

**PRINCETON
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

August 31, 2009

PRINCETON INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended August 31, 2009

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PRINCETON INDEPENDENT SCHOOL DISTRICT
 Financial Report
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CERTIFICATE OF BOARD

<u>Princeton Independent School District</u>	<u>Collin</u>	<u>043-911</u>
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (X) approved () disapproved for the year ended August 31, 2009, at a meeting of the Board of School Trustees of such school district on the 17th day of December, 2009.

/s/ John Murray
Signature of Board Secretary

Carol Bodwell
Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of School Trustees
Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Princeton Independent School District, Princeton Texas (the District) as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Princeton Independent School District as of August 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on page 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Pingleton, Howard & Company, P.C.

October 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Princeton Independent School District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$257,738 as a result of this year's operations. Net assets as of August 31, 2009 were \$10,988,217. The District's unrestricted net assets as of August 31, 2009 were \$6,666,298.
- During the year, the District had net expenses (after charges for services & operating grants) of \$24,548,781 that were \$257,738 less than the \$24,806,519 generated in tax, state foundation, investment, and other revenues for governmental programs.
- The General Fund ended this fiscal year with a fund balance of \$7,088,702 compared to \$6,888,369 last fiscal year.
- The resources available for appropriation were \$803,555 more than budgeted (projected) for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA (Texas Education Agency). The sections labeled "TEA Required Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

Government-wide Statements: The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current year's revenues and expenses.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall financial health of the District, one should consider additional non-financial factors such as changes in the District's tax base.

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain taxes and grants.

The District has three kinds of funds:

- **Governmental funds** – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal year. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements (Exhibits C-2 and C-4).
- **Proprietary funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - Internal Service Funds are used to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Funded Worker's Compensation Insurance Fund.

- **Fiduciary funds** - The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District implemented GASB Statement #34 in the year ended August 31, 2002. As a result, the reader will find comparative information concerning the fiscal years ended August 31, 2009 and August 31, 2008.

Net assets. (See Table A-1, below). The District's combined net assets were \$10,988,217 on August 31, 2009, compared to \$10,730,479 at August 31, 2008. Noncurrent liabilities, specifically bonds payable, decreased, as debt was retired in the fiscal year.

**Table A-1
NET ASSETS**

	<u>Governmental Activities</u>		Percentage <u>Change</u>
	<u>August 31, 2009</u>	<u>August 31, 2008</u>	
Current and other assets	\$ 17,705,654	36,331,684	(51.3)%
Capital assets	<u>75,638,066</u>	<u>57,245,383</u>	32.1
Total assets	<u>93,343,720</u>	<u>93,577,067</u>	(0.2)
Current and other liabilities	6,270,242	5,687,938	10.2
Long-term liabilities	<u>76,085,261</u>	<u>77,158,650</u>	(1.4)
Total liabilities	<u>82,355,503</u>	<u>82,846,588</u>	(0.6)
Net Assets:			
Invested in capital assets net of related debt	1,989,970	1,915,482	3.9
Restricted	2,331,949	2,572,109	(9.3)
Unrestricted	<u>6,666,298</u>	<u>6,242,888</u>	6.8
Total net assets	<u>\$ 10,988,217</u>	<u>10,730,479</u>	2.4%

Governmental Activities (See Table A-2, next page)

- Property tax rates increased from the prior year, to \$1.49 per \$100 of taxable value. Because of increased property values, overall tax revenues increased by \$961,265.
- The increase in state funding was due to an increase in student enrollment and to changes in methods of calculating state aid.
- Investment earnings decreased sharply due to declining interest rates and bond proceeds from the previous year being expended for construction.
- Expenses increased 14 percent due to growing student enrollment.

Table A-2
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		Percentage
	<u>August 31, 2009</u>	<u>August 31, 2008</u>	<u>Change</u>
Revenue:			
Program Revenue:			
Charges for services	\$ 886,186	797,501	11.1%
Operating grants and contributions	3,008,807	2,686,912	12.0
General Revenue:			
Property taxes	7,430,632	6,469,367	14.9
State aid - formula grants	16,505,854	15,424,402	7.0
Grants & contributions not restricted	118,693	192,374	(38.3)
Investment earnings	464,583	724,042	(35.8)
Miscellaneous	286,757	306,448	(6.4)
Total revenue	<u>28,701,512</u>	<u>26,601,046</u>	7.9
Expenses:			
Instruction, curriculum and media services	15,001,380	14,000,754	7.1
Instructional and school leadership	1,822,412	1,760,882	3.5
Student support services	1,674,160	1,556,473	7.6
Food services	1,466,589	1,290,973	13.6
Cocurricular activities	1,683,614	1,018,522	65.3
General administration	740,859	681,610	8.7
Plant maintenance, security and data processing	2,426,171	2,235,616	8.5
Community services	56,433	52,618	7.3
Debt services	3,561,291	2,371,162	50.2
Contracted services between schools	10,865	8,146	33.4
Total expenses	<u>28,443,774</u>	<u>24,976,756</u>	13.9%
Change in net assets	257,738	1,624,290	
Net assets at beginning of fiscal year	<u>10,730,479</u>	<u>9,106,189</u>	
Net assets at end of fiscal year	\$ <u>10,988,217</u>	<u>10,730,479</u>	

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was \$28,443,774.
- The amount that our taxpayers paid for these governmental activities through property taxes was \$7,430,632.
- Some of the cost (\$886,186) was paid by those who directly benefitted from the programs, or
- By grants and contributions (\$3,008,807).

**Table A-3
NET COST OF SELECTED DISTRICT FUNCTIONS**

	<u>Total Cost of Services</u>		Percentage <u>Change</u>	<u>Net Cost of Services</u>		Percentage <u>Change</u>
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
Instruction	\$ 14,462,927	13,595,808	6.4%	\$ 12,300,582	11,554,216	6.5%
School administration	1,574,565	1,510,697	4.2	1,501,537	1,449,524	3.6
Plant maintenance & operations	2,379,631	2,210,092	7.7	2,374,293	2,195,186	8.2
Debt service-interest & fiscal charges	\$ 3,561,291	2,371,162	50.2%	\$ 3,561,291	2,371,162	50.2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1, pages 14-15) reported a combined fund balance of \$11,668,233, as compared to a fund balance ending August 31, 2008 of \$30,877,114. The decrease in fund balance is primarily due to a \$19,868,614 decrease in the fund balance of the Capital Projects Fund.

