

**TOWN OF PROSPER, TEXAS**

**Financial Statements  
(With Auditor's Report Thereon)**

**September 30, 2009**

**TOWN OF PROSPER**  
Annual Financial Report  
For the Year Ended September 30, 2009

	<u>Page Number</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	13
Statement of Activities .....	14
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Fund .....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	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 of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Impact Fee Fund .....	24
Statement of Net Assets - Proprietary Fund .....	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund .....	26
Statement of Cash Flows - Proprietary Fund .....	27
Notes to the Financial Statements .....	28
<b>Combining and Individual Fund Statements and Schedule:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	52
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual - Enterprise Fund .....	53
<b>Statistical Section</b>	
Net Assets by Component .....	56
Changes in Net Assets .....	58
Governmental Activities Tax Revenues by Source .....	63
Fund Balances of Governmental Funds .....	64
Changes in Fund Balances of Governmental Funds .....	66
General Governmental Tax Revenues by Source .....	68
Property Tax Rates - Direct and Overlapping Governments .....	69
Property Tax Levies and Collections .....	70
Ratios of Outstanding Debt by Type .....	71
Pledged-Revenue Coverage .....	72

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
and Members of the Town Council  
**Town of Prosper**  
Prosper, Texas 75058

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 Town of Prosper, Texas, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Prosper. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Prosper, Texas, at September 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund and impact fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor  
and Members of the Town Council  
Page Two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The individual fund schedule and statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

December 23, 2009

## Management's Discussion and Analysis

As management of the Town of Prosper, we offer readers of the Town of Prosper's financial statements this narrative overview and analysis of the financial activities of the Town of Prosper for the fiscal year ended September 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

### Financial Highlights

- The assets of the Town of Prosper exceeded its liabilities at the close of the most recent fiscal year by \$58,839,023 (net assets). Of this amount, \$9,632,962 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,214,376. Most of the increase is due to property taxes and water/sewer sales.
- As of the close of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balances of \$29,757,062, an increase of \$10,997,106 in comparison with the prior year. Most of the increase is from bond proceeds. Approximately \$6,083,823 is available for spending at the government's discretion (*unreserved undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,397,604 or 77 percent of total general fund expenditures.
- The Town's long-term debt increased by \$13,024,369 during the year due to bond sales.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Prosper's basic financial statements. The Town of Prosper's basic financial statements comprise 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 Town of Prosper's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Prosper 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 Town of Prosper include general government, public safety, transportation, and recreation. The business-type activities of the Town of Prosper include the water and sewer system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the Town of Prosper itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The economic development corporation issues separate financial statements.

The government-wide financial statements can be found on pages 13-15 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 Town of Prosper, 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 Town of Prosper can be divided into two categories: governmental funds and proprietary 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The Town of Prosper maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, impact fee fund, debt service fund, and capital projects funds, all of which are considered to be major funds. Data from the three other 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.

The Town of Prosper adopts an annual appropriated budget for its general fund and impact fee fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 16-24 of this report.

**Proprietary funds.** The Town of Prosper maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Prosper uses enterprise funds to account for its Water, Sewer and Sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the Town of Prosper.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 51-53 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Prosper, net assets exceed liabilities by \$58,839,023 at the close of the most recent fiscal year.

A portion of the Town of Prosper’s net assets (69 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Prosper uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Prosper’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Prosper’s net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$9,632,962, may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Prosper is able to report positive balances in all three categories of net assets for the government as a whole.

