

**CITY OF PRINCETON
Mille Lacs County and
Sherburne County, Minnesota**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

CITY OF PRINCETON

TABLE OF CONTENTS

ELECTED OFFICIALS AND ADMINISTRATION.....	1	
INDEPENDENT AUDITOR’S REPORT	2	
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Assets	16	
Statement of Activities.....	17	
Fund Financial Statements:		
Balance Sheet – Governmental Funds	18	
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds.....	19	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	21	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22	
Statement of Net Assets – Proprietary Funds	23	
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24	
Statement of Cash Flows – Proprietary Funds.....	25	
Notes to the Financial Statements.....	27	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Funding Progress – Other Post Employment Benefits	60	
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – Nonmajor Governmental Funds.....	62	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	72	
Balance Sheet – Economic Development Authority Component Unit.....	82	
Statement of Revenues, Expenditures and Changes in Fund Balances – Economic Development Authority Component Unit	83	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	84	
Schedule of Expenditures of Federal Awards.....	87	
Note to the Schedule of Expenditures of Federal Awards.....	88	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		89

CITY OF PRINCETON

TABLE OF CONTENTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB *CIRCULAR A-133* 91**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE
WITH OMB *CIRCULAR A-133* 93**

REPORT ON LEGAL COMPLIANCE 97

SCHEDULE OF FINDINGS AND RESPONSES ON LEGAL COMPLIANCE..... 98

CITY OF PRINCETON

**ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2011**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Jeremy Riddle	Mayor	December 31, 2012
Dick Dobson	Council Member	December 31, 2012
Victoria Hallin	Council Member	December 31, 2012
Thom Walker	Council Member	December 31, 2014
Paul Whitcomb	Council Member	December 31, 2014
<u>Administration</u>		
Mark Karnowski	City Administrator	
Steven L. Jackson	Finance Director	
Katie Hunter	City Clerk	
Karen Hodge	Finance Clerk	



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Economic Development Authority discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Princeton, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Princeton Public Utilities Commission, which represent 100% of the assets and revenues of the discretely presented component unit column. These statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Princeton Public Utilities Commission, is based solely upon the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Princeton, Minnesota, as of December 31, 2011, and the respective changes in financial position and cash flows and where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 60, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the 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 (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
June 14, 2012

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

As management of the City of Princeton (the "City"), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the recent year by \$ 25,931,949 (net assets) which is a decrease of \$ 278,085 (1.06%), including a change in accounting principle of \$ 52,437, over the December 31, 2010 amount. Of this amount, \$ 8,048,132 for 2011 and \$ 4,951,361 for 2010 were unrestricted net assets available to be used to meet the City's ongoing obligations to citizens and creditors.
- Of the City's total net assets decrease of \$ 278,085 during the year 2011, only \$ 12,322 of this decrease came from the governmental funds. The majority of the remainder of the decrease, \$ 213,326, came from the proprietary funds, primarily the result of losses in the Sewer Fund and the Airport Fund. There was also a change in accounting principle in the reporting of the Economic Development Authority from a blended component unit to a discretely reported component unit that resulted in a reduction of \$ 52,437 in the beginning net assets of the governmental funds.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 7,379,772, an increase of \$ 243,407 (net of the effect of the change in accounting principle referred to above) from the prior year. This was primarily due to increases in net assets in the Capital Improvements Fund and the General Fund.
- At the end of the current year, all but \$ 65,415 of the General Fund fund balance of \$ 2,010,518 was unassigned.
- The City's total bonded debt increased by \$ 14,452,000 (222.85%) during the current year. This resulted from the issuance of a \$ 15,120,000 bond issue to fund the construction phase of the Wastewater Treatment Facility and payments of current maturities during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may be useful to indicate if the financial position of the City is improving or deteriorating.

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

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, economic development, park and recreation and cemetery. The business-type activities of the City include a liquor store, sanitary sewer system and municipal airport.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Public Utilities Commission, which is a legally separate entity that operates a water system and an electric generation and distribution system. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 of this report.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 1 year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 53 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Capital Project Fund (Capital Improvements) both of which are presented as major funds. Data from 51 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Data for the Economic Development Authority is presented as a discretely presented component unit of the City.

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

The City adopts an annual appropriated budget for its General Fund and the Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds. There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to accounts for its liquor store, sanitary sewer and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City does not use internal service funds to allocate internal costs.

The proprietary fund financial statements provide separate information for the liquor store, sanitary sewer and airport all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City does not maintain funds of this type.

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

The Notes to the Financial Statements can be found on pages 27-57 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 60 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 62-86 of this report.

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities (net assets) by \$ 25,931,950 at the close of the most recent year.

City of Princeton's Net Assets

	Governmental Activities	Business-Type Activities	Total 12/31/11	Total 12/31/10
Current and Other Assets	\$ 9,010,452	\$ 12,519,357	\$ 21,529,809	\$ 11,377,742
Capital Assets	9,575,539	17,716,419	27,291,958	22,442,039
Total Assets	<u>\$ 18,585,991</u>	<u>\$ 30,235,776</u>	<u>\$ 48,821,767</u>	<u>\$ 33,819,781</u>
Long-Term Liabilities				
Outstanding	\$ 2,525,986	\$ 17,967,751	\$ 20,493,737	\$ 5,942,158
Other Liabilities	782,838	1,613,242	2,396,080	1,667,588
Total Liabilities	<u>3,308,824</u>	<u>19,580,993</u>	<u>22,889,817</u>	<u>7,609,746</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	7,939,586	7,750,555	14,524,094	17,344,047
Restricted	3,359,724	-	3,359,724	3,914,627
Unrestricted	3,977,857	2,904,228	8,048,132	4,951,361
Total Net Assets	<u>\$ 15,277,167</u>	<u>\$ 10,654,783</u>	<u>\$ 25,931,950</u>	<u>\$26,210,035</u>

By far, the largest portion (56.01%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment net of depreciation) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources. Since the capital assets themselves are needed to provide services, they cannot be used to liquidate these liabilities.

An additional 12.96% of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 8,048,132) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

City of Princeton's Change in Net Assets

	Governmental Activities	Business-type Activities	Total 12/31/2011	Total 12/31/2010
Revenue:				
Program Revenues:				
Charges for Services	\$ 563,360	\$ 3,393,537	\$ 3,956,897	\$ 4,211,464
Operating Grants and Contributions	144,919	-	144,919	262,376
Capital Grants and Contributions	187,590	46,567	234,157	1,166,902
General Revenues:				
Property Taxes	2,037,678	-	2,037,678	2,135,448
Tax Increments	114,195	-	114,195	141,175
Intergovernmental	604,112	-	604,112	593,142
PUC Payment in Lieu of Taxes	52,500	-	52,500	52,500
Other Revenue	3,837	-	3,837	1,459
Gain on Sale of Asset	12,427	-	12,427	-
Investment Income	60,342	32,123	92,465	171,221
Total Revenues	<u>3,780,960</u>	<u>3,472,227</u>	<u>7,253,187</u>	<u>8,735,687</u>
Expenses:				
General Government	623,250	-	623,250	643,809
Public Safety	1,488,082	-	1,488,082	1,496,218
Cemetery	29,637	-	29,637	33,267
Public Works	889,917	-	889,917	981,758
Culture and Recreation	343,928	-	343,928	325,737
Economic Development	287,119	-	287,119	1,217,913
Interest on Long-Term Debt	98,349	-	98,349	115,876
Water	-	67,705	67,705	132,433
Sewer	-	1,001,443	1,001,443	690,128
Municipal Liquor	-	2,402,518	2,402,518	2,354,359
Airport	-	246,887	246,887	193,385
Total Expenses	<u>3,760,282</u>	<u>3,718,553</u>	<u>7,478,835</u>	<u>8,184,883</u>
Change in Net Assets before				
Transfers	20,678	(246,326)	(225,648)	550,804
Transfers	(33,000)	33,000	-	-
Change in Net Assets	<u>(12,322)</u>	<u>(213,326)</u>	<u>(225,648)</u>	<u>550,804</u>
Net Assets January 1	<u>15,341,926</u>	<u>10,868,109</u>	<u>26,210,035</u>	<u>25,659,231</u>
Change in Accounting Principle	(52,437)	-	(52,437)	-
Net Assets January 1, Restated	<u>15,289,489</u>	<u>10,868,109</u>	<u>26,157,598</u>	<u>25,659,231</u>
Net Assets December 31	<u>\$ 15,277,167</u>	<u>\$ 10,654,783</u>	<u>\$ 25,931,950</u>	<u>\$ 26,210,035</u>

There was a decrease of \$ 278,085 in the City's net assets during the current year, including a change in accounting principle. The majority of this decrease (76.7%) resulted from the business-type (enterprise) funds operations, primarily from net losses in the airport and sewer funds. A portion of the remainder of the decrease (4.4%) was due to a decrease in the net assets in the governmental funds, and the primary reasons for this decrease were depreciation of assets, along with spending of previously accumulated program income in the Neighborhood Stabilization Program fund along and a decrease in interest revenue on investments. The remainder of the decrease (18.9%) was due to a change in accounting principle in the reporting of the Economic Development Authority from a blended component unit to a discretely reported component unit, which resulted in a reduction in the beginning net assets of the governmental funds.

CITY OF PRINCETON

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

Governmental Activities. Governmental activities decreased the City's net assets by \$ 64,759, which represented 23.3% of the total reduction in the net assets of the City. This decrease resulted from a combination of a reduction in interest revenue on investments and depreciation of assets, and spending of Department of Housing and Urban Development grant receipts for dealing with housing foreclosures and vacancies and grant money for radiological emergency preparedness. However, the primary factor in the decrease of governmental activities (83.6% of the decrease) was due to the change in accounting principle discussed previously.

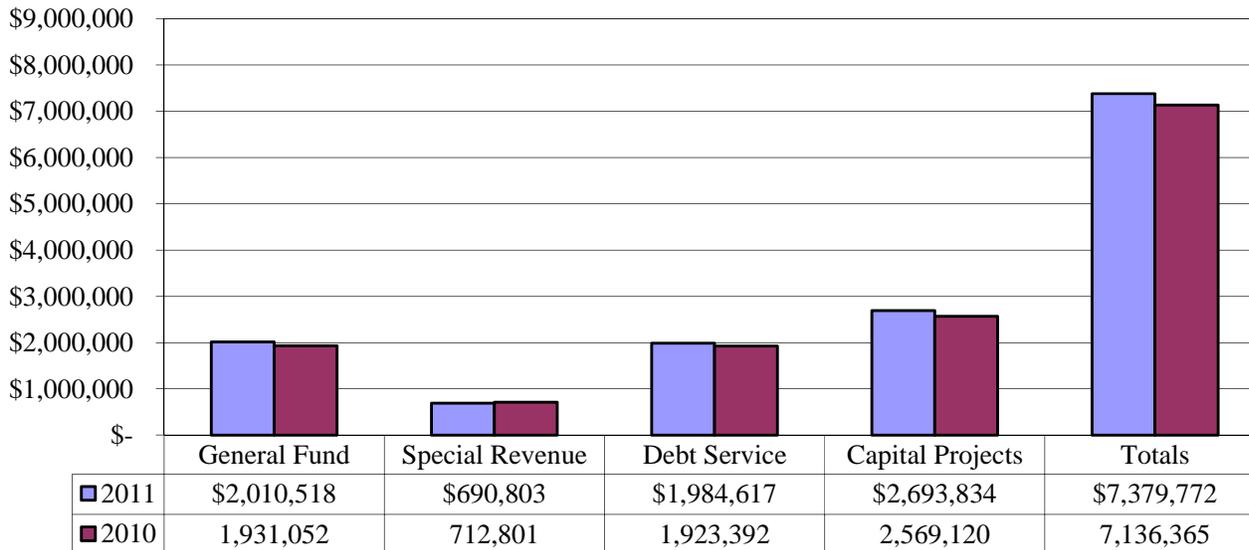
Business-Type Activities. Business-type activities resulted in a net asset decrease of \$ 213,326, which accounted for 76.7% of the City's total net asset decrease. This resulted primarily from net losses in the Airport and Sewer funds.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Fund Balance Summary



As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$ 7,379,772, an increase of \$ 243,407 from the prior year, including a change in accounting principle of (\$ 52,437). This increase was primarily due to an increase in the City's Capital Improvements Fund for future projects. The City reported a total unrestricted fund balance of \$ 4,943,562 at December 31, 2011.

CITY OF PRINCETON

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$ 2,010,518, which was 96.75% unassigned and considered available for spending; however, 77.97% of the unassigned balance is designated by the City Council for working capital (cash flow) purposes.

The General Fund balance increased by \$ 79,466 during the year. This increase was \$ 34,631 more than the prior year's increase of \$ 44,835. Key factors in this growth and the difference between the two years' fund balance increases are as follows:

- Property tax revenues of the General Fund increased by \$ 108,482, which was necessitated by the continuing reductions and uncertainty in state aids.
- There was a slight increase in intergovernmental revenue of \$ 17,256 due to a stabilization of Local Government Aid (LGA) and Market Value Credit Aid at the greatly reduced rates from prior years, an increase in aid for firefighter relief of \$ 6,624 and a \$ 10,000 grant from the Department of Natural Resources for trail planning.
- Licenses and permits decreased by \$ 29,576 and investment income decreased by \$16,913 due interest rate declines and other income experienced a decrease of \$ 34,424 due to a decrease in miscellaneous income and reimbursements.
- There were revenue increases in charges for services of \$ 21,722, and \$ 1,152 in fines and forfeitures.
- There was a \$ 57,622 decrease in total expenditures. There was an increase of \$ 67,977 for public safety activities for police personnel step increases and supplies, fire calls and insurance. Public works expenditures increased slightly (\$ 2,881), and there was an increase of \$ 14,767 in parks and recreation primarily from an increase in park wages and utility increases, and a \$ 1 increase in cemetery expenditures. These increases were more than offset by expenditure decreases; the most significant decrease was in capital outlay of \$ 127,465, which was close to the amount of the new loader purchased in 2010. There were also minor decreases of \$ 6,447 in the general government and \$ 9,336 in the economic development functions.

Debt Service Funds had a total fund balance of \$ 1,984,617, nearly all of which is restricted for the payment of debt service. There was an increase in fund balance during the current year in the Debt Service Funds of \$ 61,225. This increase is entirely due to an increase in collections of special assessments 2011.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements – business-type activities, but in more detail.