General Fund Budgetary Highlights

During the course of the year, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. General Fund revenues for the fiscal year ended August 31, 2009 exceeded the budget by \$62,615. This was due to local revenues being greater than budget.

Expenditures were under budget by \$538,254. While we had formally budgeted a \$555,859 decrease to fund balance, as a result of expenditures being less than projected our fund balance this year increased to \$7,088,702 from last year's \$6,888,369, an increase of \$200,333. At the end of fiscal year 2008, the ending fund balance of \$6.888 million represented 33.3% of the initial 2008-2009 operating budget. At fiscal year 2009, the ending fund balance of \$7.089 million represented 32.3% of the 2009-2010 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2009, the District had invested \$88,203,428 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4, below.) Additional information on capital assets is contained in Note 4, Section E of the Notes to the Financial Statements.

Table A-4
DISTRICT'S CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2009</u>	<u>2008</u>	
Land	\$ 2,374,736	2,265,616	4.8%
Buildings and improvements	64,211,849	62,404,060	2.9
Furniture & equipment	1,930,305	1,440,596	34.0
Construction in progress	<u>19,686,538</u>	<u>1,953,601</u>	907.7
Total at historical cost	88,203,428	68,063,873	29.6
Total accumulated depreciation	(<u>12,565,362</u>)	(<u>10,818,490</u>)	16.1
Net capital assets	\$ <u>75,638,066</u>	<u>57,245,383</u>	32.1%

At the 2009 year-end, the District had \$77,587,112 in bonded indebtedness outstanding (See Table A-5, below) as compared to \$78,582,294 at the 2008 year-end. Additional information on these items can be found in Note 4, Sections G, H and I of the Notes to the Financial Statements.

Table A-5
DISTRICT'S LONG TERM DEBT

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2009</u>	<u>2008</u>	
Loans payable	\$	100,000	(100.0)%
Lease obligations (at present value)		170,134	(100.0)%
Bonded indebtedness	<u>77,587,112</u>	<u>78,312,160</u>	(0.9)%
Total long term debt	\$ <u>77,587,112</u>	<u>78,582,294</u>	(1.3)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2010 budget and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2010. Amounts available for appropriation in the General Fund budget are \$21,088,310. The District has added no major new programs or initiatives to the 2010 budget.

CONTRACT THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Princeton Independent School District, 321 Panther Parkway, Princeton, Texas.

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BASIC FINANCIAL STATEMENTS

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 15,571,106
1220 Property Taxes Receivable (Delinquent)	780,756
1230 Allowance for Uncollectible Taxes	(39,038)
1240 Due from Other Governments	950,724
1290 Other Receivables, net	108,190
1420 Capitalized Bond and Other Debt Issuance Costs	333,916
Capital Assets:	
1510 Land	2,374,736
1520 Buildings, Net	52,296,760
1530 Furniture and Equipment, Net	1,280,032
1580 Construction in Progress	19,686,538
1000 Total Assets	93,343,720
LIABILITIES	
2110 Accounts Payable	1,612,453
2140 Interest Payable	123,179
2160 Accrued Wages Payable	634,796
2200 Accrued Expenses	934,855
2300 Deferred Revenues	1,463,108
Noncurrent Liabilities	
2501 Due Within One Year	1,501,851
2502 Due in More Than One Year	76,085,261
2000 Total Liabilities	82,355,503
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	1,989,970
3820 Restricted for Federal and State Programs	411
3850 Restricted for Debt Service	2,021,674
3860 Restricted for Capital Projects	309,864
3900 Unrestricted Net Assets	6,666,298
3000 Total Net Assets	\$ 10,988,217

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,462,927	\$ 157,921	\$ 2,004,424	\$ (12,300,582)
12 Instructional Resources and Media Services	508,463	-	22	(508,441)
13 Curriculum and Instructional Staff Development	29,990	-	4,691	(25,299)
21 Instructional Leadership	247,847	-	-	(247,847)
23 School Leadership	1,574,565	-	73,028	(1,501,537)
31 Guidance, Counseling and Evaluation Services	602,848	-	132,731	(470,117)
33 Health Services	279,563	-	-	(279,563)
34 Student (Pupil) Transportation	791,749	-	27,256	(764,493)
35 Food Services	1,466,589	550,709	766,655	(149,225)
36 Extracurricular Activities	1,683,614	162,246	-	(1,521,368)
41 General Administration	740,859	-	-	(740,859)
51 Plant Maintenance and Operations	2,379,631	5,338	-	(2,374,293)
52 Security and Monitoring Services	32,497	-	-	(32,497)
53 Data Processing Services	14,043	-	-	(14,043)
61 Community Services	56,433	9,972	-	(46,461)
72 Debt Service - Interest on Long Term Debt	3,545,531	-	-	(3,545,531)
73 Debt Service - Bond Issuance Cost and Fees	15,760	-	-	(15,760)
91 Contracted Instructional Services Between Schools	10,865	-	-	(10,865)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 28,443,774	\$ 886,186	\$ 3,008,807	(24,548,781)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,184,991
DT	Property Taxes, Levied for Debt Service			2,245,641
SF	State Aid - Formula Grants			16,505,854
GC	Grants and Contributions not Restricted			118,693
IE	Investment Earnings			464,583
MI	Miscellaneous Local and Intermediate Revenue			286,757
TR	Total General Revenues			24,806,519
CN	Change in Net Assets			257,738
NB	Net Assets--Beginning			10,730,479
NE	Net Assets--Ending			\$ 10,988,217

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 8,494,349	\$ 1,668,571	\$ 4,889,980
1220 Property Taxes - Delinquent	597,152	183,604	-
1230 Allowance for Uncollectible Taxes (Credit)	(29,858)	(9,180)	-
1240 Due from Other Governments	505,786	353,103	-
1290 Other Receivables	108,190	-	-
1000 Total Assets	<u>\$ 9,675,619</u>	<u>\$ 2,196,098</u>	<u>\$ 4,889,980</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ -	\$ -	\$ 1,504,146
2160 Accrued Wages Payable	559,632	-	-
2200 Accrued Expenditures	10,318	-	919,930
2300 Deferred Revenues	2,016,967	174,424	-
2000 Total Liabilities	<u>2,586,917</u>	<u>174,424</u>	<u>2,424,076</u>
Fund Balances:			
Reserved For:			
3420 Retirement of Long Term Debt	-	2,021,674	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	5,000,000	-	2,465,904
Unreserved and Undesignated:			
3600 Reported in the General Fund	2,088,702	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>7,088,702</u>	<u>2,021,674</u>	<u>2,465,904</u>
4000 Total Liabilities and Fund Balances	<u>\$ 9,675,619</u>	<u>\$ 2,196,098</u>	<u>\$ 4,889,980</u>