**TOWN OF PROSPER - Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 30,667,183	17,501,657	6,137,023	8,489,301	36,804,206	25,990,958
Capital assets	41,168,543	45,047,770	19,998,012	15,164,328	61,166,555	60,212,098
Total assets	71,835,726	62,549,427	26,135,035	23,653,629	97,970,761	86,203,056
Long-term liabilities	23,668,590	10,497,250	12,525,050	13,194,300	36,193,640	23,691,550
Other liabilities	2,104,594	4,128,190	833,504	758,669	2,938,098	4,886,859
Total liabilities	25,773,184	14,625,440	13,358,554	13,952,969	39,131,738	28,578,409
Net assets:						
Invested in capital assets, net of						
related debt	33,918,984	33,421,747	6,803,712	3,320,949	40,722,696	36,742,696
Restricted	8,439,679	9,808,904	43,686	41,700	8,483,365	9,850,604
Unrestricted	3,703,879	4,693,336	5,929,083	6,338,011	9,632,962	11,031,347
Total net assets	\$ 46,062,542	47,923,987	12,776,481	9,700,660	58,839,023	57,624,647

## TOWN OF PROSPER - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 921,363	2,505,378	4,720,255	4,506,750	5,641,618	7,012,128
Operating grants and contributions	1,396,991	451,967			1,396,991	451,967
General revenues:						
Property taxes	5,296,120	4,428,507			5,296,120	4,428,507
Other taxes	1,505,154	1,628,225			1,505,154	1,628,225
Other	896,043	2,538,122	107,384	142,079	1,003,427	2,680,201
<b>Total revenues</b>	<b>10,015,671</b>	<b>11,552,199</b>	<b>4,827,639</b>	<b>4,648,829</b>	<b>14,843,310</b>	<b>16,201,028</b>
Expenses:						
General government	1,507,786	975,644			1,507,786	975,644
Police	1,198,529	1,034,071			1,198,529	1,034,071
Court	227,419	186,611			227,419	186,611
Fire	2,130,712	1,450,528			2,130,712	1,450,528
Streets	1,355,747	1,443,744			1,355,747	1,443,744
Parks	444,129	130,282			444,129	130,282
Engineering	141,611	151,263			141,611	151,263
Inspections	486,008	415,299			486,008	415,299
Planning	401,602	323,395			401,602	323,395
Communications		11,198				11,198
Interest on long-term debt	1,275,691	458,709			1,275,691	458,709
Water & Sewer			4,459,700	4,075,748	4,459,700	4,075,748
<b>Total expenses</b>	<b>9,169,234</b>	<b>6,580,744</b>	<b>4,459,700</b>	<b>4,075,748</b>	<b>13,628,934</b>	<b>10,656,492</b>
Increase(decrease) in net assets						
before transfers	846,437	4,971,455	367,939	573,081	1,214,376	5,544,536
Transfers	(2,707,882)	(1,237,049)	2,707,882	1,237,049		
<b>Increase(decrease) in net assets</b>	<b>(1,861,445)</b>	<b>3,734,406</b>	<b>3,075,821</b>	<b>1,810,130</b>	<b>1,214,376</b>	<b>5,544,536</b>
Net assets - beginning	47,923,987	44,189,581	9,700,660	7,890,530	57,624,647	52,080,111
<b>Net assets - ending</b>	<b>\$ 46,062,542</b>	<b>47,923,987</b>	<b>12,776,481</b>	<b>9,700,660</b>	<b>58,839,023</b>	<b>57,624,647</b>

The following key elements influenced the changes in net assets from the prior year:

### Governmental Activities:

- Property tax collection increased by \$867,613 (19.6 percent) during the year, primarily due to the continued construction of new single-family homes in the Town.

- Total governmental activity expenses increased by \$2,588,490 (39.3 percent) during the year due to increases in general government, fire department and interest expense.

### Business-type Activities

Business-type activities increased the Town of Prosper's net assets by \$3,075,821.

- Water and sewer fund operating revenue increased \$222,720 (4.9 percent) mainly due to increased water sales.
- Operating expenses increased by \$356,450 (10.2 percent) from the previous year due to an increase in contractual services.

