wide level, the corresponding lease liability was not recorded. The restatement corrects these omissions by properly recognizing the lease proceeds and escrow balance within the General Fund and recording the lease liability in governmental activities.

The effects of these corrections are reflected as adjustments to the beginning fund balance of the general fund and the beginning net position of governmental activities. A summary of the restatements is presented below:

	<u>Governmental Activities</u>	<u>General</u>
Prior year ending net position/ fund balance, as reported	\$ 136,522,349	6,520,395
To correct for capital outlay	818,771	818,771
To correct capital assets	(818,771)	-
To correct lease proceeds	1,689,356	1,689,356
To correct lease liabilities	(1,689,356)	-
Restated beginning net position/fund balance	<u>\$ 136,522,349</u>	<u>\$ 9,028,522</u>

I. Subsequent Events

In November 2024 the City entered into a note payable agreement in the amount of \$825,312 for the purchase of three police vehicles. The note has an interest rate of 4.97% and a final maturity date of November 2027.

There were no other material subsequent events through April 3, 2025, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Princeton, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 8,223,430	\$ 8,911,617	\$ 8,538,993	\$ (372,624)
Sales tax	3,387,500	3,606,500	4,037,443	430,943
Franchise and local taxes	638,515	698,000	877,872	179,872
License and permits	2,858,200	3,636,797	3,692,494	55,697
Charges for services	5,188,792	4,754,534	5,072,199	317,665
Intergovernmental	551,378	1,188,378	931,007	(257,371)
Fines and forfeitures	306,220	364,340	332,785	(31,555)
Interest income	200,000	800,001	994,069	194,068
Other revenue	356,771	808,065	1,232,530	424,465
Total Revenues	21,710,806	24,768,232	25,709,392	941,160
<u>Expenditures</u>				
Current:				
General government	2,692,694	4,230,922	4,137,591	93,331
Public services and operations	3,273,996	3,391,404	3,513,468	(122,064)
Public works	3,312,094	3,442,035	3,246,698	195,337
Public safety	11,041,942	12,816,440	12,131,590	684,850
Library	370,667	435,494	381,934	53,560
Parks and recreation	245,185	282,325	240,921	41,404
Debt Service:				
Principal	799,141	838,219	776,716	61,503
Interest and fiscal charges	119,588	125,453	161,498	(36,045)
Capital outlay	245,362	385,440	2,710,185	(2,324,745)
Total Expenditures	22,100,669	25,947,732	27,300,601	(1,352,869) *
Revenues Over (Under) Expenditures	(389,863)	(1,179,500)	(1,591,209)	(411,709)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	2,850,109	2,941,281	91,172
Transfers (out)	-	(1,000,000)	(1,203,083)	(203,083) *
Lease issuance	367,362	152,861	278,206	125,345
Note issuance	-	-	884,145	884,145
Total Other Financing Sources (Uses)	367,362	2,002,970	2,900,549	897,579
Net Change in Fund Balance	\$ (22,501)	\$ 823,470	1,309,340	\$ 485,870
Beginning fund balance, as adjusted			9,028,522	
Ending Fund Balance			\$ 10,337,862	

Notes to Required Supplementary Information

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Total expenditures (including transfers out) exceeded appropriations at the legal level of control.

City of Princeton, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT REINVESTMENT ZONES
For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 61,068	\$ 32,370	\$ (28,698)
Investment income	-	13,442	13,442
Total Revenues	<u>61,068</u>	<u>45,812</u>	<u>(15,256)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	(2,907,608)	(2,907,608)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,907,608)</u>	<u>(2,907,608) *</u>
Net Change in Fund Balances	<u>\$ 61,068</u>	<u>(2,861,796)</u>	<u>\$ (2,922,864)</u>
Beginning fund balances		2,918,982	
Ending Fund Balances		<u>\$ 57,186</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