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

Other Funds	Total Governmental Funds
\$ 93,324	\$ 15,146,224
-	780,756
-	(39,038)
91,835	950,724
-	108,190
<u>\$ 185,159</u>	<u>\$ 16,946,856</u>
\$ -	\$ 1,504,146
75,164	634,796
4,607	934,855
13,435	2,204,826
<u>93,206</u>	<u>5,278,623</u>
-	2,021,674
411	411
-	7,465,904
-	2,088,702
91,542	91,542
<u>91,953</u>	<u>11,668,233</u>
<u>\$ 185,159</u>	<u>\$ 16,946,856</u>

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PRINCETON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Total Fund Balances - Governmental Funds	\$	11,668,233
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		316,575
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$68,063,873 and the accumulated depreciation was \$10,818,490. In addition, long-term liabilities, including bonds payable of \$68,919,148, loans payable of \$100,000, and capital leases of \$170,134, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.		(11,943,899)
3 Current year capital outlays of \$20,139,555 and long-term debt principal payments of \$1,239,230 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.		21,378,785
4 Accrued interest payable on long-term debt is not included on the fund financial statements, but is included on the government-wide financial statements. The effect of including the accrued interest payable is to decrease net assets.		(123,179)
5 Accreted interest on capital appreciation bonds is not shown on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accreted interest is to decrease net assets.		(7,587,172)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,746,872)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(974,254)
19 Net Assets of Governmental Activities	\$	10,988,217

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,660,278	\$ 2,309,375	\$ 309,864
5800 State Program Revenues	14,998,558	2,398,104	-
5900 Federal Program Revenues	118,694	-	-
5020 Total Revenues	<u>20,777,530</u>	<u>4,707,479</u>	<u>309,864</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,152,768	-	-
0012 Instructional Resources and Media Services	444,148	-	-
0013 Curriculum and Instructional Staff Development	25,299	-	-
0021 Instructional Leadership	248,751	-	-
0023 School Leadership	1,491,720	-	-
0031 Guidance, Counseling and Evaluation Services	472,828	-	-
0033 Health Services	276,215	-	-
0034 Student (Pupil) Transportation	936,771	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	979,329	-	-
0041 General Administration	715,845	-	-
0051 Facilities Maintenance and Operations	2,353,644	-	-
0052 Security and Monitoring Services	32,497	-	-
0061 Community Services	47,275	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	537,046	702,184	-
0072 Debt Service - Interest on Long Term Debt	30,513	3,602,716	-
0073 Debt Service - Bond Issuance Cost and Fees	-	2,054	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	7,006	-	20,178,478
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	10,865	-	-
6030 Total Expenditures	<u>20,762,520</u>	<u>4,306,954</u>	<u>20,178,478</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,010</u>	<u>400,525</u>	<u>(19,868,614)</u>
OTHER FINANCING SOURCES (USES):			
7913 Capital Leases	266,912	-	-
7915 Transfers In	6,774	-	-
8911 Transfers Out (Use)	(41,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>232,686</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	247,696	400,525	(19,868,614)
0100 Fund Balance - September 1 (Beginning)	6,888,369	1,621,149	22,334,518
1300 Prior Period Adjustment	(47,363)	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,088,702</u>	<u>\$ 2,021,674</u>	<u>\$ 2,465,904</u>

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

Other Funds	Total Governmental Funds
\$ 851,387	\$ 9,130,904
351,538	17,748,200
<u>1,766,460</u>	<u>1,885,154</u>
2,969,385	28,764,258
1,126,378	13,279,146
22	444,170
4,691	29,990
-	248,751
73,028	1,564,748
132,731	605,559
-	276,215
27,256	964,027
1,372,987	1,372,987
255,006	1,234,335
-	715,845
-	2,353,644
-	32,497
-	47,275
-	1,239,230
-	3,633,229
-	2,054
-	20,185,484
-	10,865
<u>2,992,099</u>	<u>48,240,051</u>
<u>(22,714)</u>	<u>(19,475,793)</u>
-	266,912
41,000	47,774
<u>(6,774)</u>	<u>(47,774)</u>
34,226	266,912
11,512	(19,208,881)
33,078	30,877,114
47,363	-
<u>\$ 91,953</u>	<u>\$ 11,668,233</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

Total Net Change in Fund Balances - Governmental Funds	\$ (19,208,881)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	90,907
Current year capital outlays of \$20,139,555 and long-term debt principal payments of \$1,239,230 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.	21,378,785
Accrued interest payable on long-term debt is not included on the fund financial statements, but is included on the government-wide financial statements. The net effect of including accrued interest payable is to increase net assets.	64,834
Accreted interest on capital appreciation bonds is not shown on the fund financial statements, but is shown on the government-wide financial statements. The net effect of showing accreted interest is to decrease net assets.	(48,987)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,746,872)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	(272,048)
Change in Net Assets of Governmental Activities	\$ 257,738

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2009

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 424,882
Total Assets	<u>424,882</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>108,307</u>
Total Liabilities	<u>108,307</u>
NET ASSETS	
Unrestricted Net Assets	<u>316,575</u>
Total Net Assets	<u><u>\$ 316,575</u></u>

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 205,130
Total Operating Revenues	205,130
OPERATING EXPENSES:	
Other Operating Costs	114,758
Total Operating Expenses	114,758
Operating Income	90,372
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	535
Total Nonoperating Revenues (Expenses)	535
Change in Net Assets	90,907
Total Net Assets - September 1 (Beginning)	225,668
Total Net Assets - August 31 (Ending)	\$ 316,575