### **Financial Analysis of the Government's Funds**

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

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

As the end of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balance of \$29,757,062, an increase of \$10,997,106 from the prior year. Most of the increase is from bond proceeds. Of the current combined ending fund balance, \$16,919,779 is unreserved but designated for construction, \$4,196,527 is unreserved and designated for impact fees, \$4,397,604 is unreserved and undesignated, and \$1,686,219 is unreserved but with specific designated uses in special revenue. The remainder of the fund balance is "reserved" to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the Town of Prosper. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,397,604. Total unreserved fund balance represents 77% of total general fund expenditures.

The impact fee fund has a total fund balance of \$4,196,527, which is unreserved but designated for uses in the impact fee special revenue fund. The increase in fund balance of \$233,871 is due to current year impact fee revenue.

The debt service fund has a total fund balance of \$828,454, all of which is reserved for payment of debt service. The increase in fund balance of \$206,585 is due to an increase in property tax revenue.

The capital projects fund has a total fund balance of \$16,919,779, all of which is unreserved and designated for construction. The increase in fund balance of \$9,724,841 is due to bonds issued during the year.

**Proprietary funds.** The Town of Prosper's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$5,929,083. The total increase in net assets of the Enterprise Fund was \$3,075,821. The factors concerning the finances of this fund have already been addressed in the discussion of the Town of Prosper's business type activities.

## **General Fund Budgetary Highlights**

During the year, revenues and expenditures were less than budgetary estimates. The budget had called for a \$120,850 increase in fund balance. Better than budget results in expenditures increased the net change in fund balance to \$390,563.

- In total, actual general fund revenues were \$355,824 less than budget. Of that amount, property taxes were \$176,018 greater than budget.
- Overall, actual general fund expenditures were \$584,558 less than budget. Of that amount, police department expenditures were \$206,886 under budget.

## **Capital Asset and Debt Administration**

**Capital assets.** The Town of Prosper's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$61,165,555 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

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

- Capital asset acquisitions in governmental activities totaled \$2,472,710. The majority of this activity was from bond proceeds and was for streets, parks and related infrastructure.
- Capital asset additions in business-type activities totaled \$5,335,215. The majority of this activity was from bond proceeds and was for water storage tanks and water lines.

Additional information on the Town of Prosper's capital assets can be found in Note 3.C. on pages 37-38 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Prosper had bonded debt outstanding of \$37,330,000. All of this amount comprises debt backed by the full faith and credit of the government.

The Town of Prosper's bond rating is A2 as assigned by Moody's. In May 2008, Standard and Poors upgraded the Town's bond rating two levels from BBB+ to A.

Additional information on the Town of Prosper's long-term debt can be found in note 3.G. on pages 40-46 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

There is much uncertainty regarding upcoming property valuations. Commercial property values are expected to experience a larger decline than residential valuations; Prosper hopes to avoid the heaviest declines since its values are primarily residential properties. Two high quality multi-family projects have added 620 units and will increase the Town's population by approximately 1900 residents before Fiscal Year 2009-2010 ("FY10") ends.

Interest rates are especially low for most investments and there is no growth budgeted in sales tax collections in the coming year. The Town experienced a decline in residential construction and permit activity, and this trend is expected to hold for FY10. In light of this, Town management has taken a very conservative approach to projections in the FY10 Budget.