Total net assets of the Liquor Fund at the end of the year amounted to \$ 3,617,309, the Sanitary Sewer Fund was \$ 5,198,424 and the Airport Fund was \$ 1,839,050. Unrestricted net assets, which are amounts available for operating expenditures and spending at the discretion of the City, at year-end for the Liquor Fund amounted to \$ 2,171,521, the Sanitary Sewer Fund was \$ 715,241 and the Airport unrestricted net assets was a \$ 17,466. The increases in unrestricted net assets for each of these Funds were \$ 228,696, \$ 1,105,432 and \$ 14,971, respectively. The increases in these Funds result predominantly from the revenue generating nature of these Funds. However the reason for the increase in the Sanitary Sewer Fund was mostly due to the sale of shorter term bonds to finance the capital expenditures in the Wastewater Treatment Facility expansion during the construction period. Some of these bond funds reimbursed the fund for expenditures that had been paid for in prior years using reserve funds. This caused a large shift in the classification of net assets in the Sanitary Sewer Fund from "invested in capital assets" to "unrestricted net assets".

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS

The change from the original budget and the final amended budget was a significant \$ 181,030 decrease in appropriations (5.76%), and included cuts of \$ 46,920 in general government activities and \$ 197,195 in capital outlay. Increases in appropriations were \$ 49,265 in public safety, \$ 9,775 in public works and \$ 4,045 in for parks and recreation.

This decrease in the appropriation budget went entirely to offset the decrease of \$ 187,310 in LGA enacted mid-year by the state. However increases in licenses and permits of \$ 20,325, fines and forfeitures of \$ 9,450, \$ 10,000 in a new Department of Natural Resources grant and an increase in aid for firefighter relief also went to offset the large decrease in LGA.

The eventual difference between the final amended budget and the actual amount of the change in fund balance was a \$ 59,071. The major offsets that resulted in this difference were a \$ 200,682 positive variance in general government expenditures offset by a \$ 212,800 negative variance in net transfers, a \$ 54,130 positive variance in tax collections, a \$ 23,651 positive variance in licenses and permits, a \$ 36,333 positive variance in capital outlay and a \$ 39,284 negative variance in public works expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounts to \$ 27,291,958 as of December 31, 2011 and \$ 22,442,039 as of December 31, 2010. This investment in capital assets includes land, easements buildings and improvements, machinery and equipment, park facilities, roads, sidewalks and infrastructure and construction in progress.

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

- Planning and design work continued and construction began on the wastewater treatment facilities expansion for the Sanitary Sewer Fund with construction in progress at year-end of \$ 7,059,679 (an increase of \$ 5,534,509).
- Purchase of land for extension of 21st Avenue South for \$ 158,393.
- Total depreciation expense for 2011 of \$ 946,303.

**City of Princeton's Capital Assets
(Net of Depreciation)**

	Governmental Activities	Business-type Activities	Total 12/31/11	Total 12/31/10
Land and Easements	\$ 1,570,934	\$ 1,036,041	\$ 2,606,975	\$ 2,438,048
Buildings	1,236,701	1,774,545	3,011,246	3,104,964
Improvements other than Buildings	416,822	6,990,409	7,407,231	7,717,529
Machinery and Equipment	1,312,940	801,566	2,114,506	2,325,456
Infrastructure	5,038,142	-	5,038,142	5,276,694
Construction in Progress	-	7,113,858	7,113,858	1,579,348
Total	<u>\$ 9,575,539</u>	<u>\$ 17,716,419</u>	<u>\$ 27,291,958</u>	<u>\$ 22,442,039</u>

Additional information on the City's capital assets can be found in Note 4 on pages 40-43 of this report.

CITY OF PRINCETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

Long-Term Debt. At the end of the year, the City had total bonded debt outstanding of \$ 20,937,000. None of the City debt was backed by the full faith and credit of the City but \$ 2,802,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment and for the difference between the amount of the debt and the special assessment amounts applied to the benefitting properties. The remainder of the City's debt, \$ 18,135,000, represents bonds secured by specified revenue sources (i.e. revenue bonds) for which the City is liable in the event the revenue sources are insufficient to pay the debt service.

City of Princeton's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities	Business-type Activities	Total 12/31/2011	Total 12/31/2010
Special Assessment Debt with Governmental Commitment	\$ 2,802,000	\$ -	\$ 2,802,000	\$ 3,145,000
Revenue Bonds with Governmental Commitment	-	18,135,000	18,135,000	3,340,000
Total	\$ 2,802,000	\$ 18,135,000	\$ 20,937,000	\$ 6,485,000

The City's total indebtedness increased by \$ 14,452,000 (222.85%) during the year. This increase was due to the issuance of bonds in the amount of \$ 15,120,000 to fund the construction activities at the Wastewater Treatment Facility and the payment of \$ 668,000 representing the scheduled principal maturity amounts. The construction bond of \$ 15,120,000 will be repaid when the long-term financing from the Rural Development section of the United States Department of Agriculture is finalized.

The City has an "AA-" rating from Standard & Poor's for general obligation (G.O.) debt. The Public Utilities Commission maintains a Baa1 rating from Moody's.

Minnesota Statutes Section 475.53 limits the amount of G.O. debt a governmental entity may issue to 3% of its total assessed valuation. The current debt limitation for the City is \$ 8,382,978. As of December 31, 2011, the City did not have any outstanding G.O. debt.

Additional information on the City's long-term debt can be found in Note 8 on pages 46-50 of this report.

CITY OF PRINCETON

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The City is situated in two counties, Mille Lacs and Sherburne. The 2011 unemployment rate for Mille Lacs was at 10.2% and the Sherburne rate was 7.0% at the end of the year. This was down significantly from the 2010 rate of 12.1% for Mille Lacs County and 8.2% for Sherburne County. Compare this to the state's December 2011 unemployment rate of 5.8% and the national rate of 8.3%. The City has economic similarities to both Counties and the City utilizes this knowledge when setting its budget and tax levy.
- The inflationary trend in the region that includes the Minneapolis-St. Paul area was at an annual 4.1% compared to the national rate of 3.2% for the 2011 annual rate.
- During 2008, 2009, 2010 and 2011, the City has received LGA and Market Value Credit Aid reductions of \$ 831,477. Although the City has the option of increasing the property taxes to offset this amount, tax levies were only increased \$ 325,297 over those years. The City Council considered the impact of increased taxes along with other economic factors including rapidly decreasing residential valuation, unemployment, foreclosure rates and investment income rates and decided to keep tax increases to a minimum.
- In addition to the amounts of the LGA cuts discussed above, is the timing of the reductions. In all these years, the amount of the reductions was not known until after the state deadline for setting the city budget and certifying the tax levy to the county. This makes the budgeting process extremely difficult. As an example, the amount of the 2011 reduction of \$ 300,124 was not known until July 2011. This makes it very tough to adjust the budget and expenditures for the decrease in revenue when over half the year is already past.

These are some of the factors considered in preparing the City's budget for the 2012 year.

Other factors considered during the budget process are that sanitary sewer rates had been maintained at a constant level since 2001. This rate was changed in early 2009 to cover increasing costs and in anticipation of higher operating costs once the phosphorus project and the expansion project are completed. A rate study for the sanitary sewer system was completed in 2011. The cost of the Wastewater Treatment Facility improvements and associated operating cost increases required that rates required an increase of 169%. This increase was implemented in two phases. The first increase occurred in November 2011 and the second increase was scheduled for May 2012. The sewer access charge was increased in 2007 to assist in the payment of system repairs and enhancements. A sewer trunk fee was initiated in 2005 to assure new development pays for the cost of extensions and new facilities. This trunk fee is scheduled for annual increases to match construction cost increases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to City of Princeton, 705 Second Street North, Princeton, Minnesota 55371. Questions concerning any of the information provided in this report or request for additional financial information regarding the component unit, the Princeton Public Utilities Commission, should be addressed to Princeton Public Utilities, 907 1st Street, Princeton, Minnesota 55371.

BASIC FINANCIAL STATEMENTS

CITY OF PRINCETON

**STATEMENT OF NET ASSETS
December 31, 2011**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Public Utilities Commission	Economic Development Authority
ASSETS					
Cash and Investments (Including Cash Equivalents)	\$ 6,791,745	\$ 11,499,400	\$ 18,291,145	\$ 3,177,106	\$ -
Cash with Fiscal Agent	-	-	-	239,896	-
Property Tax Receivable	143,917	-	143,917	-	1,161
Accounts Receivable	22,334	9,682	32,016	704,268	-
Interest Receivable	28,169	13,940	42,109	-	-
Due from Other Governments	727,799	151,132	878,931	39,397	-
Notes Receivable:					
Due Within One Year	4,096	-	4,096	-	-
Due After One Year	54,132	-	54,132	-	-
Special Assessments Receivable:					
Due Within One Year	253,221	10,498	263,719	-	-
Due After One Year	918,808	7,359	926,167	-	-
Inventories	-	517,707	517,707	436,503	-
Land Held for Resale	1	-	1	-	517,400
Contract for Deed	-	183,844	183,844	-	-
Prepaid Expenses	66,230	16,980	83,210	37,892	-
Deferred Charge	-	108,815	108,815	-	-
Capital Assets not being Depreciated:					
Land	1,568,300	1,036,041	2,604,341	33,162	-
Easements	2,634	-	2,634	-	-
Construction in Progress	-	7,113,858	7,113,858	-	-
Capital Assets being Depreciated (Net of Accumulated Depreciation):					
Buildings and Systems	1,236,701	1,774,545	3,011,246	1,187,755	-
Other Improvements	416,822	-	416,822	-	-
Sewer and Water Improvements	-	6,990,409	6,990,409	-	-
Machinery and Equipment	1,312,940	801,566	2,114,506	626,023	-
Infrastructure	5,038,142	-	5,038,142	15,275,669	-
Restricted Assets:					
Reserve Fund	-	-	-	604,604	-
Debt Retirement	-	-	-	458,367	-
Improvements and Replacements	-	-	-	1,350,879	-
Total Assets	\$ 18,585,991	\$ 30,235,776	\$ 48,821,767	\$ 24,171,521	\$ 518,561
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable	\$ 69,920	\$ 897,736	\$ 967,656	\$ 386,756	\$ -
Due to Other Governments	36,202	46,321	82,523	72,876	565,930
Unearned Revenue	23,668	-	23,668	13,750	-
Salaries and Benefits Payable	45,316	4,812	50,128	17,600	671
Interest Payable	39,943	322,085	362,028	68,784	-
Customer Meter Deposits	-	-	-	206,614	-
Severance Payable	-	-	-	107,334	-
Deferred Rate Stabilization	-	-	-	1,768,376	-
Bond Principal Payable, Net:					
Payable Within One Year	378,000	330,000	708,000	875,000	-
Payable After One Year	2,424,000	17,931,781	20,355,781	11,854,978	-
Compensated Absences Payable:					
Payable Within One Year	142,000	3,720	145,720	-	-
Payable After One Year	101,986	35,970	137,956	-	-
Other Post Employment Benefits (OPEB) Payable	47,789	8,568	56,357	-	-
Total Liabilities	3,308,824	19,580,993	22,889,817	15,372,068	566,601
Net Assets					
Investment in Capital Assets, Net of Related Debt	7,939,586	7,750,555	14,524,094	4,392,631	-
Restricted for:					
Debt Service	3,213,649	-	3,213,649	1,302,867	-
Tax Increment	146,075	-	146,075	-	-
Capital Asset Acquisition	-	-	-	1,350,879	-
Unrestricted	3,977,857	2,904,228	8,048,132	1,753,076	(48,040)
Total Net Assets	15,277,167	10,654,783	25,931,950	8,799,453	(48,040)
Total Liabilities and Net Assets	\$ 18,585,991	\$ 30,235,776	\$ 48,821,767	\$ 24,171,521	\$ 518,561

The Notes to the Financial Statements are an integral part of this statement.

CITY OF PRINCETON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Primary Government							Component Units	
	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Public Utilities Commission	Economic Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Governmental Activities									
General Government	\$ 623,250	\$ 121,491	\$ -	\$ -	\$ (501,759)	\$ -	\$ (501,759)	\$ -	\$ -
Public Safety	1,488,082	370,178	139,222	52,980	(925,702)	-	(925,702)	-	-
Cemetery	29,637	22,335	-	-	(7,302)	-	(7,302)	-	-
Public Works	889,917	7,492	-	101,103	(781,322)	-	(781,322)	-	-
Parks and Recreation	343,928	34,976	5,697	3,084	(243,362)	-	(243,362)	-	-
Economic Development	287,119	6,888	-	30,423	(306,617)	-	(306,617)	-	(121,484)
Interest on Long-Term Debt	98,349	-	-	-	(98,349)	-	(98,349)	-	-
Total Governmental Activities	<u>3,760,282</u>	<u>563,360</u>	<u>144,919</u>	<u>187,590</u>	<u>(2,864,413)</u>	<u>-</u>	<u>(2,864,413)</u>	<u>-</u>	<u>(121,484)</u>
Business-Type Activities									
Water	67,705	67,705	-	-	-	-	-	243,648	-
Sewer	1,001,443	668,219	-	-	-	(333,224)	(333,224)	-	-
Municipal Liquor	2,402,518	2,579,872	-	-	-	177,354	177,354	-	-
Airport	246,887	77,741	-	46,567	-	(122,579)	(122,579)	-	-
Electric	-	-	-	-	-	-	-	353,772	-
Total Business-Type Activities	<u>3,718,553</u>	<u>3,393,537</u>	<u>-</u>	<u>46,567</u>	<u>-</u>	<u>(278,449)</u>	<u>(278,449)</u>	<u>597,420</u>	<u>-</u>
Total Governmental and Business-Type Activities	<u>\$ 7,478,835</u>	<u>\$ 3,956,897</u>	<u>\$ 144,919</u>	<u>\$ 234,157</u>	<u>(2,864,413)</u>	<u>(278,449)</u>	<u>(3,142,862)</u>	<u>597,420</u>	<u>(121,484)</u>
General Revenues									
Property Taxes					2,037,678	-	2,037,678	-	18,199
Tax Increments					114,195	-	114,195	-	-
State Aids					604,112	-	604,112	-	206
PUC Payment in Lieu of Taxes					52,500	-	52,500	(52,500)	-
Investment Income					60,342	32,123	92,465	103,803	-
Miscellaneous					3,837	-	3,837	60,772	2,602
Gain on Sale of Asset					12,427	-	12,427	-	-
Transfers					(33,000)	33,000	-	-	-
Total General Revenues and Transfers					<u>2,852,091</u>	<u>65,123</u>	<u>2,917,214</u>	<u>112,075</u>	<u>21,007</u>
Change in Net Assets					<u>(12,322)</u>	<u>(213,326)</u>	<u>(225,648)</u>	<u>709,495</u>	<u>(100,477)</u>
Net Assets - Beginning					<u>15,341,926</u>	<u>10,868,109</u>	<u>26,210,035</u>	<u>8,089,958</u>	<u>-</u>
Change in Accounting Principle					<u>(52,437)</u>	<u>-</u>	<u>(52,437)</u>	<u>-</u>	<u>52,437</u>
Net Assets - Beginning, Restated					<u>15,289,489</u>	<u>10,868,109</u>	<u>26,157,598</u>	<u>8,089,958</u>	<u>52,437</u>
Net Assets - Ending					<u>\$ 15,277,167</u>	<u>\$ 10,654,783</u>	<u>\$ 25,931,950</u>	<u>\$ 8,799,453</u>	<u>\$ (48,040)</u>