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

	Governmental Activities -
	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 205,130
Cash Payments for Insurance Claims	(110,634)
Net Cash Provided by Operating Activities	<u>94,496</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>535</u>
Net Increase in Cash and Cash Equivalents	95,031
Cash and Cash Equivalents at Beginning of the Year:	<u>329,851</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 424,882</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income:	\$ 90,372
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>4,124</u>
Net Cash Provided by Operating Activities	<u>\$ 94,496</u>

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2009

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 130,696	\$ 86,615
Total Assets	<u>130,696</u>	<u>\$ 86,615</u>
LIABILITIES		
Due to Student Groups	-	\$ 86,615
Total Liabilities	<u>-</u>	<u>\$ 86,615</u>
NET ASSETS		
Restricted for Scholarships	<u>130,696</u>	
Total Net Assets	<u><u>130,696</u></u>	

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

	Private Purpose Trust Fund
ADDITIONS:	
Earnings from Temporary Deposits &	\$ 1,482
Total Additions	<u>1,482</u>
DEDUCTIONS:	
Other Operating Costs	<u>2,500</u>
Total Deductions	<u>2,500</u>
Change in Net Assets	(1,018)
Total Net Assets - September 1 (Beginning)	<u>131,714</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 130,696</u></u>

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

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Princeton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

fiduciary fund financial statements. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended August 31, 2009
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. **Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded worker's compensation insurance fund.

Fiduciary Funds:

3. **Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that the principal must be held in perpetuity and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are for scholarships.
4. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is for student groups.

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District'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.

2. Due From (To) Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	10
Office equipment	7
Computer equipment	5

4. Vacation and Sick Leave

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Debt Service Fund reserves total \$2,021,674 for retirement of funded indebtedness as of August 31, 2009. A total of \$2,465,904 has been designated for authorized construction programs in the Capital Projects Fund. The Special Revenue Fund reserves total \$411 for Food Service. Unreserved Designated Fund Balance includes \$5,000,000 for future construction projects.

7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by T.E.A. in the *Financial Accountability System Resources Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

9. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

NOTE 2 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 Assets

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this \$(974,254) adjustment are as follows:

Long-term debt:

Issuance of capital leases	\$ (266,912)
Premium on issuance of bonds	(1,782,976)
Issuance costs on bonds	<u>333,916</u>
	<u>(1,715,972)</u>

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	257,507
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>484,211</u>
	<u>741,718</u>

Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(974,254)</u>
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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

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this \$(272,048) adjustment are as follows:

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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 (continued)

Long-term debt:

Issuance of capital leases	\$ (266,912)
Current period amortization	<u>58,145</u>
	<u>(208,767)</u>

Taxes:

To move the current year uncollected tax levy to revenue	257,507
To remove the prior year tax collection from current year revenue	<u>(320,788)</u>
	<u>(63,281)</u>

Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>(272,048)</u>
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NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F-1 and the other two reports are in Exhibit H-4 and H-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the year by the Board of Trustees.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2009 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund	\$ 411
Nonappropriated budget funds	<u>91,542</u>
All Special Revenue Funds	<u>\$ 91,953</u>

B. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

At August 31, 2009, the carrying amount of the District's cash, savings, and time deposits was \$1,130,238. The bank balance was \$1,468,334. The District's combined deposits at August 31, 2009, and during the year ended August 31, 2009 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank First Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 5,168,117.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 5,158,878 and occurred during the month of December.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 250,000.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Lone Star Investment Pool (“LoneStar”), TexStar Investment Pool, and Logic Investment Pool. The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940. Administration of LoneStar, TexStar, and Logic are performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexStar at year end was AAAM by Standards & Poor’s. The credit quality rating for LoneStar and Logic at year end was AAA by Standards & Poor’s.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District’s investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at August 31, 2009, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
Lone Star investment pool	\$ 9,156,352
TexStar investment pool	964,232
Logic investment pool	<u>4,535,195</u>
Total	\$ <u>14,655,779</u>

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2008, upon which the levy for the 2008-09 fiscal year was based, was \$508,817,502. The roll was subsequently increased to a period end assessed value of \$513,480,886. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the year ended August 31, 2009, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.45 per \$100 valuation, respectively, for the total of \$1.49 per \$100 valuation.

Total tax collections for the period ended August 31, 2009 were 100.5% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2009, property taxes receivable, net of estimated uncollectible taxes, totaled \$567,294 and \$174,424 for the General and Debt Service Funds, respectively.

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2009, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 505,786		505,786
Special revenue	5,914	85,921	91,835
Debt service	<u>353,103</u>	_____	<u>353,103</u>
Total	\$ <u>864,803</u>	<u>85,921</u>	<u>950,724</u>

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund Receivables and Payables

There were no interfund balances at August 31, 2009.

E. Capital Assets

Capital asset activity for the period ended August 31, 2009, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Government activities:				
Land	\$ 2,265,616	109,120		2,374,736
Buildings and improvements	62,404,060	1,807,789		64,211,849
Furniture and equipment	1,440,596	489,709		1,930,305
Construction in progress	<u>1,953,601</u>	<u>19,264,937</u>	<u>(1,532,000)</u>	<u>19,686,538</u>
Totals at historical cost	<u>68,063,873</u>	<u>21,671,555</u>	<u>(1,532,000)</u>	<u>88,203,428</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,340,801)	(1,574,288)		(11,915,089)
Furniture and equipment	<u>(477,689)</u>	<u>(172,584)</u>		<u>(650,273)</u>
Total accumulated depreciation	<u>(10,818,490)</u>	<u>(1,746,872)</u>		<u>(12,565,362)</u>
Governmental activities capital assets, net	<u>\$ 57,245,383</u>	<u>19,924,683</u>	<u>(1,532,000)</u>	<u>75,638,066</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,194,398
Instructional resources and media	33,129
School leadership	18,854
Student transportation	158,698
Food services	99,928
Extracurricular activities	211,927
General administration	9,169
Plant maintenance and operations	11,611
Community services	<u>9,158</u>
Total depreciation expense	<u>\$ 1,746,872</u>

F. Construction Commitments

At August 31, 2009, the District had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

-continued-

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Construction Commitments (continued)

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 08/31/09</u>	<u>Amount Retained</u>
Stadium	09/09	\$ 9,830,425	10,485,234	489,586
Multipurpose facility	10/09	4,975,278	4,973,389	232,383
Clark MS gym	10/09	3,475,508	3,393,443	156,978
Lacy ES	10/09	687,509	661,324	30,493
Field House	10/09	\$ 169,620	173,148	8,098

G. Loans Payable

Loans payable activity for the year ended August 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total loans payable	\$ <u>100,000</u>		<u>(100,000)</u>		

On December 7, 1998, the District borrowed funds for the purpose of repair and maintenance of existing buildings, parking lots, and for the purchase of personal property. The effective interest rates on the debt is 5.82%. Interest expense for the current year was \$5,936. This debt was repaid from the General Fund.