City of Princeton, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total pension liability					
Service cost	\$ 1,910,117	\$ 1,478,135	\$ 1,142,763	\$ 1,061,392	\$ 877,804
Interest	957,354	822,375	711,122	599,821	493,867
Differences between expected and actual experience	643,743	(226,946)	(65,772)	196,597	293,353
Changes of assumptions	(67,054)	-	-	-	37,494
Benefit payments, including refunds of participant contributions	(266,414)	(313,332)	(301,911)	(197,248)	(252,000)
Net change in total pension liability	3,177,746	1,760,232	1,486,202	1,660,562	1,450,518
Total pension liability - beginning	\$ 13,361,164	\$ 11,600,932	\$ 10,114,730	\$ 8,454,168	\$ 7,003,650
Total pension liability - ending (a)	\$ 16,538,910	\$ 13,361,164	\$ 11,600,932	\$ 10,114,730	\$ 8,454,168
Plan fiduciary net position					
Contributions - employer	\$ 1,278,107	\$ 992,965	\$ 740,427	\$ 656,876	\$ 552,995
Contributions - members	758,843	586,562	454,250	427,734	360,177
Net investment income	1,375,003	(833,553)	1,212,612	593,791	958,656
Benefit payments, including refunds of participant contributions	(266,414)	(313,332)	(301,911)	(197,248)	(252,000)
Administrative expenses	(8,708)	(7,197)	(5,606)	(3,839)	(5,418)
Other	(61)	8,587	38	(150)	(160)
Net change in plan fiduciary net position	3,136,770	434,032	2,099,810	1,477,164	1,614,250
Plan fiduciary net position - beginning	11,827,158	11,393,126	9,293,316	7,816,152	6,201,902
Plan fiduciary net position - ending (b)	\$ 14,963,928	\$ 11,827,158	\$ 11,393,126	\$ 9,293,316	\$ 7,816,152
Fund's net pension liability - ending (a) - (b)	\$ 1,574,982	\$ 1,534,006	\$ 207,806	\$ 821,414	\$ 638,016
Plan fiduciary net position as a percentage of the total pension liability	90.48%	88.52%	98.21%	91.88%	92.45%
Covered payroll	\$ 10,840,616	\$ 8,379,453	\$ 6,489,282	\$ 6,110,492	\$ 5,145,390
Fund's net position as a percentage of covered payroll	14.53%	18.31%	3.20%	13.44%	12.40%

Notes to schedule:

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 729,872	\$ 588,068	\$ 422,523	\$ 339,669	\$ 270,343
422,272	365,981	318,863	302,819	281,321
74,525	43,938	94,966	(104,990)	(89,706)
-	-	-	4,858	-
(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
998,732	756,034	636,148	370,813	254,492
<u>\$ 6,004,918</u>	<u>\$ 5,248,884</u>	<u>\$ 4,612,736</u>	<u>\$ 4,241,923</u>	<u>\$ 3,987,431</u>
<u>\$ 7,003,650</u>	<u>\$ 6,004,918</u>	<u>\$ 5,248,884</u>	<u>\$ 4,612,736</u>	<u>\$ 4,241,923</u>
\$ 462,168	\$ 368,823	\$ 264,028	\$ 228,154	\$ 166,531
299,830	242,288	173,775	142,462	127,401
(174,886)	666,064	289,272	6,036	216,789
(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
(3,385)	(3,458)	(3,275)	(3,676)	(2,263)
(177)	(175)	(176)	(182)	(186)
355,613	1,031,589	523,420	201,251	300,806
5,846,289	4,814,700	4,291,280	4,090,029	3,789,223
<u>\$ 6,201,902</u>	<u>\$ 5,846,289</u>	<u>\$ 4,814,700</u>	<u>\$ 4,291,280</u>	<u>\$ 4,090,029</u>
<u><u>\$ 801,748</u></u>	<u><u>\$ 158,629</u></u>	<u><u>\$ 434,184</u></u>	<u><u>\$ 321,456</u></u>	<u><u>\$ 151,894</u></u>
88.55%	97.36%	91.73%	93.03%	96.42%
\$ 4,283,289	\$ 4,899,250	\$ 2,482,506	\$ 2,035,165	\$ 1,820,011
18.72%	3.24%	17.49%	15.80%	8.35%