CITY OF PRINCETON

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2011

	General Fund (101)	Capital Projects Capital Improvements (351)	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,013,653	\$ 1,351,983	\$ 3,442,176	\$ 6,807,812
Taxes Receivable - Delinquent	114,783	11,388	17,746	143,917
Special Assessments Receivable:				
Delinquent	-	-	46,626	46,626
Deferred	-	-	1,125,403	1,125,403
Accounts Receivable	1,099	-	21,235	22,334
Interest Receivable	25,230	-	2,939	28,169
Due from Other Funds	-	983,814	70,150	1,053,964
Due from Other Governments	141,541	565,930	20,328	727,799
Notes Receivable	-	-	58,228	58,228
Land Held for Resale	-	-	1	1
Prepaid Expenses	65,415	-	815	66,230
	<u>2,361,721</u>	<u>2,913,115</u>	<u>4,805,647</u>	<u>10,080,483</u>
Total Assets	<u>\$ 2,361,721</u>	<u>\$ 2,913,115</u>	<u>\$ 4,805,647</u>	<u>\$ 10,080,483</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Contracts Payable	\$ 44,268	\$ -	\$ 25,652	\$ 69,920
Due to Other Funds	-	-	1,053,964	1,053,964
Due to Other Governments	19,167	-	33,102	52,269
Salaries and Benefits Payable	45,316	-	-	45,316
Deferred Revenue	242,452	11,388	1,225,402	1,479,242
Total Liabilities	<u>351,203</u>	<u>11,388</u>	<u>2,338,120</u>	<u>2,700,711</u>
Fund Balances				
Nonspendable	65,415	-	816	66,231
Restricted	-	-	2,436,210	2,436,210
Assigned	-	2,901,727	1,099,429	4,001,156
Unassigned	1,945,103	-	(1,068,928)	876,175
Total Fund Balances	<u>2,010,518</u>	<u>2,901,727</u>	<u>2,467,527</u>	<u>7,379,772</u>
	<u>2,361,721</u>	<u>2,913,115</u>	<u>4,805,647</u>	<u>10,080,483</u>
Total Liabilities and Fund Balances	<u>\$ 2,361,721</u>	<u>\$ 2,913,115</u>	<u>\$ 4,805,647</u>	<u>\$ 10,080,483</u>

CITY OF PRINCETON

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS- GOVERNMENTAL FUNDS
December 31, 2011**

Total Fund Balances - Governmental Funds \$ 7,379,772

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	17,640,971
Less Accumulated Depreciation	(8,065,432)

Long-term liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(2,802,000)
Compensated Absences Payable	(243,986)
OPEB Payable	(47,789)

Delinquent and deferred receivables will be collected in subsequent
years, but are not available soon enough to pay for the current period's
expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	143,917
Delinquent Special Assessments	46,626
Deferred Special Assessments	1,125,403

Other long-term assets are not available to pay for current period
expenditures and, therefore, are deferred in the funds.

Notes Receivable	35,628
Development Revenue Reserve	104,000

Governmental funds do not report a liability for accrued interest
due and payable.

(39,943)

Total Net Assets - Governmental Activities

\$ 15,277,167

CITY OF PRINCETON

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	General Fund (101)	<u>Capital Projects Capital</u> Improvements (351)	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,781,205	\$ 167,036	\$ 116,213	\$ 2,064,454
Tax Increments	-	-	114,195	114,195
Special Assessments	-	-	397,284	397,284
Licenses and Permits	166,046	-	-	166,046
Intergovernmental	713,283	2,017	114,581	829,881
Charges for Services	252,604	-	113,822	366,426
Fine and Forfeitures	41,294	-	-	41,294
Miscellaneous:				
Investment Income	13,270	20,602	26,470	60,342
Contributions and Donations	-	-	1,000	1,000
Other	58,894	-	18,123	77,017
Total Revenues	<u>3,026,596</u>	<u>189,655</u>	<u>901,688</u>	<u>4,117,939</u>
EXPENDITURES				
Current				
General Government	571,698	-	-	571,698
Public Safety	1,312,134	-	55,973	1,368,107
Cemetery	566	-	27,633	28,199
Public Works	552,065	-	72,408	624,473
Parks and Recreation	267,004	-	12,503	279,507
Economic Development	19,906	-	157,416	177,322
Debt Service				
Principal	-	-	343,000	343,000
Interest and Other Charges	-	-	103,096	103,096
Capital Outlay				
Public Safety	32,846	-	6,059	38,905
Public Works	9,441	-	167,925	177,366
Parks and Recreation	32,685	-	-	32,685
Economic Development	-	-	109,664	109,664
Total Expenditures	<u>2,798,345</u>	<u>-</u>	<u>1,055,677</u>	<u>3,854,022</u>
Excess of Revenues Over (Under) Expenditures	228,251	189,655	(153,989)	263,917
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	12,427	-	12,427
Payment in Lieu of Taxes - Component Unit	52,500	-	-	52,500
Transfers In	-	325,679	243,829	569,508
Transfers Out	(201,285)	(45,816)	(355,407)	(602,508)
Total Other Financing Sources (Uses)	<u>(148,785)</u>	<u>292,290</u>	<u>(111,578)</u>	<u>31,927</u>
Net Change in Fund Balances	79,466	481,945	(265,567)	295,844
FUND BALANCES				
Beginning of Year	1,931,052	2,419,782	2,785,531	7,136,365
Change in Accounting Principle	-	-	(52,437)	(52,437)
Beginning of Year, Restated	<u>1,931,052</u>	<u>2,419,782</u>	<u>2,733,094</u>	<u>7,083,928</u>
End of Year	<u>\$ 2,010,518</u>	<u>\$ 2,901,727</u>	<u>\$ 2,467,527</u>	<u>\$ 7,379,772</u>

CITY OF PRINCETON

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 295,844

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	234,682
Depreciation Expense	(530,365)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (13,303)

OPEB are recognized as paid in the governmental funds but recognized as expensed in the Statement of Activities. (12,726)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net assets in the Statement of Activities. 343,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,747

Principal payments on notes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (11,244)

Property taxes and special assessments receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	(26,776)
Delinquent Special Assessments	9,422
Deferred Special Assessments	(305,603)

Change in Net Assets - Governmental Activities \$ (12,322)

CITY OF PRINCETON

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,734,075	\$ 1,727,075	\$ 1,781,205	\$ 54,130
Licenses and Permits	122,070	142,395	166,046	23,651
Intergovernmental	864,040	701,340	713,283	11,943
Charges for Services	236,065	239,855	252,604	12,749
Fines and Forfeitures	34,000	43,450	41,294	(2,156)
Miscellaneous Revenues:				
Investment Income	27,000	25,000	13,270	(11,730)
Other	40,140	40,050	58,894	18,844
Total Revenues	<u>3,057,390</u>	<u>2,919,165</u>	<u>3,026,596</u>	<u>107,431</u>
EXPENDITURES				
Current				
General Government	819,300	772,380	571,698	(200,682)
Public Safety	1,258,550	1,307,815	1,312,134	4,319
Cemetery	-	-	566	566
Public Works	533,790	543,565	552,065	8,500
Parks and Recreation	223,675	227,720	267,004	39,284
Economic Development	-	-	19,906	19,906
Capital Outlay				
General Government	146,500	21,460	-	(21,460)
Public Safety	50,000	32,845	32,846	1
Public Works	65,000	15,000	9,441	(5,559)
Parks and Recreation	47,000	42,000	32,685	(9,315)
Total Expenditures	<u>3,143,815</u>	<u>2,962,785</u>	<u>2,798,345</u>	<u>(164,440)</u>
Excess of Revenues Over (Under) Expenditures	(86,425)	(43,620)	228,251	271,871
OTHER FINANCING SOURCES (USES)				
Payment in Lieu of Taxes - Component Unit	52,500	52,500	52,500	-
Transfers In	128,500	95,305	-	(95,305)
Transfers Out	(66,420)	(83,790)	(201,285)	(117,495)
Total Other Financing Sources (Uses)	<u>114,580</u>	<u>64,015</u>	<u>(148,785)</u>	<u>(212,800)</u>
Net Change in Fund Balances	<u>\$ 28,155</u>	<u>\$ 20,395</u>	79,466	<u>\$ 59,071</u>
FUND BALANCES				
Beginning of Year			<u>1,931,052</u>	
End of Year			<u>\$ 2,010,518</u>	

CITY OF PRINCETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2011

	<u>Airport (208)</u>	<u>Sanitary Sewer (702/704)</u>	<u>Municipal Liquor (703)</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Investments	\$ 10,822	\$ 9,825,012	\$ 1,647,499	\$ 11,483,333
Special Assessment Receivable Deferred	-	17,857	-	17,857
Accounts Receivable	1,382	7,400	900	9,682
Accrued Interest	-	13,075	865	13,940
Due from Other Funds	-	-	2,825	2,825
Due from Other Governments	7,220	143,912	-	151,132
Inventories	16,500	-	501,207	517,707
Contract for Deed	-	-	183,844	183,844
Prepaid Expenses	1,230	9,420	6,330	16,980
Deferred Charges	-	108,815	-	108,815
Total Current Assets	<u>37,154</u>	<u>10,125,491</u>	<u>2,343,470</u>	<u>12,506,115</u>
Noncurrent Assets				
Capital Assets:				
Land	495,923	129,120	410,998	1,036,041
Buildings and System	76,766	947,087	999,651	2,023,504
Other Improvements	2,610,707	8,677,329	43,608	11,331,644
Machinery and Equipment	298,231	789,369	189,974	1,277,574
Construction in Progress	54,179	7,059,679	-	7,113,858
Total Capital Assets	<u>3,535,806</u>	<u>17,602,584</u>	<u>1,644,231</u>	<u>22,782,621</u>
Less Accumulated Depreciation	<u>(1,714,222)</u>	<u>(3,153,537)</u>	<u>(198,443)</u>	<u>(5,066,202)</u>
Net Capital Assets	<u>1,821,584</u>	<u>14,449,047</u>	<u>1,445,788</u>	<u>17,716,419</u>
Total Assets	<u>\$ 1,858,738</u>	<u>\$ 24,574,538</u>	<u>\$ 3,789,258</u>	<u>\$ 30,222,534</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 15,848	\$ 782,696	\$ 99,192	\$ 897,736
Salaries Payable	234	864	3,714	4,812
Interest Payable	-	322,085	-	322,085
Due to Other Funds	2,825	-	-	2,825
Due to Other Governmental Units	-	6,295	23,959	30,254
Compensated Absences Payable	-	-	3,720	3,720
Current Portion of Revenue Bonds	-	330,000	-	330,000
Total Current Liabilities	<u>18,907</u>	<u>1,441,940</u>	<u>130,585</u>	<u>1,591,432</u>
Noncurrent Liabilities				
Compensated Absences Payable	-	-	35,970	35,970
OPEB Payable	781	2,393	5,394	8,568
Bonds Payable	-	17,805,000	-	17,805,000
Premium or Discount on Bonds Payable	-	126,781	-	126,781
Total Noncurrent Liabilities	<u>781</u>	<u>17,934,174</u>	<u>41,364</u>	<u>17,976,319</u>
Total Liabilities	<u>19,688</u>	<u>19,376,114</u>	<u>171,949</u>	<u>19,567,751</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,821,584	4,483,183	1,445,788	7,750,555
Unrestricted	17,466	715,241	2,171,521	2,904,228
Total Net Assets	<u>1,839,050</u>	<u>5,198,424</u>	<u>3,617,309</u>	<u>10,654,783</u>
Total Liabilities and Net Assets	<u>\$ 1,858,738</u>	<u>\$ 24,574,538</u>	<u>\$ 3,789,258</u>	<u>\$ 30,222,534</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF PRINCETON

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	Airport (208)	Sanitary Sewer (702/704)	Municipal Liquor (703)	Total
SALES AND COST OF SALES				
Sales	\$ 67,293	\$ -	\$ 2,579,259	\$ 2,646,552
Cost of Sales	68,890	-	1,960,744	2,029,634
Gross Profit	(1,597)	-	618,515	616,918
OPERATING REVENUES				
Charges for Services	10,448	614,415	406	625,269
Total Gross Profit and Operating Revenues	8,851	614,415	618,921	1,242,187
OPERATING EXPENSES				
Wages and Salaries	25,393	97,316	250,195	372,904
Materials and Supplies	40,604	255,995	112,598	409,197
Professional Services	-	-	34,841	34,841
Depreciation	112,000	259,798	44,140	415,938
Total Operating Expenses	177,997	613,109	441,774	1,232,880
Operating Income (Loss)	(169,146)	1,306	177,147	9,307
NONOPERATING REVENUES (EXPENSES)				
Interest Income	-	17,694	14,429	32,123
Intergovernmental Revenues	46,567	-	-	46,567
Amortization of Bond Premium	-	48,762	-	48,762
Interest Expense and Charges	-	(388,334)	-	(388,334)
Other Income	-	5,042	207	5,249
Total Nonoperating Revenues (Expenses)	46,567	(316,836)	14,636	(255,633)
Income (Loss) before Capital Contributions and Transfers	(122,579)	(315,530)	191,783	(246,326)
Transfers In	38,610	-	-	38,610
Transfers Out	-	-	(5,610)	(5,610)
Change in Net Assets	(83,969)	(315,530)	186,173	(213,326)
NET ASSETS				
Beginning of Year	1,923,019	5,513,954	3,431,136	10,868,109
End of Year	\$ 1,839,050	\$ 5,198,424	\$ 3,617,309	\$ 10,654,783