H. Capital Leases

Capital leases payable activity for the year ended August 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Buses	\$ <u>170,134</u>	<u>266,912</u>	<u>(437,046)</u>		
Total	\$ <u>170,134</u>	<u>266,912</u>	<u>(437,046)</u>		

On June 17, 2005 , September 15, 2007 and September 1, 2008, the District entered into capital lease agreements for the purchase of buses. Capital lease expenditures for the year were \$461,623 of which \$24,577 represented interest. The effective interest rates ranged from 4.68% - 5.20%. The leases were paid in full from the General Fund.

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PRINCETON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended August 31, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

I. Bonds Payable

Bonds payable activity for the year ended August 31, 2009, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002 School Building	4.70	26,000,000	\$ 4,275,000		(265,000)	4,010,000	360,000
2003 School Building	4.31	4,000,000	3,555,000		(45,000)	3,510,000	45,000
2005 School Building	4.04	1,500,000	1,370,000		(50,000)	1,320,000	
2006 Tax Refunding	4.18	566,688	566,688		(217,184)	349,504	134,656
2007 Building & Refunding	4.59	35,482,553	35,152,553		(125,000)	35,027,553	225,000
2008 School Building	5.00%	\$ 23,999,907	<u>23,999,907</u>			<u>23,999,907</u>	
Subtotal			\$ 68,919,148		(702,184)	68,216,964	764,656
Bond Premium			1,854,827		(71,851)	1,782,976	71,851
Accreted interest			<u>7,538,185</u>	<u>631,803</u>	<u>(582,816)</u>	<u>7,587,172</u>	<u>665,344</u>
Total bonded indebtedness			<u>\$ 78,312,160</u>	<u>631,803</u>	<u>(1,356,851)</u>	<u>77,587,112</u>	<u>1,501,851</u>

General obligation bonds consist of 2002 through 2008 School Building and Refunding Bonds bearing interest at 3.25 - 6.00% per annum. Interest expense for the year on all bonded indebtedness was \$3,602,716.

Debt service requirements for the general obligation bonds are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 764,656	3,598,318	4,362,974
2011	808,488	3,622,161	4,430,649
2012	916,760	3,619,601	4,536,361
2013	1,022,096	3,594,803	4,616,899
2014	1,039,896	3,556,528	4,596,424
2015-2019	5,250,446	18,823,598	24,074,044
2020-2024	11,265,315	14,125,866	25,391,181
2025-2029	15,518,678	12,579,035	28,097,713
2030-2034	15,005,629	11,633,733	26,639,362
2035-2038	<u>16,625,000</u>	<u>1,725,375</u>	<u>18,350,375</u>
Total	<u>\$ 68,216,964</u>	<u>76,879,018</u>	<u>145,095,982</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2009.

PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

J. Defeasance of Debt

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On August 31, 2009, \$21,959,782 of the bonds outstanding are considered defeased.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2009, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

The District has no litigation pending at August 31, 2009. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2009, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

C. Revenues from Local and Intermediate Sources

During the current period, revenues from local and intermediate sources consisted of the following:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Internal Service <u>Fund</u>	Fiduciary <u>Fund</u>	<u>Total</u>
Property taxes	\$ 5,256,086		2,237,673				7,493,759
Food sales		550,709					550,709
Investment income	133,684	1,163	25,903	303,833	535	1,482	466,600
Penalties, interest and other tax related income	129,729		45,799				175,528
Co-curricular student activities	58,479	259,419					317,898
Other	<u>82,300</u>	<u>40,096</u>		<u>6,031</u>	<u>205,130</u>		<u>333,557</u>
Total	\$ <u>5,660,278</u>	<u>851,387</u>	<u>2,309,375</u>	<u>309,864</u>	<u>205,665</u>	<u>1,482</u>	<u>9,338,051</u>

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

D. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net tax revenue	\$ 567,294		174,424	741,718
State revenue	1,449,673			1,449,673
Advanced placement incentives		2,286		2,286
Technology allotment	<u> </u>	<u>11,149</u>	<u> </u>	<u>11,149</u>
Total	\$ <u>2,016,967</u>	<u>13,435</u>	<u>174,424</u>	<u>2,204,826</u>

E. Health Care Coverage

For the year ended August 31, 2009, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$225, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2008, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. Pension Plan Obligations

1. Teacher Retirement System of Texas

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2007, 2008 and 2009 and a state contribution rate of 6.0% for fiscal years 2007 and 2008 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal years 2007 and 2008 and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2007, 2008 and 2009 were \$705,496, \$792,981, and \$857,876, respectively. The District paid additional state contributions for the years ended August 31, 2007, 2008 and 2009 in the amount of \$86,518, \$123,996, and \$157,464, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

G. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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PRINCETON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended August 31, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2007, 2008, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2007, 2008, and 2009, the State's contributions to TRS-Care were \$124,026, \$131,289, and \$144,928, respectively, the active member contributions were \$80,617, \$85,342, and \$94,207, respectively, and the school district's contributions were \$68,214, \$72,209, and \$79,711, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2009 is estimated by TRS at \$32,932.

H. Workers' Compensation Insurance

For its workers' compensation insurance, the District is a participant in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool. The District pays premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding \$225,000. At August 31, 2009, the District's unpaid claims total \$108,307 including incurred but not reported (IBNR) claims of \$60,391, estimated. The District has reported the unpaid claims as a liability in the Internal Service Fund.

Changes in the balances of claims liability amounts in fiscal years 2008 and 2009 are as follows:

	<u>2008</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 156,650	104,183
Incurred claims (including IBNR)	(9,745)	51,605
Claim payments	<u>(42,722)</u>	<u>(47,481)</u>
Unpaid claims, end of year	<u>\$ 104,183</u>	<u>108,307</u>

NOTE 6 ARBITRAGE COMPLIANCE

The District is monitoring its compliance with Federal arbitrage regulations. As of August 31, 2009, the District is in compliance with Federal regulations and the District has no liability for arbitrage rebates.