City of Princeton, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Actuarially determined employer contributions	\$ 1,430,874	\$ 1,202,895	\$ 959,989	\$ 708,530
Contributions in relation to				
the actuarially determined contribution	\$ 1,430,874	\$ 1,202,895	\$ 961,251	\$ 697,566
Contribution deficiency (excess)	\$ -	\$ -	\$ (1,262)	\$ 10,964
Annual covered payroll	\$ 12,701,640	\$ 10,189,285	\$ 8,101,171	\$ 6,209,727
Employer contributions as				
a percentage of covered payroll	11.27%	11.81%	11.87%	11.23%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

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	22 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most

Other Information:

Notes

There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 622,562	\$ 526,669	\$ 441,941	\$ 348,806	\$ 268,209	\$ 245,654
<u>\$ 629,357</u>	<u>\$ 527,057</u>	<u>\$ 441,024</u>	<u>\$ 348,680</u>	<u>\$ 253,725</u>	<u>\$ 253,243</u>
\$ (6,795)	\$ (388)	\$ 917	\$ 126	\$ 14,484	\$ (7,589)
\$ 5,791,275	\$ 4,899,250	\$ 4,095,842	\$ 3,272,097	\$ 2,527,893	\$ 2,168,175
10.87%	10.76%	10.77%	10.66%	10.04%	11.68%

City of Princeton, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended September 30,

	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 20,597	\$ 29,328	\$ 22,712	\$ 18,331
Interest	5,531	3,528	3,354	3,377
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(953)	(5,609)	(8,947)	(1)
Changes of assumptions	7,312	(74,612)	5,818	22,310
Benefit payments, including refunds of participant contributions	(4,336)	(2,514)	(1,947)	(611)
Net change in total OPEB liability	28,151	(49,879)	20,990	43,406
Total OPEB liability - beginning	\$ 128,442	\$ 178,321	\$ 157,331	\$ 113,925
Total OPEB liability - ending	\$ 156,593	\$ 128,442	\$ 178,321	\$ 157,331
 Covered-employee payroll	 \$ 10,840,616	 \$ 8,379,453	 \$ 6,489,282	 \$ 6,110,492
 Total OPEB liability as a percentage of covered-employee payroll	 1.44%	 1.53%	 2.75%	 2.57%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>2020</u>	<u>2019</u>	<u>2018</u>	¹
\$ 11,320	\$ 10,280	\$ 7,269	
3,340	2,987	2,731	
-	-	-	
(5,458)	(6,732)	-	
20,621	(6,592)	7,271	
(515)	(857)	(692)	
<u>29,308</u>	<u>(914)</u>	<u>16,579</u>	
\$ 84,617	\$ 85,531	\$ 68,952	
<u>\$ 113,925</u>	<u>\$ 84,617</u>	<u>\$ 85,531</u>	²
\$ 5,145,390	\$ 4,283,289	\$ 3,461,260	
2.21%	1.98%	2.47%	

City of Princeton, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	33	24	23	21	20	16	15	14	12	11
Number of officers	44	33	29	27	25	24	15	15	12	13
Fire										
Fire Stations	4.0	3.0	3.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Number of firefighters	45	35	25	25	23	18	17	16	9	1
Number of volunteer ff.	-	-	4	8	16	20	24	24	22	24
Streets										
Streets (miles)	180	122	115	113	89	76	61	69	64	28
Number of street lights	2,329	1,610	1,523	1,102	785	608	420	361	309	246
Water/Sewer										
Water lines (miles)	181	143	141	117	102	96	80	69	58.8	30
Sanitary sewer (miles)	251	142	141	111	83	77	60	50	44.8	53

Source: City departments

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.*

**CITY OF PRINCETON, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$55,175,000 ¹

AS BOND COUNSEL FOR THE CITY OF PRINCETON, TEXAS, (the "*Issuer*") in connection with the issuance of the General Obligation Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are

¹ Preliminary, subject to pricing.



determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Certificates, assuming no material changes in facts or law.*

**CITY OF PRINCETON, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$24,705,000 ¹

AS BOND COUNSEL FOR THE CITY OF PRINCETON, TEXAS, (the "*Issuer*") in connection with the issuance of the Certificates of Obligation described above (the "*Certificates*"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no

¹ Preliminary, subject to pricing.



opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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