CITY OF PRINCETON

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	<u>Airport (208)</u>	<u>Sanitary Sewer (702/704)</u>	<u>Municipal Liquor (703)</u>	<u>Total</u>
CASH FLOWS - OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 162,881	\$ 563,402	\$ 2,579,665	\$ 3,305,948
Payments to Suppliers	(106,358)	(467,481)	(2,087,168)	(2,661,007)
Payments to Employees	(25,137)	(96,623)	(242,564)	(364,324)
Other Income	-	5,042	207	5,249
Net Cash Flows - Operating Activities	<u>31,386</u>	<u>4,340</u>	<u>250,140</u>	<u>285,866</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES				
Transfer from Other Funds	38,610	-	-	38,610
Transfer to Other Funds	-	-	(5,610)	(5,610)
Reduction of Due to Other Funds	(85,461)	(197,503)	-	(282,964)
Reduction of Due from Other Funds	-	-	207,250	207,250
Intergovernmental Revenues	<u>39,347</u>	<u>-</u>	<u>-</u>	<u>39,347</u>
Net Cash Flows - Noncapital Financing Activities	<u>(7,504)</u>	<u>(197,503)</u>	<u>201,640</u>	<u>(3,367)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Debt	-	(325,000)	-	(325,000)
Interest Paid on Debt	-	39,157	-	39,157
Bond Proceeds	-	15,120,000	-	15,120,000
Proceeds from Disposal of Land Held for Resale	-	-	2,917	2,917
Acquisition of Capital Assets	<u>(13,060)</u>	<u>(4,820,601)</u>	<u>(1,617)</u>	<u>(4,835,278)</u>
Net Cash Flows - Capital and Related Financing Activities	<u>(13,060)</u>	<u>10,013,556</u>	<u>1,300</u>	<u>10,001,796</u>
CASH FLOWS - INVESTING ACTIVITIES				
Interest and Dividends Received	<u>-</u>	<u>4,619</u>	<u>14,944</u>	<u>19,563</u>
Net Change in Cash and Cash Equivalents	10,822	9,825,012	468,024	10,303,858
CASH AND CASH EQUIVALENTS				
January 1	<u>-</u>	<u>-</u>	<u>1,179,475</u>	<u>1,179,475</u>
December 31	<u>\$ 10,822</u>	<u>\$ 9,825,012</u>	<u>\$ 1,647,499</u>	<u>\$ 11,483,333</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (169,146)	\$ 1,306	\$ 177,147	\$ 9,307
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Other Income	-	5,042	207	5,249
Depreciation Expense	112,000	259,798	44,140	415,938
Accounts Receivable	(345)	6,585	-	6,240
Special Assessments Receivable	-	7,427	-	7,427
Due from Other Governments	85,485	(65,025)	-	20,460
Prepaid Items	45	(1,695)	10	(1,640)
Inventory	(8,000)	-	(1,635)	(9,635)
Accounts Payable	11,091	(216,079)	21,961	(183,027)
Due to Other Governmental Units	-	6,288	679	6,967
Salaries Payable	8	(67)	332	273
Compensated Absences Payable	-	-	5,585	5,585
OPEB Payable	248	760	1,714	2,722
Total Adjustments	<u>200,532</u>	<u>3,034</u>	<u>72,993</u>	<u>276,559</u>
Net Cash Flows - Operating Activities	<u>\$ 31,386</u>	<u>\$ 4,340</u>	<u>\$ 250,140</u>	<u>\$ 285,866</u>

The Notes to the Financial Statements are an integral part of this statement.

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Princeton is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Units – Reported as if they were part of the City.

Discretely Presented Component Unit – Entails reporting the component unit financial data in a column separate from the financial data of the City.

Related Organization – The relationship of the City with the entity is disclosed.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories listed, the specific entities are identified as follows:

1. Blended Component Unit

None identified.

2. Discretely Presented Component Unit

The Princeton Public Utilities meets the criteria to be included as a discretely presented component unit in the basic financial statements. Copies of audited financial reports are available at the Princeton Public Utilities Office.

The Princeton Economic Development Authority (EDA) meets the criteria to be included as a discretely presented component unit in the basic financial statements. Separate financial statements are not prepared for the Princeton EDA.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

3. Related Organization

Princeton Firefighters' Relief Association

The Princeton Firefighters' Relief Association (the "Association") is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. The Board of Trustees is appointed by the membership of the Association and not by the City Council. All funding is conducted in accordance with *Minnesota Statutes*, whereby state aid flows to the Association, tax levies are determined by the Association and are only reviewed by the City, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

4. Joint Ventures and Jointly Governed Organizations

Dalbo-Princeton-Wyanett Fire Districts

The City, the Town of Wyanett and Dalbo Fire and Rescue Department are organized to establish an agreement to provide fire protection and medical response services to the Town of Wyanett.

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 nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Description of Funds:

Major Governmental Funds:

General Fund – This Fund is the City’s primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Capital Improvements Capital Projects Fund – This Fund accounts for the activities associated with capital improvements in the City.

Proprietary Funds:

Airport Fund – This Fund accounts for the activities of the City’s airport operations.

Sanitary Sewer Fund – This Fund accounts for the operations of the City’s sanitary sewer utility.

Municipal Liquor Fund – This Fund accounts for the activities of the City’s liquor store operations.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Sewer, Liquor and Airport Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, share of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

The Minnesota Municipal investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The City has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as listed below. The component unit does not have an investment policy to address the following risks.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy states the collateralization level will be 110% of the market value of principal and accrued interest. When the pledged collateral consists of notes secured by first mortgages, the collateral level will be 140% of the market value of principal and accrual interest.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated and be designed to attain a market average rate of return.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit investments to those listed in Section 118A; the statute limits investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy further restricts investments to instruments which are direct obligations of the federal government, with the principal fully guaranteed by the U.S. Treasury, certificates of deposit, general obligations of the State of Minnesota and its municipalities, state-wide investment pool and money market mutual funds.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy states the City will attempt to diversify their investments according to type and maturity and the portfolio should contain both short-term and long-term investments to meet anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than 50% of the total investments should extend beyond 5 years and in no circumstances should any extend beyond 15 years.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when investments purchased by the City are held in safekeeping by a broker/dealer, they must provide asset protection of \$ 500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$ 2 million supplemental insurance protection.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditors for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Mille Lacs County and Sherburne County are the collecting agencies for the levy and remit the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditors prepare the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the City.

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 1,000 to \$ 10,000, depending on the type of asset 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.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets (Continued)

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-40
Infrastructure	20-60
Vehicles	3-40
Buildings and Building Improvements	7-40
Land Improvements	5-30

The City implemented GASB Statement No. 51 and began accounting for intangible assets during 2010. A restatement of net assets was not considered necessary as the City meets the requirements for only reporting intangibles prospectively.

5. Compensated Absences

Full-time City employees accumulate sick leave at the rate of one day for each month of employment. Upon termination or retirement, an employee with a minimum of 10 years of service can collect half of all unused sick leave. The policy for union employees is the same except only 5 years of service is necessary and there is a maximum payment of 480 hours of unused sick leave.

City employees in a supervisory position accumulate 40 hours of severance pay for each year of service. The accumulated time vests after 3 years of service.

The Public Utility Commission (PUC) is obligated to pay certain employees with 10 years of service, severance pay upon termination of employment based on unused accumulated sick leave days up to a maximum of 60 days.

Employees are granted vacation based on years of service. The City compensates employees who resign, retire or are terminated for all their unused vacation days. The liability for accumulated vacation and sick pay at December 31, 2011 is recorded in the financial statements.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. 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.

7. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator based on the City Council's direction.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity (Continued)

a. Classification (Continued)

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the City's policy to use resources in the following order: committed, assigned and unassigned.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned fund balance in the amount of 30%-50% of the subsequent year's operating budget.

8. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$ 1,166,047 was made between this net asset class and unrestricted net assets in the total column in the Statement of Net Assets to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

The Water Availability Fund is reported as a governmental fund in the fund statements, but is reclassified as a business-type activity for the government-wide presentation. There was no impact on net assets.

9. Use of Estimates

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

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Budget requests are submitted by all department heads to the City Administrator. The City Administrator compiles the budget requests into an overall preliminary City budget. The City Administrator presents the proposed budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the governmental funds.
4. Budgets for the governmental funds are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the governmental funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. Deficit Fund Balance

The following Funds had deficit balances at December 31, 2011:

Nonmajor Funds:

Special Revenue:

Development Grants	\$ 70,535
Development Expenses	130,037
Fire Department Grants	8,354
Small Cities Development Program	141
Stormwater Management	135,445
Neighborhood Stabilization Program	3,220

Debt Service:

1999 Street and Utilities Improvements	79,949
--	--------

Capital Projects:

2003 Utility Improvements	80,543
Heritage Village	284,714
21st Avenue Improvements - North Portion	98,163
2nd Street and 10th Avenue Street and Utility Improvements	41,863
Northland/Old 18 Improvements	53,760
District No. 3-7 Redevelopment District	10,346
2000 Street and Utility Improvements	70,145
Industrial Park Development	1,712

C. Excess of Expenditures over Appropriations

The following Funds' expenditures exceeded appropriations during the year:

Fund	Appropriations	Disbursements	Excess
Nonmajor Funds:			
Special Revenue:			
Property Confiscation	\$ 5,225	\$ 8,206	\$ 2,981
Public Safety and Awareness	-	334	334
Community Projects	3,150	4,550	1,400
Development Expenses	10,425	33,900	23,475
Fire Equipment Reserve	-	6,059	6,059
Fire Department Grants	8,280	8,281	1
Neighborhood Stabilization Program	23,925	57,769	33,844
Water Availability	60,000	67,705	7,705

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk – Deposits: As of December 31, 2011, the City’s bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged. The City’s deposits had a book balance as follows:

Checking	\$ 428,790
Savings	2,541,198
Nonnegotiable Certificates of Deposit	<u>1,488,280</u>
Total Deposits	<u><u>\$ 4,458,268</u></u>

B. Investments

As of December 31, 2011, the City had the following investments:

Type	Investment	Fair Value	Investment Maturities				Percentage of Total	Credit Rating
			Less than One Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years		
MM	Brokered Money Markets	\$ 1,952,436	\$ 1,952,436	\$ -	\$ -	\$ -	14.1%	N/A
GB	FNMA	53,580	-	-	27,207	26,373	0.4%	AA
GB	FHLB	41,499	-	19,209	22,290	-	0.3%	AAA
GB	FHLMC	914,678	-	-	911,989	2,689	6.6%	AA
SEC	Mortgage Securities	95,991	-	-	-	95,991	0.7%	AAA
TS	Term Series	5,000,000	5,000,000	-	-	-	36.2%	AA
CD	Brokered Certificates of Deposit	5,771,766	4,522,105	1,249,661	-	-	41.7%	N/A
	Total	<u>\$ 13,829,950</u>	<u>\$ 11,474,541</u>	<u>\$ 1,268,870</u>	<u>\$ 961,486</u>	<u>\$ 125,053</u>	<u>100.0%</u>	

Credit Risk: As of December 31, 2011, the City’s investments were rated in the table above.

Concentration of Credit Risk: The City was exposed to concentration of credit risk at December 31, 2011 as investments in FNMA (6.6%) exceeded 5% of the City’s total investment portfolio.

The City’s investment policy states that under no circumstances should any investment extend beyond 15 years. At December 31, 2011, the City held investments that were in noncompliance with this policy.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments – Component Unit

In accordance with applicable *Minnesota Statutes*, the component unit maintains deposits at depository banks authorized by the PUC.

Custodial Credit Risk – Deposits: As of December 31, 2011, the component unit’s bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged. The component unit’s deposits had a book balance at December 31, 2011 of \$ 5,171,487.

As of December 31, 2011, the component unit had the following investments:

Type	Investment	Fair Value	Credit Rating	Percentage of Total
GB	Grand Rapids, MN GO Taxable	\$ 247,417	A1	37.6%
GB	Grimes, IA GO Taxable Build America	121,840	A1	18.5%
GB	Wyoming, MN GO Taxable Build America	<u>287,973</u>	A1	43.8%
Total		<u><u>\$ 657,230</u></u>		

Credit Risk: As of December 31, 2011, the component unit’s investments were rated in the table above.

Concentration of Credit Risk: The component unit was exposed to concentration of credit risk at December 31, 2011 as all individual investments above exceeded 5% of the component units total investment portfolio.

D. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 4,458,268
Investments (Note 3.B.)	13,829,950
Petty Cash	<u>2,927</u>
Total Deposits and Investments - City	<u>18,291,145</u>
Deposits - Component Unit (Note 3.C.)	5,171,487
Investments - Component Unit (Note 3.C.)	657,230
Petty Cash	<u>2,135</u>
Total Deposits and Investments - Component Unit	<u>5,830,852</u>
Total Deposits and Investments	<u><u>\$ 24,121,997</u></u>

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS

D. Deposits and Investments (Continued)

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Assets:

Cash and Investments, Primary Government	\$ 18,291,145
Cash and Investments, Component Unit	3,177,106
Cash Held in Escrow	239,896
Restricted Assets	<u>2,413,850</u>
Total	<u><u>\$ 24,121,997</u></u>

NOTE 4 – CAPITAL ASSETS

A. Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,409,907	\$ 158,393	\$ -	\$ 1,568,300
Easements	1,317	1,317	-	2,634
Total Capital Assets not being Depreciated	<u>1,411,224</u>	<u>159,710</u>	<u>-</u>	<u>1,570,934</u>
Capital Assets being Depreciated:				
Buildings and Systems	2,216,651	9,441	-	2,226,092
Other Improvements	1,459,384	32,685	-	1,492,069
Machinery and Equipment	3,350,589	32,846	106,917	3,276,518
Infrastructure	9,075,358	-	-	9,075,358
Total Capital Assets being Depreciated	<u>16,101,982</u>	<u>74,972</u>	<u>106,917</u>	<u>16,070,037</u>
Less Accumulated Depreciation for:				
Buildings and Systems	941,421	47,970	-	989,391
Other Improvements	1,025,149	50,098	-	1,075,247
Machinery and Equipment	1,876,750	193,745	106,917	1,963,578
Infrastructure	3,798,664	238,552	-	4,037,216
Total Accumulated Depreciation	<u>7,641,984</u>	<u>530,365</u>	<u>106,917</u>	<u>8,065,432</u>
Total Capital Assets being Depreciated, Net	<u>8,459,998</u>	<u>(455,393)</u>	<u>-</u>	<u>8,004,605</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,871,222</u></u>	<u><u>\$ (295,683)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,575,539</u></u>

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 – CAPITAL ASSETS

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,026,824	\$ 9,217	\$ -	\$ 1,036,041
Construction in Progress	1,579,348	5,534,510	-	7,113,858
Total Capital Assets not being Depreciated	2,606,172	5,543,727	-	8,149,899
Capital Assets being Depreciated:				
Buildings and Systems	2,023,504	-	-	2,023,504
Other Improvements	11,331,644	-	-	11,331,644
Machinery and Equipment	1,259,761	17,813	-	1,277,574
Total Capital Assets being Depreciated	14,614,909	17,813	-	14,632,722
Less Accumulated Depreciation for:				
Buildings and Systems	193,770	55,189	-	248,959
Other Improvements	4,048,350	292,885	-	4,341,235
Machinery and Equipment	408,144	67,864	-	476,008
Total Accumulated Depreciation	4,650,264	415,938	-	5,066,202
Total Capital Assets being Depreciated, Net	9,964,645	(398,125)	-	9,566,520
Business-Type Activities Capital Assets, Net	\$ 12,570,817	\$ 5,145,602	\$ -	\$ 17,716,419