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PRINCETON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended August 31, 2009
-continued-

NOTE 7 RESTATEMENT OF BEGINNING FUND BALANCE

Fund balances at August 31, 2008, have been restated to record Campus Activity Funds as a Special Revenue Fund rather than part of the General Fund as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund balance at August 31, 2008 as previously reported	\$ 6,888,369	33,078
Restatement	<u>(47,363)</u>	<u>47,363</u>
Fund balance at August 31, 2008 as restated	\$ <u>6,841,006</u>	<u>80,441</u>

REQUIRED SUPPLEMENTARY INFORMATION

PRINCETON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,401,478	\$ 5,401,478	\$ 5,660,278	\$ 258,800
5800 State Program Revenues	15,023,437	15,023,437	14,998,558	(24,879)
5900 Federal Program Revenues	290,000	290,000	118,694	(171,306)
5020 Total Revenues	20,714,915	20,714,915	20,777,530	62,615
EXPENDITURES:				
Current:				
0011 Instruction	12,353,196	12,317,946	12,152,768	165,178
0012 Instructional Resources and Media Services	428,149	465,449	444,148	21,301
0013 Curriculum and Instructional Staff Development	38,500	40,500	25,299	15,201
0021 Instructional Leadership	264,257	264,257	248,751	15,506
0023 School Leadership	1,521,530	1,563,830	1,491,720	72,110
0031 Guidance, Counseling and Evaluation Services	499,909	502,709	472,828	29,881
0033 Health Services	279,252	283,552	276,215	7,337
0034 Student (Pupil) Transportation	807,353	820,353	936,771	(116,418)
0036 Extracurricular Activities	859,519	1,035,769	979,329	56,440
0041 General Administration	751,399	752,399	715,845	36,554
0051 Facilities Maintenance and Operations	2,552,241	2,564,041	2,353,644	210,397
0052 Security and Monitoring Services	41,397	42,397	32,497	9,900
0061 Community Services	53,952	53,952	47,275	6,677
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	250,320	537,500	537,046	454
0072 Debt Service - Interest on Long Term Debt	-	36,820	30,513	6,307
0073 Debt Service - Bond Issuance Cost and Fees	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	7,100	7,006	94
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	8,200	11,200	10,865	335
6030 Total Expenditures	20,709,174	21,300,774	20,762,520	538,254
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,741	(585,859)	15,010	600,869
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	-	266,912	266,912
7915 Transfers In	-	-	6,774	6,774
8911 Transfers Out (Use)	-	30,000	(41,000)	(71,000)
7080 Total Other Financing Sources (Uses)	-	30,000	232,686	202,686
1200 Net Change in Fund Balances	5,741	(555,859)	247,696	803,555
0100 Fund Balance - September 1 (Beginning)	6,888,369	6,888,369	6,888,369	-
1300 Prior Period Adjustment	(47,363)	(47,363)	(47,363)	-
3000 Fund Balance - August 31 (Ending)	\$ 6,846,747	\$ 6,285,147	\$ 7,088,702	\$ 803,555

COMBINING STATEMENTS

PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS			
1110	\$ -	\$ -	\$ -
1240	-	15,106	28,659
1000	<u>\$ -</u>	<u>\$ 15,106</u>	<u>\$ 28,659</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2160	\$ -	\$ 13,994	\$ 26,192
2200	-	1,112	2,467
2300	-	-	-
2000	<u>-</u>	<u>15,106</u>	<u>28,659</u>
Fund Balances:			
Reserved For:			
3450	-	-	-
Unreserved and Undesignated:			
3610	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ -</u>	<u>\$ 15,106</u>	<u>\$ 28,659</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
\$ -	\$ 20,878	\$ (2,845)	\$ -	\$ -	\$ -	\$ (27,256)	\$ -
679	-	2,845	-	-	1,822	27,256	834
<u>\$ 679</u>	<u>\$ 20,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,822</u>	<u>\$ -</u>	<u>\$ 834</u>
\$ 621	\$ 20,090	\$ -	\$ -	\$ -	\$ 1,665	\$ -	\$ 818
58	377	-	-	-	157	-	16
-	-	-	-	-	-	-	-
679	20,467	-	-	-	1,822	-	834
-	411	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	411	-	-	-	-	-	-
<u>\$ 679</u>	<u>\$ 20,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,822</u>	<u>\$ -</u>	<u>\$ 834</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	285 ESEA I,A Improving Basic Program	289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 2,286
1240	Due from Other Governments	8,720	-	-	-
1000	Total Assets	<u>\$ 8,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,286</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 8,562	\$ -	\$ -	\$ -
2200	Accrued Expenditures	158	-	-	-
2300	Deferred Revenues	-	-	-	2,286
2000	Total Liabilities	<u>8,720</u>	<u>-</u>	<u>-</u>	<u>2,286</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 8,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,286</u>

401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	424 School Leadership Pilot Program	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 Local Scholarship Fund
\$ (854)	\$ (1,576)	\$ 23,176	\$ -	\$ -	\$ -	\$ 52,276	\$ 2,586
854	5,060	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,484</u>	<u>\$ 23,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,276</u>	<u>\$ 2,586</u>
\$ -	\$ 3,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	262	-	-	-	-	-	-
-	-	11,149	-	-	-	-	-
<u>-</u>	<u>3,484</u>	<u>11,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	12,027	-	-	-	52,276	2,586
<u>-</u>	<u>-</u>	<u>12,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,276</u>	<u>2,586</u>
<u>\$ -</u>	<u>\$ 3,484</u>	<u>\$ 23,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,276</u>	<u>\$ 2,586</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 24,653	\$ 93,324
1240 Due from Other Governments	-	91,835
1000 Total Assets	<u>\$ 24,653</u>	<u>\$ 185,159</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2160 Accrued Wages Payable	\$ -	\$ 75,164
2200 Accrued Expenditures	-	4,607
2300 Deferred Revenues	-	13,435
2000 Total Liabilities	<u>-</u>	<u>93,206</u>
Fund Balances:		
Reserved For:		
3450 Food Service	-	411
Unreserved and Undesignated:		
3610 Reported in Special Revenue Funds	24,653	91,542
3000 Total Fund Balances	<u>24,653</u>	<u>91,953</u>
4000 Total Liabilities and Fund Balances	<u>\$ 24,653</u>	<u>\$ 185,159</u>