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

Governmental Activities:	
General Government	\$ 49,901
Public Safety	94,925
Cemetery	1,341
Public Works	319,662
Parks and Recreation	64,536
Total Depreciation Expense - Governmental Activities	\$ 530,365

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 – CAPITAL ASSETS

A. Primary Government (Continued)

Business-Type Activities:

Airport	\$ 112,000
Sanitary Sewer	259,798
Municipal Liquor	<u>44,140</u>

Total Depreciation Expense - Business-Type Activities	<u><u>\$ 415,938</u></u>
--	--------------------------

B. Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 33,162	\$ -	\$ -	\$ 33,162
Capital Assets being Depreciated:				
Buildings and Systems	1,841,930	22,258	-	1,864,188
Infrastructure	23,677,798	348,726	50,524	23,976,000
Machinery and Equipment	<u>2,484,361</u>	<u>33,504</u>	<u>-</u>	<u>2,517,865</u>
Total Capital Assets being Depreciated	<u>28,004,089</u>	<u>404,488</u>	<u>50,524</u>	<u>28,358,053</u>
Less Accumulated Depreciation for:				
Buildings and Systems	614,023	62,410	-	676,433
Infrastructure	8,015,248	735,607	50,524	8,700,331
Machinery and Equipment	<u>1,757,558</u>	<u>134,284</u>	<u>-</u>	<u>1,891,842</u>
Total Accumulated Depreciation	<u>10,386,829</u>	<u>932,301</u>	<u>50,524</u>	<u>11,268,606</u>
Total Capital Assets being Depreciated, Net	<u>17,617,260</u>	<u>(527,813)</u>	<u>-</u>	<u>17,089,447</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 17,650,422</u></u>	<u><u>\$ (527,813)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,122,609</u></u>

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 – CAPITAL ASSETS

B. Component Unit (Continued)

Depreciation expense was charged to functions/programs of the component unit as follows:

Business-Type Activities:

Electric	\$ 595,926
Water	<u>336,375</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 932,301</u></u>

NOTE 5 – NOTES/LOANS RECEIVABLE

Notes receivable issued in connection with Urban Development Action Grants (UDAG) at December 31, 2011 consisted of the following:

Bellamy:

Annual payments of \$ 786, including interest at 3%, through September 2024	\$ 10,377
--	-----------

Cartwright:

Annual payments of \$ 395, including interest at 3%, through September 2024	4,200
--	-------

Annual payments of \$ 758, including interest at 3%, through September 2024	8,064
--	-------

Annual payments of \$ 469, including interest at 3%, through September 2024	4,991
--	-------

Vrchota:

Annual payments of \$ 275, including interest at 3%, through September 2024	2,747
--	-------

Anderson:

Annual payments of \$ 262, including interest at 3%, through September 2024	2,618
--	-------

Annual payments of \$ 264, including interest at 3%, through September 2024	2,631
--	-------

Hy Tech

Annual payments of \$ 2,099, including interest at 4.5%, through September 2026	<u>22,600</u>
--	---------------

Total UDAG	<u><u>\$ 58,228</u></u>
------------	-------------------------

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 6 – RESTRICTED ASSETS – COMPONENT UNIT

A. Improvements and Replacements

In 1986, the PUC resolved that any surplus monies in the Electric, Water and Sanitation Funds be transferred to a reserve account to be used for emergencies, improvements and equipment replacements. Activity in the account was as follows:

Balance - December 31, 2010	\$ 1,106,536
Transfers	<u>244,343</u>
Balance- December 31, 2011	<u>\$ 1,350,879</u>

B. Reserve Fund

Bond and note covenants required a reserve account in the amount of \$ 844,500 be established. The amount of \$ 104,500 is required to be reserved in the Water Fund and \$ 740,000 in the Electric Fund, of which \$ 604,604 is being held in escrow.

C. Debt Retirement

The 2010, 2008, 2004 and 1999 Water Revenue Bond indentures require the Water Fund to set aside bimonthly, at least one-sixth of the total principal and interest payable during the ensuing 12 months. The total set aside as of December 31, 2011 was \$ 135,562.

The 2010, 2006 and 2004 Electric Revenue Bond indentures require the Electric Fund to set aside an amount equal to not less than one-sixth of the interest due within the next 6 months and monthly, to set aside an amount equal to not less than one-twelfth of the principal due within the next 12 months. The total set aside at December 31, 2011 was \$ 322,805.

D. Restricted Cash Held in Escrow

Restricted cash held in escrow as of December 31, 2011 consisted of \$ 239,896 of cash proceeds from the Electric Revenue Note, Series 2006A.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements	Other Governmental Funds	\$ 983,814
Other Governmental Funds	Other Governmental Funds	70,150
Municipal Liquor	Airport	<u>2,825</u>
Total		<u><u>\$ 1,056,789</u></u>

The purpose of the above interfund receivables and payables are to finance projects and equipment purchases and to cover cash deficits.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2011 was as follows:

	<u>Transfer In</u>			<u>Total</u>
	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Airport Fund</u>	
Transfer Out:				
General	\$ -	\$ 165,785	\$ 35,500	\$ 201,285
Capital Improvements Fund	-	45,816	-	45,816
Other Governmental Funds	325,679	29,728	-	355,407
Municipal Liquor	<u>-</u>	<u>2,500</u>	<u>3,110</u>	<u>5,610</u>
Total	<u><u>\$ 325,679</u></u>	<u><u>\$ 243,829</u></u>	<u><u>\$ 38,610</u></u>	<u><u>\$ 608,118</u></u>

The purpose of the above transfers is to provide funding for capital improvement projects, capital outlay or operating purposes and to close funds.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

Primary Government

The City issues general obligation (G.O.) bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

On January 13, 2009, the City accepted a United States Department of Agriculture (USDA) Rural Development loan and grant in the amounts of \$ 15,118,000 and \$ 857,000, respectively, for the construction of the Wastewater Treatment Plant. On March 1, 2011, the City issued \$ 15,120,000 in Temporary Sewer Revenue Bonds to fund the project. As of December 31, 2011, the City had approximately \$ 7,059,679 in construction in progress in the Sewer Fund relating to the project; however, none of the costs have been requested for reimbursement from the USDA. When the project is completed, the City will receive the USDA loan and grant proceeds, which will be used to refund the temporary bond.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 8 – LONG-TERM DEBT

B. Components of Long-Term Liabilities

Primary Government

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities:						
Governmental Activities:						
G.O. Bonds, Including						
Special Assessment Bonds:						
G.O. Improvement						
Refunding 2000B	11/01/00	4.80%-5.25%	\$ 535,000	02/01/13	\$ 115,000	\$ 55,000
G.O. Improvement 2002	11/01/02	2.10%-4.45%	510,000	02/01/13	120,000	60,000
G.O. Improvement 2004A	09/01/04	2.25%-3.80%	400,000	02/01/15	175,000	40,000
G.O. Improvement 2005A	09/20/05	3.00%-4.20%	1,100,000	02/01/21	810,000	70,000
G.O. Improvement 2007A	08/23/07	4.00%-4.25%	234,000	02/01/23	197,000	13,000
G.O. Improvement						
Refunding 2009B	11/01/09	2.00%-3.50%	1,505,000	02/01/20	1,385,000	140,000
Compensated Absences					<u>243,986</u>	<u>142,000</u>
Total Governmental Activities					3,045,986	520,000
Business-Type Activities:						
G.O. Revenue Bonds:						
G.O. Sewer Revenue 2007B	09/01/07	3.75%-4.35%	1,755,000	02/21/28	1,630,000	65,000
G.O. Sewer Revenue						
Refunding 2009A	04/01/09	0.85%-2.70%	2,040,000	08/01/16	1,385,000	265,000
G.O. Temporary Sewer						
Revenue 2011A	03/01/11	2.250%	15,120,000	03/01/14	15,120,000	-
Compensated Absences					<u>39,690</u>	<u>3,720</u>
Total Business-Type Activities					18,174,690	333,720
Total all Long-Term Liabilities					<u>\$ 21,220,676</u>	<u>\$ 853,720</u>

CITY OF PRINCETON

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 8 – LONG-TERM DEBT

B. Components of Long-Term Liabilities (Continued)

Component Unit

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities:						
Business-Type Activities:						
G.O. Revenue Bonds:						
MNPFA G.O. Revenue Note	06/10/04	2.53%	\$ 847,422	08/20/23	\$ 595,000	\$ 43,000
Public Utility System Revenue Bonds, Series 2004	02/01/04	3.00%-4.55%	670,000	04/01/24	545,000	35,000
MNPFA G.O. Revenue Bond Electric Revenue Note, Series 2006A	09/08/99	3.29%	670,000	08/20/19	331,000	37,000
Public Utility System Revenue Bonds, Series 2004	04/02/06	4.05%	3,065,000	12/01/25	2,445,000	120,000
G.O. Water Revenue Bond Series 2008A	02/01/04	1.25%-4.70%	2,795,000	04/01/24	2,085,000	125,000
Public Utility System Refunding Revenue Bonds, Series 2010A	03/04/08	2.20%-4.05%	4,880,000	12/01/27	4,120,000	230,000
Bond Discount and Issuance Costs	11/18/10	2.0%-3.50%	3,040,000	04/01/22	2,730,000	285,000
					<u>(121,022)</u>	<u>-</u>
Total all Long-Term Liabilities					<u>\$ 12,729,978</u>	<u>\$ 875,000</u>

Long-term bonded indebtedness listed above and on the previous page were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

Annual debt service requirements to maturity for all bonded debt outstanding as of December 31, 2011 are listed on the following page.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 8 – LONG-TERM DEBT

B. Components of Long-Term Liabilities (Continued)

Primary Government

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total
	G.O. Special Assessment Bonds		G.O. Revenue Bonds		
	Principal	Interest	Principal	Interest	
2012	\$ 378,000	\$ 89,482	\$ 330,000	\$ 606,608	\$ 1,404,090
2013	387,000	76,427	340,000	429,323	1,232,750
2014	279,000	65,566	15,470,000	250,895	16,065,461
2015	280,000	56,980	360,000	71,485	768,465
2016	245,000	48,641	370,000	61,232	724,873
2017-2021	1,192,000	110,101	455,000	224,259	1,981,360
2022-2026	41,000	1,764	550,000	118,070	710,834
2027-2028	-	-	260,000	11,527	271,527
Total	\$ 2,802,000	\$ 448,961	\$ 18,135,000	\$ 1,773,399	\$ 23,159,360

Component Unit

Year Ending December 31,	Business-Type Activities		Total
	G.O. Revenue Bonds		
	Principal	Interest	
2012	\$ 875,000	\$ 454,126	\$ 1,329,126
2013	927,000	427,516	1,354,516
2014	939,000	399,668	1,338,668
2015	917,000	371,228	1,288,228
2016	945,000	341,334	1,286,334
2017-2021	4,821,000	1,200,433	6,021,433
2022-2026	3,267,000	312,877	3,579,877
2027	160,000	6,480	166,480
Total	\$ 12,851,000	\$ 3,513,662	\$ 16,364,662

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 8 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds Payable:				
G.O. Special Assessment Bonds	\$ 3,145,000	\$ -	\$ 343,000	\$ 2,802,000
Compensated Absences	<u>230,683</u>	<u>155,145</u>	<u>141,842</u>	<u>243,986</u>
Total Governmental Activities	<u>3,375,683</u>	<u>155,145</u>	<u>484,842</u>	<u>3,045,986</u>
Business-Type Activities:				
Bonds Payable:				
G.O. Sewer Revenue Bonds	3,340,000	15,120,000	325,000	18,135,000
Compensated Absences	<u>34,105</u>	<u>15,678</u>	<u>10,093</u>	<u>39,690</u>
Total Business-Type Activities	<u>3,374,105</u>	<u>15,135,678</u>	<u>335,093</u>	<u>18,174,690</u>
Total Long-Term Liabilities	<u>\$ 6,749,788</u>	<u>\$ 15,290,823</u>	<u>\$ 819,935</u>	<u>\$ 21,220,676</u>

The General Fund typically liquidates the liability related to compensated absences.

Component Unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds Payable:					
Water Fund:					
Revenue Bonds	\$ 6,351,396	\$ -	\$ 372,600	\$ 5,978,796	\$ 390,000
Electric Fund:					
Revenue Bonds	<u>7,246,870</u>	<u>-</u>	<u>495,688</u>	<u>6,751,182</u>	<u>485,000</u>
Total Long-Term Liabilities	<u>\$ 13,598,266</u>	<u>\$ -</u>	<u>\$ 868,288</u>	<u>\$ 12,729,978</u>	<u>\$ 875,000</u>

D. Conduit Debt Obligations

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued industrial revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2011, there were several issues outstanding. The bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance at December 31, 2011 was not determinable.

NOTE 9 – RESERVED FUND BALANCES/NET ASSETS

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

Reserved/Designated Fund Equity

Fund equity balances are classified below to reflect the limitations and restrictions of the respective funds.