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PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	6,811	301,241	510,133
5020 Total Revenues	<u>6,811</u>	<u>301,241</u>	<u>510,133</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,811	301,241	377,402
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	132,731
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
6030 Total Expenditures	<u>6,811</u>	<u>301,241</u>	<u>510,133</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
1300 Prior Period Adjustment	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
\$ -	\$ 551,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,833	-	-	-	-	-	-
9,925	758,821	28,619	77,719	2,772	31,403	27,256	834
9,925	1,318,390	28,619	77,719	2,772	31,403	27,256	834
9,925	-	28,619	-	2,772	31,403	-	834
-	-	-	-	-	-	-	-
-	-	-	4,691	-	-	-	-
-	-	-	73,028	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	27,256	-
-	1,372,987	-	-	-	-	-	-
-	-	-	-	-	-	-	-
9,925	1,372,987	28,619	77,719	2,772	31,403	27,256	834
-	(54,597)	-	-	-	-	-	-
-	41,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	41,000	-	-	-	-	-	-
-	(13,597)	-	-	-	-	-	-
-	14,008	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	285 ESEA I,A Improving Basic Program	289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	3,840	1,152
5900	Federal Program Revenues	8,720	2,206	-
5020	Total Revenues	<u>8,720</u>	<u>2,206</u>	<u>3,840</u>
EXPENDITURES:				
Current:				
0011	Instruction	8,720	2,206	3,840
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
6030	Total Expenditures	<u>8,720</u>	<u>2,206</u>	<u>3,840</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
1300	Prior Period Adjustment	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	424 School Leadership Pilot Program	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 Local Scholarship Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,419	\$ 25,096
8,538	50,603	76,859	4,000	198,691	22	-	-
-	-	-	-	-	-	-	-
8,538	50,603	76,859	4,000	198,691	22	259,419	25,096
8,538	50,603	69,865	4,000	195,397	-	-	23,050
-	-	-	-	-	22	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	254,506	-
8,538	50,603	69,865	4,000	195,397	22	254,506	23,050
-	-	6,994	-	3,294	-	4,913	2,046
-	-	-	-	-	-	-	-
-	-	-	-	(6,774)	-	-	-
-	-	-	-	(6,774)	-	-	-
-	-	6,994	-	(3,480)	-	4,913	2,046
-	-	5,033	-	3,480	-	-	540
-	-	-	-	-	-	47,363	-
\$ -	\$ -	\$ 12,027	\$ -	\$ -	\$ -	\$ 52,276	\$ 2,586

PRINCETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 15,136	\$ 851,387
5800 State Program Revenues	-	351,538
5900 Federal Program Revenues	-	1,766,460
5020 Total Revenues	<u>15,136</u>	<u>2,969,385</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	1,126,378
0012 Instructional Resources and Media Services	-	22
0013 Curriculum and Instructional Staff Development	-	4,691
0023 School Leadership	-	73,028
0031 Guidance, Counseling and Evaluation Services	-	132,731
0034 Student (Pupil) Transportation	-	27,256
0035 Food Services	-	1,372,987
0036 Extracurricular Activities	500	255,006
6030 Total Expenditures	<u>500</u>	<u>2,992,099</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,636</u>	<u>(22,714)</u>
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	41,000
8911 Transfers Out (Use)	-	(6,774)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>34,226</u>
1200 Net Change in Fund Balance	14,636	11,512
0100 Fund Balance - September 1 (Beginning)	10,017	33,078
1300 Prior Period Adjustment	-	47,363
3000 Fund Balance - August 31 (Ending)	<u>\$ 24,653</u>	<u>\$ 91,953</u>

REQUIRED T.E.A. SCHEDULES

PRINCETON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2008

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.242507	0.066296	225,339,690
2002	1.300000	0.200000	258,776,765
2003	1.330000	0.390000	298,324,971
2004	1.360000	0.331100	304,150,753
2005	1.420000	0.327760	333,948,531
2006	1.420000	0.327760	364,199,803
2007	1.299000	0.292400	425,501,068
2008	1.040000	0.328700	477,535,106
2009 (School year under audit)	1.040000	0.450000	496,244,094
1000 TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 57,956	\$ -	\$ 1,035	\$ 383	\$ (4,488)	\$ 52,050
24,855	-	665	35	(119)	24,036
43,110	-	456	70	(7,898)	34,686
48,124	-	992	291	(1,810)	45,031
46,663	-	3,183	775	(3,626)	39,079
63,321	-	6,748	1,558	(1,221)	53,794
87,501	-	11,292	2,606	(2,488)	71,115
171,228	-	72,690	16,362	(2,414)	79,762
304,610	-	141,987	44,876	(7,604)	110,143
-	7,394,037	5,017,064	2,170,845	64,932	271,060
<u>\$ 847,368</u>	<u>\$ 7,394,037</u>	<u>\$ 5,256,112</u>	<u>\$ 2,237,801</u>	<u>\$ 33,264</u>	<u>\$ 780,756</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2009

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 229,171	\$ 261,853	\$ -	\$ -	\$ 491,024
6149	Leave for Separating Employees in Fn 41 & 53	-	-	2,000	4,000	-	-	6,000
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	8,354	-	-	-	8,354
6212	Audit Services	-	-	-	23,000	-	-	23,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	57,702	-	-	-	-	57,702
621X	Other Professional Services	7,492	5,792	19,482	-	-	-	32,766
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	8,376	-	-	-	8,376
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	14,757	-	-	-	14,757
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,030	-	1,254	16,229	-	-	21,513
6410	Travel, Subsistence, Stipends	3,568	-	6,746	7,666	-	-	17,980
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	5,711	-	-	-	-	-	5,711
6490	Miscellaneous Operating	4,561	-	-	24,101	-	-	28,662
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 25,362	\$ 63,494	\$ 290,140	\$ 336,849	\$ -	\$ -	\$ 715,845