	<u>General</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	\$ 65,415	\$ -	\$ 815	\$ 66,230
Land Held for Resale	-	-	1	1
Total Nonspendable	<u>65,415</u>	<u>-</u>	<u>816</u>	<u>66,231</u>
Restricted:				
Debt Service	-	-	2,064,566	2,064,566
Tax Increments	-	-	145,327	145,327
Urban Development Loans	-	-	144,293	144,293
Park Improvements	-	-	81,207	81,207
Community Projects	-	-	817	817
Total Restricted	<u>-</u>	<u>-</u>	<u>2,436,210</u>	<u>2,436,210</u>
Assigned:				
Capital Improvements	-	2,901,727	-	2,901,727
Insurance Deductible	-	-	75,023	75,023
Cemetery Operation and Maintenance	-	-	6,434	6,434
Property Confiscation	-	-	137,056	137,056
Public Safety	-	-	2,375	2,375
Investigations	-	-	2,311	2,311
Felony Investigations	-	-	12,964	12,964
Solheim Field Improvements	-	-	10,423	10,423
Civic Center	-	-	218	218
Community Beautification	-	-	15,305	15,305
Fire Equipment	-	-	274,822	274,822
Disaster Relocation	-	-	121,813	121,813
Cemetery Perpetual Care	-	-	152,659	152,659
Street Improvements	-	-	275,828	275,828
Arcadian Home Utilities	-	-	12,198	12,198
Total Assigned	<u>-</u>	<u>2,901,727</u>	<u>1,099,429</u>	<u>4,001,156</u>
Unassigned	<u>1,945,103</u>	<u>-</u>	<u>(1,068,928)</u>	<u>876,175</u>
Total	<u>\$ 2,010,518</u>	<u>\$ 2,901,727</u>	<u>\$ 2,467,527</u>	<u>\$ 7,379,772</u>

NOTE 10 – RISK MANAGEMENT

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2011 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2011, there were no other claims liabilities reported in the Fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees' Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These Plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the Fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$ 56,090, \$ 55,577 and \$ 54,725, respectively. The City's contributions to PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$ 82,471, \$ 79,405 and \$ 77,026, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage and dental coverage. Medical coverage is administered by BlueCross BlueShield and dental coverage is administered by Delta Dental. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with BlueCross BlueShield and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For year 2011, the City contributed \$ 14,883 to the plan. As of December 31, 2011, there were two retirees receiving health and dental benefits from the City.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$ 31,061
Interest on Net OPEB obligation	1,636
Adjustment to ARC	(2,366)
Annual OPEB Cost (Expense)	30,331
Contributions Made	(14,883)
Increase in Net OPEB Obligation	15,448
Net OPEB Obligation - Beginning of Year	40,909
Net OPEB Obligation - End of Year	\$ 56,357

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 was as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	\$ 30,331	\$ 14,883	49%	\$ 56,357
12/31/10	29,513	9,061	31%	40,909
12/31/09	28,695	8,238	29%	20,457

D. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 224,329 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 224,329. The covered payroll (annual payroll of active employees covered by the plan) was \$ 1,613,894, and the ratio of the UAAL to the covered payroll was 13.9%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the Substantive Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the December 31, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 % discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter-term, based on City’s general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 10% initially, reduced incrementally to an ultimate rate of 5.0% after 10 years. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

NOTE 13 – COMMITMENTS

As of December 31, 2011, the City has entered into the following construction contracts.

Project	Contract	Expended Through 12/31/11	Commitment
WWTP Improvements	\$ 10,298,000	\$ 2,808,535	\$ 7,489,465
WWTP Engineering Costs	2,075,800	1,593,453	482,347
Total	<u>\$ 12,373,800</u>	<u>\$ 4,401,988</u>	<u>\$ 7,971,812</u>

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 14, 2012, the date which the financial statements were available to be issued.

On February 1, 2012, the PUC issued the \$ 2,450,000 Public Utility Revenue Refunding Bonds, Series 2012A to refund the Public Utility System Revenue Bonds of 2004. The issuance provides a cash flow savings of \$ 491,613 and a net present value benefit of \$ 424,595.

On February 23, 2012, the City approved the issuance of the \$ 2,275,000 G.O. Refunding Bonds, Series 2012B to refund the G.O. Improvement Refunding Bonds, Series 2000B, the G.O. Improvement Bonds, Series 2004A, the G.O. Improvement Bonds, Series 2005A and the G.O. Sewer Revenue Bonds, Series 2007B. The issuance provides a cash flow savings of \$ 132,500 and a net present value benefit of \$ 115,906.

CITY OF PRINCETON

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This action resulted in a reclassification of fund balances on the governmental fund statements to correspond with the new fund naming structure required by this Statement.

The City formerly presented the EDA as a blended component unit. An evaluation of the EDA's governance and operations during the current year indicated the criteria for blending the component unit as part of the City are no longer being met. A change in accounting principle to remove the EDA from the governmental funds and governmental activities of the City in the amount of \$ 52,437 was made. As of December 31, 2011, the EDA is presented as a discretely presented component unit of the City.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRINCETON

**SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS
December 31, 2011**

<u>Year-End Date</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Estimated Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/09	12/31/09	\$ -	\$ 224,329	\$ 224,329	0%	\$ 1,613,894	13.9%
12/31/10	12/31/09	-	224,329	224,329	0%	1,613,894	13.9%
12/31/11	12/31/09	-	224,329	224,329	0%	1,613,894	13.9%

See Note 12 in the Notes to the Financial Statements for more details on this Schedule.

SUPPLEMENTARY INFORMATION

CITY OF PRINCETON

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011**

	Special Revenue				
	Insurance Deductible Reserve (202)	Cemetery Operation and Maintenance (205)	Property Confiscation (210)	Public Safety and Awareness (211)	Investigation Information Buy Fund (212)
ASSETS					
Cash and Investments	\$ 75,023	\$ 7,468	\$ 137,056	\$ 2,375	\$ 2,311
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessment Receivable:					
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Interest Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
Prepaid Expenses	-	815	-	-	-
	<u>75,023</u>	<u>8,283</u>	<u>137,056</u>	<u>2,375</u>	<u>2,311</u>
Total Assets	<u>\$ 75,023</u>	<u>\$ 8,283</u>	<u>\$ 137,056</u>	<u>\$ 2,375</u>	<u>\$ 2,311</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts and Contracts Payable	\$ -	\$ 1,034	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	815	-	-	-
Restricted	-	-	-	-	-
Assigned	75,023	6,434	137,056	2,375	2,311
Unassigned	-	-	-	-	-
Total Fund Balances	<u>75,023</u>	<u>7,249</u>	<u>137,056</u>	<u>2,375</u>	<u>2,311</u>
	<u>\$ 75,023</u>	<u>\$ 8,283</u>	<u>\$ 137,056</u>	<u>\$ 2,375</u>	<u>\$ 2,311</u>
Total Liabilities and Fund Balances	<u>\$ 75,023</u>	<u>\$ 8,283</u>	<u>\$ 137,056</u>	<u>\$ 2,375</u>	<u>\$ 2,311</u>

Special Revenue

Felony Investigation (214)	Solheim Field Improvements (216)	Civic Center (240)	Community Beautification (242)	Community Projects (250)	Development Grants (252)	Development Expenses (253)
\$ 12,964	\$ 10,423	\$ 276	\$ 15,305	\$ 817	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5,020
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 12,964</u>	<u>\$ 10,423</u>	<u>\$ 276</u>	<u>\$ 15,305</u>	<u>\$ 817</u>	<u>\$ -</u>	<u>\$ 5,020</u>
\$ -	\$ -	\$ 58	\$ -	\$ -	\$ -	\$ 16,491
-	-	-	-	-	70,535	118,566
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	58	-	-	70,535	135,057
-	-	-	-	-	-	-
-	-	-	-	817	-	-
12,964	10,423	218	15,305	-	-	-
-	-	-	-	-	(70,535)	(130,037)
<u>12,964</u>	<u>10,423</u>	<u>218</u>	<u>15,305</u>	<u>817</u>	<u>(70,535)</u>	<u>(130,037)</u>
<u>\$ 12,964</u>	<u>\$ 10,423</u>	<u>\$ 276</u>	<u>\$ 15,305</u>	<u>\$ 817</u>	<u>\$ -</u>	<u>\$ 5,020</u>

CITY OF PRINCETON
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue				
	Fire Equipment Reserve (260)	Fire Department Grants (261)	Disaster Relocation (262)	Small Cities Development Program (603)	Stormwater Management (601)
ASSETS					
Cash and Investments	\$ 262,257	\$ -	\$ 103,785	\$ -	\$ -
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessment Receivable:					
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	14,650	-	-	-	-
Interest Receivable	185	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	1,763	-	18,565	-	-
Notes Receivable	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
	\$ 278,855	\$ -	\$ 122,350	\$ -	\$ -
Total Assets	\$ 278,855	\$ -	\$ 122,350	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts and Contracts Payable	\$ 4,033	\$ -	\$ 537	\$ -	\$ 1,228
Due to Other Funds	-	8,354	-	141	134,217
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
	4,033	8,354	537	141	135,445
Total Liabilities	4,033	8,354	537	141	135,445
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	274,822	-	121,813	-	-
Unassigned	-	(8,354)	-	(141)	(135,445)
	274,822	(8,354)	121,813	(141)	(135,445)
Total Fund Balances	274,822	(8,354)	121,813	(141)	(135,445)
Total Liabilities and Fund Balances	\$ 278,855	\$ -	\$ 122,350	\$ -	\$ -

Special Revenue

Neighborhood Stabilization Program (602)	Water Availability (701)	Park Improvements (802)	Cemetery Perpetual Care (803)	UDAG No. 2 Downtown Project (814)	UDAG No. 5 Crystal Cabinets (820)
\$ -	\$ 16,067	\$ 81,207	\$ 151,779	\$ 46,067	\$ 73,752
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	880	1,789	85
-	-	-	-	-	-
-	-	-	-	35,628	22,600
1	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1</u>	<u>\$ 16,067</u>	<u>\$ 81,207</u>	<u>\$ 152,659</u>	<u>\$ 83,484</u>	<u>\$ 96,437</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,221	-	-	-	-	-
-	16,067	-	-	-	-
-	-	-	-	35,628	-
<u>3,221</u>	<u>16,067</u>	<u>-</u>	<u>-</u>	<u>35,628</u>	<u>-</u>
1	-	-	-	-	-
-	-	81,207	-	47,856	96,437
-	-	-	152,659	-	-
<u>(3,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,220)</u>	<u>-</u>	<u>81,207</u>	<u>152,659</u>	<u>47,856</u>	<u>96,437</u>
<u>\$ 1</u>	<u>\$ 16,067</u>	<u>\$ 81,207</u>	<u>\$ 152,659</u>	<u>\$ 83,484</u>	<u>\$ 96,437</u>

CITY OF PRINCETON
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>		
	Total	Downtown Redevelopment Tax Increment (490)	1999 Industrial Park Improvements (500)	2002/2003 1st Street Improvements (502)
ASSETS				
Cash and Investments	\$ 998,932	\$ 12,834	\$ 276,339	\$ 215,807
Taxes Receivable - Delinquent	-	5,465	409	374
Special Assessment Receivable:				
Delinquent	-	-	-	34,004
Deferred	-	-	-	32,980
Accounts Receivable	19,670	1,565	-	-
Interest Receivable	2,939	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	20,328	-	-	-
Notes Receivable	58,228	-	-	-
Land Held for Resale	1	-	-	-
Prepaid Expenses	815	-	-	-
	<u>815</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,100,913</u>	<u>\$ 19,864</u>	<u>\$ 276,748</u>	<u>\$ 283,165</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Contracts Payable	\$ 23,381	\$ -	\$ -	\$ -
Due to Other Funds	335,034	-	-	-
Due to Other Governments	16,067	-	-	-
Deferred Revenue	35,628	5,465	409	67,358
Total Liabilities	<u>410,110</u>	<u>5,465</u>	<u>409</u>	<u>67,358</u>
Fund Balances				
Nonspendable	816	-	-	-
Restricted	226,317	14,399	276,339	215,807
Assigned	811,403	-	-	-
Unassigned	(347,733)	-	-	-
Total Fund Balances	<u>690,803</u>	<u>14,399</u>	<u>276,339</u>	<u>215,807</u>
	<u>690,803</u>	<u>14,399</u>	<u>276,339</u>	<u>215,807</u>
Total Liabilities and Fund Balances	<u>\$ 1,100,913</u>	<u>\$ 19,864</u>	<u>\$ 276,748</u>	<u>\$ 283,165</u>

Debt Service

Western Area Improvements (503)	2nd and 7th Improvements (504)	2005 21st Avenue Improvements (506)	2007 PUC Area Improvements (507)	2000 Street and Utilities Improvements (530)	Revolving Account Fund (552)	1992 Street and Utilities (592)
\$ 192,789	\$ 192,423	\$ 349,576	\$ 123,235	\$ 51,996	\$ 213,126	\$ 336,277
5,915	426	3,812	141	-	-	221
4,095	4,541	3,986	-	-	-	-
393,814	96,828	389,858	135,314	11,203	875	54,991
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	70,150	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 596,613</u>	<u>\$ 294,218</u>	<u>\$ 747,232</u>	<u>\$ 258,690</u>	<u>\$ 63,199</u>	<u>\$ 284,151</u>	<u>\$ 391,489</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
17,035	-	-	-	-	-	-
403,824	101,795	397,656	135,455	11,203	875	55,212
<u>420,859</u>	<u>101,795</u>	<u>397,656</u>	<u>135,455</u>	<u>11,203</u>	<u>875</u>	<u>55,212</u>
-	-	-	-	-	-	-
175,754	192,423	349,576	123,235	51,996	283,276	336,277
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>175,754</u>	<u>192,423</u>	<u>349,576</u>	<u>123,235</u>	<u>51,996</u>	<u>283,276</u>	<u>336,277</u>
<u>\$ 596,613</u>	<u>\$ 294,218</u>	<u>\$ 747,232</u>	<u>\$ 258,690</u>	<u>\$ 63,199</u>	<u>\$ 284,151</u>	<u>\$ 391,489</u>

CITY OF PRINCETON
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Debt Service		Capital Projects	
	1993 Street and Utilities (593)	1999 Street and Utilities Improvements (599)	Total	2003 Utility Improvement (303)
ASSETS				
Cash and Investments	\$ 45,484	\$ -	\$ 2,009,886	\$ -
Taxes Receivable - Delinquent	-	235	16,998	-
Special Assessment Receivable:				
Delinquent	-	-	46,626	-
Deferred	9,540	-	1,125,403	-
Accounts Receivable	-	-	1,565	-
Interest Receivable	-	-	-	-
Due from Other Funds	-	-	70,150	-
Due from Other Governments	-	-	-	-
Notes Receivable	-	-	-	-
Land Held for Resale	-	-	-	-
Prepaid Expenses	-	-	-	-
	<u>\$ 55,024</u>	<u>\$ 235</u>	<u>\$ 3,270,628</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	79,950	79,950	80,543
Due to Other Governments	-	-	17,035	-
Deferred Revenue	9,540	234	1,189,026	-
Total Liabilities	<u>9,540</u>	<u>80,184</u>	<u>1,286,011</u>	<u>80,543</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	45,484	-	2,064,566	-
Assigned	-	-	-	-
Unassigned	-	(79,949)	(79,949)	(80,543)
Total Fund Balances	<u>45,484</u>	<u>(79,949)</u>	<u>1,984,617</u>	<u>(80,543)</u>
	<u>\$ 55,024</u>	<u>\$ 235</u>	<u>\$ 3,270,628</u>	<u>\$ -</u>

Capital Projects

Heritage Village (305)	21st Avenue Improvements South Portion (306)	21st Avenue Improvements North Portion (307)	2nd Street and 10th Avenue Street and Utility Improvements (308)	Northland/Old 18 Improvements (310)	Arcadian Homes Utility Project (328)	District No. 3-7 Redevelopment District (329)
\$ -	\$ 275,828	\$ -	\$ -	\$ -	\$ 12,198	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 275,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,198</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,271
284,714	-	98,163	41,863	53,760	-	8,075
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>284,714</u>	<u>-</u>	<u>98,163</u>	<u>41,863</u>	<u>53,760</u>	<u>-</u>	<u>10,346</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	275,828	-	-	-	12,198	-
<u>(284,714)</u>	<u>-</u>	<u>(98,163)</u>	<u>(41,863)</u>	<u>(53,760)</u>	<u>-</u>	<u>(10,346)</u>
<u>(284,714)</u>	<u>275,828</u>	<u>(98,163)</u>	<u>(41,863)</u>	<u>(53,760)</u>	<u>12,198</u>	<u>(10,346)</u>
<u>\$ -</u>	<u>\$ 275,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,198</u>	<u>\$ -</u>

CITY OF PRINCETON

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011**

Capital Projects

	2000 Street and Utility Improvements (330)	Rum River Redevelopment District (389)	Railroad Property Redevelopment (390)	District No. 3-5 Redevelopment District (391)
ASSETS				
Cash and Investments	\$ 5	\$ 21,457	\$ 77,692	\$ 9,286
Taxes Receivable - Delinquent	-	-	-	-
Special Assessment Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Notes Receivable	-	-	-	-
Land Held for Resale	-	-	-	-
Prepaid Expenses	-	-	-	-
	<u>5</u>	<u>21,457</u>	<u>77,692</u>	<u>9,286</u>
Total Assets	\$ 5	\$ 21,457	\$ 77,692	\$ 9,286
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	70,150	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>70,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	21,457	77,692	9,286
Assigned	-	-	-	-
Unassigned	(70,145)	-	-	-
Total Fund Balances	<u>(70,145)</u>	<u>21,457</u>	<u>77,692</u>	<u>9,286</u>
	<u>5</u>	<u>21,457</u>	<u>77,692</u>	<u>9,286</u>
Total Liabilities and Fund Balances	\$ 5	\$ 21,457	\$ 77,692	\$ 9,286

Capital Projects

District No. 3-6 Redevelopment District (392)	1997 Housing District (397)	Armory Redevelopment District (398)	Industrial Park Development (821)	Total	Total Governmental Funds
\$ 31,059 748	\$ 3,161 -	\$ 2,672 -	\$ - -	\$ 433,358 748	\$ 3,442,176 17,746
-	-	-	-	-	46,626
-	-	-	-	-	1,125,403
-	-	-	-	-	21,235
-	-	-	-	-	2,939
-	-	-	-	-	70,150
-	-	-	-	-	20,328
-	-	-	-	-	58,228
-	-	-	-	-	1
-	-	-	-	-	815
<u>\$ 31,807</u>	<u>\$ 3,161</u>	<u>\$ 2,672</u>	<u>\$ -</u>	<u>\$ 434,106</u>	<u>\$ 4,805,647</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,271	\$ 25,652
-	-	-	1,712	638,980	1,053,964
-	-	-	-	-	33,102
748	-	-	-	748	1,225,402
<u>748</u>	<u>-</u>	<u>-</u>	<u>1,712</u>	<u>641,999</u>	<u>2,338,120</u>
-	-	-	-	-	816
31,059	3,161	2,672	-	145,327	2,436,210
-	-	-	-	288,026	1,099,429
-	-	-	(1,712)	(641,246)	(1,068,928)
<u>31,059</u>	<u>3,161</u>	<u>2,672</u>	<u>(1,712)</u>	<u>(207,893)</u>	<u>2,467,527</u>
<u>\$ 31,807</u>	<u>\$ 3,161</u>	<u>\$ 2,672</u>	<u>\$ -</u>	<u>\$ 434,106</u>	<u>\$ 4,805,647</u>

CITY OF PRINCETON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	Special Revenue				
	Insurance Deductible Reserve (202)	Cemetery Operation and Maintenance (205)	Property Confiscation (210)	Public Safety and Awareness (211)	Investigation Information Buy Fund (212)
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	19,735	14,764	-	-
Miscellaneous:					
Investment Income	413	19	1,086	16	-
Contributions and Donations	-	-	-	-	-
Other	-	-	677	2,500	-
Total Revenues	<u>413</u>	<u>19,754</u>	<u>16,527</u>	<u>2,516</u>	<u>-</u>
EXPENDITURES					
Current					
Public Safety	-	-	8,206	334	-
Cemetery	-	27,633	-	-	-
Public Works	-	-	-	-	-
Parks and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>27,633</u>	<u>8,206</u>	<u>334</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	413	(7,879)	8,321	2,182	-
OTHER FINANCING SOURCES (USES)					
Transfers In	25,000	7,899	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>7,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	25,413	20	8,321	2,182	-
FUND BALANCES					
Beginning of Year	49,610	7,229	128,735	193	2,311
Change in Accounting Principle	-	-	-	-	-
Beginning of Year, Restated	<u>49,610</u>	<u>7,229</u>	<u>128,735</u>	<u>193</u>	<u>2,311</u>
End of Year	<u>\$ 75,023</u>	<u>\$ 7,249</u>	<u>\$ 137,056</u>	<u>\$ 2,375</u>	<u>\$ 2,311</u>

Special Revenue

Felony Investigation (214)	Solheim Field Improvements (216)	Civic Center (240)	Community Beautification (242)	Community Projects (250)	Development Grants (252)	Development Expenses (253)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,400	-	-	-	-
105	69	-	107	-	-	-
-	-	1,000	-	-	-	-
2,000	1,947	-	600	3,150	-	-
<u>2,105</u>	<u>2,016</u>	<u>2,400</u>	<u>707</u>	<u>3,150</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,887	4,349	520	4,550	-	-
-	-	-	-	-	-	33,900
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,887</u>	<u>4,349</u>	<u>520</u>	<u>4,550</u>	<u>-</u>	<u>33,900</u>
2,105	129	(1,949)	187	(1,400)	-	(33,900)
-	1,600	2,000	2,500	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>1,600</u>	<u>2,000</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,105	1,729	51	2,687	(1,400)	-	(33,900)
10,859	8,694	167	12,618	2,217	(70,535)	(96,137)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,859</u>	<u>8,694</u>	<u>167</u>	<u>12,618</u>	<u>2,217</u>	<u>(70,535)</u>	<u>(96,137)</u>
<u>\$ 12,964</u>	<u>\$ 10,423</u>	<u>\$ 218</u>	<u>\$ 15,305</u>	<u>\$ 817</u>	<u>\$ (70,535)</u>	<u>\$ (130,037)</u>

CITY OF PRINCETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue				
	Fire Equipment Reserve (260)	Fire Department Grants (261)	Disaster Relocation (262)	Small Cities Development Program (603)	Stormwater Management (601)
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	7,028	45,952	16,111	-
Charges for Services	7,618	-	-	-	-
Miscellaneous:					
Investment Income	1,780	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	3,600	-	-	-	-
Total Revenues	<u>12,998</u>	<u>7,028</u>	<u>45,952</u>	<u>16,111</u>	<u>-</u>
EXPENDITURES					
Current					
Public Safety	-	8,281	39,152	-	-
Cemetery	-	-	-	-	-
Public Works	-	-	-	-	4,453
Parks and Recreation	-	-	-	-	-
Economic Development	-	-	-	16,252	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
Public Safety	6,059	-	-	-	-
Public Works	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>6,059</u>	<u>8,281</u>	<u>39,152</u>	<u>16,252</u>	<u>4,453</u>
Excess of Revenues Over (Under) Expenditures	6,939	(1,253)	6,800	(141)	(4,453)
OTHER FINANCING SOURCES (USES)					
Transfers In	41,535	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>41,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	48,474	(1,253)	6,800	(141)	(4,453)
FUND BALANCES					
Beginning of Year	226,348	(7,101)	115,013	-	(130,992)
Change in Accounting Principle	-	-	-	-	-
Beginning of Year, Restated	<u>226,348</u>	<u>(7,101)</u>	<u>115,013</u>	<u>-</u>	<u>(130,992)</u>
End of Year	<u>\$ 274,822</u>	<u>\$ (8,354)</u>	<u>\$ 121,813</u>	<u>\$ (141)</u>	<u>\$ (135,445)</u>

Special Revenue

Neighborhood Stabilization Program (602)	Water Availability (701)	Park Improvements (802)	Cemetery Perpetual Care (803)	UDAG No. 2 Downtown Project (814)	UDAG No. 5 Crystal Cabinets (820)	Economic Development Authority (600)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,312	-	-	-	11,244	-	-
-	67,705	-	2,600	-	-	-
-	-	671	1,449	1,573	1,086	-
-	-	-	-	-	-	-
-	-	2,084	-	-	-	-
<u>14,312</u>	<u>67,705</u>	<u>2,755</u>	<u>4,049</u>	<u>12,817</u>	<u>1,086</u>	<u>-</u>
-	-	-	-	-	-	-
-	67,705	-	-	-	-	-
-	-	1,197	-	-	-	-
57,769	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>57,769</u>	<u>67,705</u>	<u>1,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(43,457)	-	1,558	4,049	12,817	1,086	-
-	-	-	-	-	-	-
-	-	(800)	(1,449)	-	-	-
-	-	(800)	(1,449)	-	-	-
(43,457)	-	758	2,600	12,817	1,086	-
40,237	-	80,449	150,059	35,039	95,351	52,437
-	-	-	-	-	-	(52,437)
<u>40,237</u>	<u>-</u>	<u>80,449</u>	<u>150,059</u>	<u>35,039</u>	<u>95,351</u>	<u>-</u>
<u>\$ (3,220)</u>	<u>\$ -</u>	<u>\$ 81,207</u>	<u>\$ 152,659</u>	<u>\$ 47,856</u>	<u>\$ 96,437</u>	<u>\$ -</u>

CITY OF PRINCETON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>			
	Total	Downtown Redevelopment Tax Increment (490)	1994 Library Project (494)	1999 Industrial Park Improvements (500)	2002/2003 1st Street Improvements (502)
REVENUES					
Property Taxes	\$ -	\$ -	\$ 11	\$ 136	\$ 454
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	4,948	40,362
Intergovernmental	94,647	-	-	-	-
Charges for Services	113,822	-	-	-	-
Miscellaneous:					
Investment Income	8,374	1,816	21	2,276	1,556
Contributions and Donations	1,000	-	-	-	-
Other	16,558	1,565	-	-	-
Total Revenues	<u>234,401</u>	<u>3,381</u>	<u>32</u>	<u>7,360</u>	<u>42,372</u>
EXPENDITURES					
Current					
Public Safety	55,973	-	-	-	-
Cemetery	27,633	-	-	-	-
Public Works	72,158	-	-	-	-
Parks and Recreation	12,503	-	-	-	-
Economic Development	107,921	-	-	-	-
Debt Service					
Principal	-	-	-	-	55,000
Interest and Other Charges	-	-	-	-	6,405
Capital Outlay					
Public Safety	6,059	-	-	-	-
Public Works	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>282,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,405</u>
Excess of Revenues Over (Under) Expenditures	(47,846)	3,381	32	7,360	(19,033)
OTHER FINANCING SOURCES (USES)					
Transfers In	80,534	-	-	-	-
Transfers Out	(2,249)	-	(2,620)	-	-
Total Other Financing Sources (Uses)	<u>78,285</u>	<u>-</u>	<u>(2,620)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	30,439	3,381	(2,588)	7,360	(19,033)
FUND BALANCES					
Beginning of Year	712,801	11,018	2,588	268,979	234,840
Change in Accounting Principle	(52,437)	-	-	-	-
Beginning of Year, Restated	<u>660,364</u>	<u>11,018</u>	<u>2,588</u>	<u>268,979</u>	<u>234,840</u>
End of Year	<u>\$ 690,803</u>	<u>\$ 14,399</u>	<u>\$ -</u>	<u>\$ 276,339</u>	<u>\$ 215,807</u>

Debt Service

Western Area Improvements (503)	2nd and 7th Improvements (504)	2005 21st Avenue Improvements (506)	2007 PUC Area Improvements (507)	2000 Street and Utilities Improvements (530)	Revolving Account Fund (552)
\$ 85,600	\$ 492	\$ 26,998	\$ 2,388	\$ -	\$ -
-	-	-	-	-	-
126,103	40,650	112,017	7,642	3,232	-
-	1,034	287	28	-	-
-	-	-	-	-	-
628	1,076	2,097	975	410	1,758
-	-	-	-	-	-
-	-	-	-	-	-
<u>212,331</u>	<u>43,252</u>	<u>141,399</u>	<u>11,033</u>	<u>3,642</u>	<u>1,758</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
49,360	-	-	-	-	-
120,000	40,000	65,000	13,000	-	-
39,488	7,619	33,386	8,345	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>208,848</u>	<u>47,619</u>	<u>98,386</u>	<u>21,345</u>	<u>-</u>	<u>-</u>
3,483	(4,367)	43,013	(10,312)	3,642	1,758
-	24,859	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>24,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,483	20,492	43,013	(10,312)	3,642	1,758
172,271	171,931	306,563	133,547	48,354	281,518
-	-	-	-	-	-
<u>172,271</u>	<u>171,931</u>	<u>306,563</u>	<u>133,547</u>	<u>48,354</u>	<u>281,518</u>
<u>\$ 175,754</u>	<u>\$ 192,423</u>	<u>\$ 349,576</u>	<u>\$ 123,235</u>	<u>\$ 51,996</u>	<u>\$ 283,276</u>

CITY OF PRINCETON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	Debt Service			Capital Projects	
	1992 Street and Utilities (592)	1993 Street and Utilities (593)	1999 Street and Utilities Improvements (599)	Total	2002/2003 First Street Improvements (301)
REVENUES					
Property Taxes	\$ 93	\$ -	\$ 41	\$ 116,213	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	58,414	3,916	-	397,284	-
Intergovernmental	-	-	-	1,349	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	2,443	355	-	15,411	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	1,565	-
Total Revenues	<u>60,950</u>	<u>4,271</u>	<u>41</u>	<u>531,822</u>	<u>-</u>
EXPENDITURES					
Current					
Public Safety	-	-	-	-	-
Cemetery	-	-	-	-	-
Public Works	-	-	-	-	-
Parks and Recreation	-	-	-	-	-
Economic Development	-	-	-	49,360	-
Debt Service					
Principal	50,000	-	-	343,000	-
Interest and Other Charges	7,782	71	-	103,096	-
Capital Outlay					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>57,782</u>	<u>71</u>	<u>-</u>	<u>495,456</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	3,168	4,200	41	36,366	-
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	2,620	27,479	135,816
Transfers Out	-	-	-	(2,620)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,620</u>	<u>24,859</u>	<u>135,816</u>
Net Change in Fund Balances	3,168	4,200	2,661	61,225	135,816
FUND BALANCES					
Beginning of Year	333,109	41,284	(82,610)	1,923,392	(135,816)
Change in Accounting Principle	-	-	-	-	-
Beginning of Year, Restated	<u>333,109</u>	<u>41,284</u>	<u>(82,610)</u>	<u>1,923,392</u>	<u>(135,816)</u>
End of Year	<u>\$ 336,277</u>	<u>\$ 45,484</u>	<u>\$ (79,949)</u>	<u>\$ 1,984,617</u>	<u>\$ -</u>