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 23,754,619

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	335,271
Total Debt & Lease(6500)	(11)	567,559
Plant Maintenance (Function 51, 6100-6400)	(12)	2,353,644
Food (Function 35, 6341 and 6499)	(13)	749,547
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		336,849

SubTotal:

4,342,870

Net Allowed Direct Cost

\$ 19,411,749

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	64,211,849
Historical Cost of Building over 50 years old	(16) \$	-
Amount of Federal Money in Building Cost (Net of #16)	(17) \$	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$	1,930,305
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	12,000
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$	-

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

PRINCETON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,088,702
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	5,000,000	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	1,828,074	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	314,192	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>7,142,266</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (53,564)</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 643,000	\$ 643,000	\$ 551,736	\$ (91,264)
5800 State Program Revenues	9,000	9,000	7,833	(1,167)
5900 Federal Program Revenues	654,548	654,548	758,821	104,273
5020 Total Revenues	1,306,548	1,306,548	1,318,390	11,842
EXPENDITURES:				
0035 Food Services	1,303,219	1,336,548	1,372,987	(36,439)
6030 Total Expenditures	1,303,219	1,336,548	1,372,987	(36,439)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	3,329	(30,000)	(54,597)	(24,597)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	(30,000)	41,000	71,000
7080 Total Other Financing Sources (Uses)	-	(30,000)	41,000	71,000
1200 Net Change in Fund Balances	3,329	(60,000)	(13,597)	46,403
0100 Fund Balance - September 1 (Beginning)	14,008	14,008	14,008	-
3000 Fund Balance - August 31 (Ending)	\$ 17,337	\$ (45,992)	\$ 411	\$ 46,403

PRINCETON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,233,957	\$ 2,233,957	\$ 2,309,375	\$ 75,418
5800 State Program Revenues	1,509,258	1,509,258	2,398,104	888,846
5020 Total Revenues	3,743,215	3,743,215	4,707,479	964,264
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	702,184	702,184	702,184	-
0072 Debt Service - Interest on Long Term Debt	3,706,420	3,706,420	3,602,716	103,704
0073 Debt Service - Bond Issuance Cost and Fees	5,000	5,000	2,054	2,946
6030 Total Expenditures	4,413,604	4,413,604	4,306,954	106,650
1200 Net Change in Fund Balances	(670,389)	(670,389)	400,525	1,070,914
0100 Fund Balance - September 1 (Beginning)	1,621,149	1,621,149	1,621,149	-
3000 Fund Balance - August 31 (Ending)	\$ 950,760	\$ 950,760	\$ 2,021,674	\$ 1,070,914

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

Members of the Board:

We have audited the basic financial statements of Princeton Independent School District, Princeton, Texas, as of and for the year ended August 31, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Princeton Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of Princeton Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Princeton Independent School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

Compliance

As part of obtaining reasonable assurance about whether Princeton Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 09-1.

This report is intended for the information of the District's trustees, the audit committee, the administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

October 30, 2009

PINGLETON, HOWARD & COMPANY, P. C.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

Members of the Board:

Compliance

We have audited the compliance of the Princeton Independent School District, Princeton, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. Princeton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Princeton Independent School District's management. Our responsibility is to express an opinion on Princeton Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Princeton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Princeton Independent School District's compliance with those requirements.

In our opinion Princeton Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The administration of Princeton Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Princeton Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended for the information of the District's trustees, audit committee, administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

October 30, 2009

PRINCETON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For Year Ended August 31, 2009

<u>Program</u>	<u>Description</u>
Type of Report on Financial Statements	Unqualified
Control Deficiencies 09-1	The District over-expended the budget in one function in the General Fund and one function in the Food Service Fund.
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$500,000
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.
Major Federal Programs	National School Breakfast and Lunch Program 10.555 Donated Commodities 10.550
Pass-through Entity	Texas Education Agency

PRINCETON INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For Year Ended August 31, 2009

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
08-1 Budget	This finding has not been corrected.

PRINCETON INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan
For Year Ended August 31, 2009

Program

Corrective Action Plan

09-1 Budget

Function 34

This function was over budget because the District entered into a lease agreement for buses. In the future we will budget the purchase price of this item in both revenues and expenditures.

Function 35

This function was over budget because of unexpected food cost increases for the August cafeteria openings. In the future, the Deputy Superintendent will meet with the Food Service Director to get her input on food cost adjustments before the final budget amendment of the year.

Contact Person: Mr. Danny Folk
Deputy Superintendent

PRINCETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041		\$ 107,490
Total Direct Programs			\$ 107,490
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	9610101043911	\$ 286,134
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101043911	15,107
Total CFDA Number 84.010A			301,241
IDEA - Part B, Formula	84.027	9660001043911	481,474
IDEA - Part B, Formula	84.027	10660001043911	28,659
Total CFDA Number 84.027			510,133
Career and Technical - Basic Grant	84.048	9420006043911	28,619
IDEA - Part B, Preschool	84.173	9661001043911	9,246
IDEA - Part B, Preschool	84.173	10661001043911	679
Total CFDA Number 84.173			9,925
ESEA Title IV - Safe and Drug-Free Schools	84.186A	9691001043911	6,811
Title II, Part D -Enhancing Ed. Through Technology	84.318	9630001043911	2,772
Title III, Part A - English Language Acquisition	84.365A	9671001043911	29,581
Title III, Part A - English Language Acquisition	84.365A	10671001043911	1,822
Total CFDA Number 84.365A			31,403
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	9694501043911	77,719
Summer School LEP	84.369A	9955050243911	2,206
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551001043911	8,720
IDEA, Part B, Formula - ARRA	84.391	10554001043911	27,256
IDEA, Part B, Preschool - ARRA	84.392	10555001043911	834
Total Passed Through State Department of Education			\$ 1,007,639
TOTAL DEPARTMENT OF EDUCATION			\$ 1,115,129
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Human Services</u>			
Donated Commodities	10.550		\$ 58,742
Total Passed Through State Department of Human Services			\$ 58,742
<u>Passed Through State Department of Education</u>			
National School Breakfast and Lunch Program	10.555		\$ 700,079
Watershed Protection and Flood Control	10.904		11,204
Total Passed Through State Department of Education			\$ 711,283
TOTAL DEPARTMENT OF AGRICULTURE			\$ 770,025
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,885,154

*Clustered Programs as required by Compliance Supplement March, 2009