Capital Projects

2003 Utility Improvement (303)	2nd Street Street and Utilities Improvements (304)	Heritage Village (305)	21st Avenue Improvements South Portion (306)	21st Avenue Improvements North Portion (307)	2nd Street and 10th Avenue Street and Utility Improvements (308)	Northland/Old 18 Improvements (310)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	205	-	2,275	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	205	-	2,275	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-					

CITY OF PRINCETON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	Capital Projects				
	Arcadian Homes Utility Project (328)	District No. 3-7 Redevelopment District (329)	2000 Street and Utility Improvements (330)	Rum River Redevelopment District (389)	Railroad Property Redevelopment (390)
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	22,387	19,878
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	5,210	4,713
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,597</u>	<u>24,591</u>
EXPENDITURES					
Current					
Public Safety	-	-	-	-	-
Cemetery	-	-	-	-	-
Public Works	-	-	-	-	-
Parks and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Economic Development	-	3,139	-	27,120	-
Total Expenditures	<u>-</u>	<u>3,139</u>	<u>-</u>	<u>27,120</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	(3,139)	-	477	24,591
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(325,679)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(325,679)</u>
Net Change in Fund Balances	-	(3,139)	-	477	(301,088)
FUND BALANCES					
Beginning of Year	12,198	(7,207)	(70,145)	20,980	378,780
Change in Accounting Principle	-	-	-	-	-
Beginning of Year, Restated	<u>12,198</u>	<u>(7,207)</u>	<u>(70,145)</u>	<u>20,980</u>	<u>378,780</u>
End of Year	<u>\$ 12,198</u>	<u>\$ (10,346)</u>	<u>\$ (70,145)</u>	<u>\$ 21,457</u>	<u>\$ 77,692</u>

Capital Projects

District No. 3-5 Redevelopment District (391)	District No. 3-6 Redevelopment District (392)	1997 Housing District (397)	Armory Redevelopment District (398)	Industrial Park Development (821)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,213
11,924	40,339	9,634	10,033	-	114,195	114,195
-	-	-	-	-	-	397,284
2,228	6,434	-	-	-	18,585	114,581
-	-	-	-	-	-	113,822
-	-	-	-	205	2,685	26,470
-	-	-	-	-	-	1,000
-	-	-	-	-	-	18,123
<u>14,152</u>	<u>46,773</u>	<u>9,634</u>	<u>10,033</u>	<u>205</u>	<u>135,465</u>	<u>901,688</u>
-	-	-	-	-	-	55,973
-	-	-	-	-	-	27,633
-	-	-	-	-	250	72,408
-	-	-	-	-	-	12,503
-	-	-	-	135	135	157,416
-	-	-	-	-	-	343,000
-	-	-	-	-	-	103,096
-	-	-	-	-	-	6,059
-	-	-	-	158,393	167,925	167,925
14,383	45,356	9,633	10,033	-	109,664	109,664
<u>14,383</u>	<u>45,356</u>	<u>9,633</u>	<u>10,033</u>	<u>158,528</u>	<u>277,974</u>	<u>1,055,677</u>
(231)	1,417	1	-	(158,323)	(142,509)	(153,989)
-	-	-	-	-	135,816	243,829
-	-	-	-	-	(350,538)	(355,407)
-	-	-	-	-	(214,722)	(111,578)
(231)	1,417	1	-	(158,323)	(357,231)	(265,567)
9,517	29,642	3,160	2,672	156,611	149,338	2,785,531
-	-	-	-	-	-	(52,437)
<u>9,517</u>	<u>29,642</u>	<u>3,160</u>	<u>2,672</u>	<u>156,611</u>	<u>149,338</u>	<u>2,733,094</u>
<u>\$ 9,286</u>	<u>\$ 31,059</u>	<u>\$ 3,161</u>	<u>\$ 2,672</u>	<u>\$ (1,712)</u>	<u>\$ (207,893)</u>	<u>\$ 2,467,527</u>

CITY OF PRINCETON

**BALANCE SHEET - ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
December 31, 2011**

	Economic Development Authority (600)
ASSETS	
Taxes Receivable - Delinquent	\$ 1,161
Land Held for Resale	<u>517,400</u>
Total Assets	<u><u>\$ 518,561</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to Other Governments	\$ 565,930
Salaries and Benefits Payable	671
Deferred Revenue	<u>1,161</u>
Total Liabilities	<u><u>567,762</u></u>
Fund Balances	
Unassigned	<u>(49,201)</u>
Total Liabilities and Fund Balances	<u><u>\$ 518,561</u></u>
Total Fund Balance - Economic Development Authority Component Unit	\$ (49,201)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p style="padding-left: 40px;">Delinquent and deferred receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	
Delinquent Property Taxes	<u>1,161</u>
Total Net Assets - Economic Development Authority Component Unit	<u><u>\$ (48,040)</u></u>

CITY OF PRINCETON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
For the Year Ended December 31, 2011**

	Economic Development Authority (600)
REVENUES	
Property Taxes	\$ 17,038
Intergovernmental	206
Other	7,602
Total Revenues	24,846
EXPENDITURES	
Current	
Economic Development	126,484
Net Change in Fund Balances	(101,638)
FUND BALANCES	
Beginning of Year	52,437
End of Year	\$ (49,201)
Net Change in Fund Balances - Economic Development Authority Component Unit	\$ (101,638)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Property taxes and special assessments receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Delinquent Property Taxes	1,161
Change in Net Assets - Economic Development Authority Component Unit	\$ (100,477)

CITY OF PRINCETON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
REVENUES				
Property Taxes	\$ 1,734,075	\$ 1,727,075	\$ 1,781,205	\$ 54,130
Licenses and Permits	122,070	142,395	166,046	23,651
Intergovernmental Revenue				
Local Government Aid	723,240	535,931	535,932	1
Market Value Credit	17,245	17,245	21,505	4,260
Fire Aid	36,810	43,435	43,436	1
Police Aid	76,745	77,339	77,339	-
Other Grants and Aids	10,000	27,390	35,071	7,681
Total Intergovernmental Revenue	<u>864,040</u>	<u>701,340</u>	<u>713,283</u>	<u>11,943</u>
Charges for Services				
General Government	73,095	74,340	86,977	12,637
Public Safety	131,570	131,680	131,992	312
Public Works	1,800	2,845	2,542	(303)
Parks and Recreation	29,600	30,990	31,093	103
Total Charges for Services	<u>236,065</u>	<u>239,855</u>	<u>252,604</u>	<u>12,749</u>
Fines or Forfeitures	34,000	43,450	41,294	(2,156)
Miscellaneous Revenues				
Investment Income	27,000	25,000	13,270	(11,730)
Other	40,140	40,050	58,894	18,844
Total Miscellaneous Revenues	<u>67,140</u>	<u>65,050</u>	<u>72,164</u>	<u>7,114</u>
Total Revenues	<u>3,057,390</u>	<u>2,919,165</u>	<u>3,026,596</u>	<u>107,431</u>
EXPENDITURES				
General Government				
Mayor and Council	31,030	30,855	28,942	(1,913)
Administrative and Finance	321,925	313,580	306,009	(7,571)
Other General Government	466,345	427,945	236,747	(191,198)
Capital Outlay	146,500	21,460	-	(21,460)
Total General Government	<u>965,800</u>	<u>793,840</u>	<u>571,698</u>	<u>(222,142)</u>

CITY OF PRINCETON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
EXPENDITURES				
Public Safety				
Police:				
Current	\$ 1,000,365	\$ 1,016,810	\$ 1,007,181	\$ (9,629)
Capital Outlay	50,000	32,845	32,846	1
Total Police	1,050,365	1,049,655	1,040,027	(9,628)
Fire:				
Current	186,050	176,785	176,651	(134)
Other:				
Current	72,135	114,220	128,302	14,082
Total Public Safety	1,308,550	1,340,660	1,344,980	4,320
Cemetery				
Current	-	-	566	566
Public Works				
Streets and Highways:				
Street Maintenance and Storm Sewers	533,790	543,565	552,065	8,500
Street Construction Capital Outlay	15,000	15,000	9,441	(5,559)
Street - Other Capital Outlay	50,000	-	-	-
Total Public Works	598,790	558,565	561,506	2,941
Parks and Recreation				
Libraries:				
Current Expenditures	38,530	40,715	44,029	3,314
Other Parks and Recreation:				
Current Expenditures	185,145	187,005	222,975	35,970
Capital Outlay	47,000	42,000	32,685	(9,315)
Total Other Parks and Recreation	232,145	229,005	255,660	26,655
Total Parks and Recreation	270,675	269,720	299,689	29,969
Economic Development				
Economic Development:				
Current Expenditures	-	-	19,906	19,906
Total Expenditures	3,143,815	2,962,785	2,798,345	(164,440)
Excess of Revenues Over (Under) Expenditures	(86,425)	(43,620)	228,251	271,871

CITY OF PRINCETON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Payment in Lieu of Taxes -				
Component Unit	\$ 52,500	\$ 52,500	\$ 52,500	\$ -
Transfers In	128,500	95,305	-	(95,305)
Transfers Out	<u>(66,420)</u>	<u>(83,790)</u>	<u>(201,285)</u>	<u>(117,495)</u>
Total Other Financing Sources (Uses)	<u>114,580</u>	<u>64,015</u>	<u>(148,785)</u>	<u>(212,800)</u>
Net Change in Fund Balances	<u>\$ 28,155</u>	<u>\$ 20,395</u>	79,466	<u>\$ 59,071</u>
FUND BALANCES				
Beginning of Year			<u>1,931,052</u>	
End of Year			<u>\$ 2,010,518</u>	

CITY OF PRINCETON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011**

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department Housing and Urban Development		
Through Minnesota Department of Housing and Urban Development:		
Neighborhood Stabilization Program - ARRA	14.256	\$ 14,312
Small Cities Development Program	14.228	16,111
U.S. Department of Transportation		
Through Minnesota Department of Transportation:		
Airport Improvement Program	20.106	24,950
Safety Belt Performance Grants	20.609	3,110
U.S. Department of Agriculture		
Received Directly		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>6,236,750</u>
Total Federal Expenditures		<u>\$ 6,295,233</u>

CITY OF PRINCETON

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The federal expenditures for the Water and Waste Disposal Systems for Rural Communities Program includes amounts expended by the City in prior years but were not submitted for federal reimbursement until 2011.



Expert advice. When you need it.SM

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

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Princeton, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

The management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined on the above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* as Audit Finding 06-01, which we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of the City in a separate letter dated June 14, 2012.

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and state and federal awarding and oversight agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
June 14, 2012



Expert advice. When you need it.SM

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133***

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, Minnesota

COMPLIANCE

We have audited the compliance of the City of Princeton, Minnesota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Nonprofit 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 the City'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 of the City's compliance with those requirements.

In our opinion, the City of Princeton, Minnesota, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.



INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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 solely for the information and use of the City Council, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
June 14, 2012

CITY OF PRINCETON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2011**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Finding 06-01
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No

Identification of Major Programs

CFDA No.:	10.760
Name of Federal Program or Cluster:	Water and Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low risk auditee?	No

CITY OF PRINCETON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 06-01

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate, record, process and report financial data, consistent with the assertions of management in the financial statements, requires adequate segregation of accounting duties.

Condition:

During the year ended December 31, 2011, the City had a lack of segregation of accounting duties due to a limited number of office employees.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Questioned Costs:

None

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

CITY OF PRINCETON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 06-01 (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City agrees with the auditor's analysis of the situation. It seems impossible to correct the current situation without additional personnel. Even having cursory review by someone outside of the Finance Department would not seem beneficial without significant training and exposure to the financial transactions. The City has taken measures to help reduce the exposure by requiring three different people at all times to sign or stamp every check. Also, review of this point on what will be an annual basis during the audit presentation, should remind both management and the City Council of the weakness and possible problems that could result.
3. Official Responsible for Ensuring CAP
Steven L. Jackson, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The City Council will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

(THIS PAGE LEFT BLANK INTENTIONALLY)



Expert advice. When you need it.SM

REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members
of the City Council
City of Princeton
Princeton, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Princeton, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance.

This report is intended solely for the information and use of the City Council, City administration and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
June 14, 2012

CITY OF PRINCETON

**SCHEDULE OF FINDINGS AND RESPONSES ON LEGAL
COMPLIANCE
December 31, 2011**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Unclaimed Property

During our audit, we noted outstanding checks listed over three years old and reconciled each month on the cash reconciliation.

Minnesota Statutes 345.41 to 345.43 states a city must report and deliver unclaimed or uncashed checks or other intangible property over \$ 100 held for more than three years to the State Commissioner of Commerce. If any of them include payment for personal services or wages, these items are presumed to be abandoned after one year and not three years.

Corrective Action Plan:

The City will submit new checks to the parties if possible. If not possible, the City will submit uncashed checks to the State Commissioner of Commerce.

CITY OF PRINCETON

SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL December 31, 2011

PRIOR YEAR LEGAL COMPLIANCE FINDINGS:

Park Dedication Fees Based on Fair Market Value

Minnesota Statutes 462.358 Subd. 2b states cash fees may be accepted in lieu of land for park dedication. However, the fee charged must be based on the fair market value of the land. The City currently does not charge the fee based on the fair market value of land.

Corrective Action Taken:

The City has amended its fee structure to conform to the current *Minnesota Statutes* requirements.

Broker Acknowledgement Certification

Minnesota Statutes 118A.04 Subd. 9 states that prior to completing an initial transaction with a broker, a city is required to provide a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with *Minnesota Statutes* governing the investment of public funds. The broker must acknowledge annually receipt of the Statement of Investment Restrictions in writing and agree to handle the city's account in accordance with these restrictions. The Statute also goes on to say the city is also required to retain documentation of compliance with this Statute.

A Broker Acknowledgement Certification could not be located for one of the City's investment brokers as the broker would no longer sign the certification.

Corrective Action Taken:

Investments were withdrawn from this account as they matured. There were no investments held with this broker as of year-end.