## **Revenue Projection Highlights**

- The adopted Ad Valorem Property Tax Rate in the coming fiscal year is equal to last year's rate and is set at \$0.52 per one hundred dollars taxable valuation. The rate was discussed at the advertised rate of \$.055 throughout the budget process, but Town Staff was able to make the reductions necessary to hold the rate at \$0.52. Town Council recognized that a tax increase may be necessary in future years, but voted to adopt a rate of \$0.52.
- Projected Sales Tax revenues in FY10 were held equal to the \$1.1 million budgeted in FY09. This represents a decline of approximately 14.3% in sales tax receipts over the last 3 years. The Town's sales tax collection has seen a continued decline beginning in 2006 when it was at its height compared to the current year. The FY09 actual was only \$26,000 less than budgeted, and the Town has seen the opening of several retail and other commercial spaces in 2009. Staff continues to be conservative when projecting sales tax because of the downturn in construction related projects.
- Municipal Court Fines and Licenses are projected to increase slightly over the current year's projected revenues.
- As a result of the continued economic slowdown specifically in the residential construction area, revenues from building and construction permit fees are projected to decline approximately \$440,000 when compared to the FY09 Budget.
- The FY10 Budget includes an increase in ambulance service charges. The change increases the fee from \$400 per incident to \$600 per incident. This rate increase is part of a recommended two phase increase, eventually setting the rate in the FY11 Budget to \$800 per transport. The mileage rate per loaded mile will increase to \$10 per loaded mile in FY10 and \$12 per loaded mile in FY11.
- The SAFER Grant, which helps to offset the cost of the additional Firefighters hired in FY08 will reduce by \$37,980 in the coming year.
- Street rental and payment in lieu of taxes from the Town's Enterprise Funds are projected to increase in accordance with the Town's adopted Water and Wastewater Utility Comprehensive Business Plan and subsequently adopted rate study.
- Revenues for the Water, Sewer and Solid Waste Fund are expected to increase to \$5.6M with a planned rate increase to occur in April 2010. The adopted business plan for the Water and Sewer Utility Fund identifies the need for revenue enhancements to cover existing and future operations and maintenance costs as well as debt service and contracted sewer costs with the Upper Trinity Regional Water District.
- The Town of Prosper established its Drainage Utility System in August 2008 and adopted the ordinance enabling the collection of a Drainage Utility System Fee in July 2009. During FY10, the Town Staff will be completing a comprehensive Stormwater Utility rate analysis and contracting out the required engineering studies that will establish the funding parameters for all customers.

## **Appropriations Budget Highlights**

- A onetime lump sum incentive pay distribution was approved in the FY10 Budget in lieu of an across the board base pay increase for employees. The intent of this strategy was to differentiate the reward based on performance and also to prevent the additional pay from carrying over into the FY11 Budget.

- The Town has elected to pay 10% contributions to the Texas Municipal Retirement System while the Annual Required Contribution is only 9.23%. This additional .77% is included in the budget to pay down a fraction of the Town's Unfunded Actuarial Accrued Liability ("UAAL") which was at \$905,124 as of December 2008. This will increase the Town's assets held by TMRS, draw a better return than the Town can currently expect and reduce or mitigate the increase of the December 2010 UAAL calculation.
- The Town of Prosper created its own 911 Dispatch Center which began operations on December 14, 2009. Additional funding will be required to support the five new staff members, constant dispatch operations and added IT vendor support agreements. Additional public safety services including a Dispatch Center Operation introduced in the FY10 Budget are expected to place significant pressure on the property tax rate in future years.
- Park services and related costs will increase resulting from additional park land coming online this coming fiscal year, including maintenance of Pecan Creek Park located in the La Cima subdivision and the new Community Park expected to open in the summer of 2010. To help manage this growth, the Town added a new Parks Supervisor position.
- The Town is taking over the operations of the Community Library from Prosper ISD and included its costs of \$94,000 in the FY10 Budget. The Town also funded for the continued operation of Prosper ISD's Multi Purpose Facility located at Reynolds Middle School site for seasonal use. This facility would have otherwise been unavailable and the Town's costs to keep this facility open will be \$22,000.
- The major change in the Interest and Sinking Fund ("I&S Fund") is in the transfer of water and sewer related debt to the Utility Enterprise Fund. Payments from the I&S Fund totaling \$1,289,208 for debt issued in 2008 for First St., Coit Rd., Prosper Trail widening and the construction of the first phase of the Community Park will begin in FY10. This is approximately the same as the amount of debt the Utility reabsorbed. Each of the four major infrastructure projects funded with 2008 debt issued will be started during FY 2010.

The Town expects a very rapid demand for services in the next few years as the tension in today's economy subsides. Much energy and resources have been and will continue to be devoted to business planning and building efficiencies into each department as the Town sets strategies for the next five years and beyond.

All these factors were considered in preparing the Town of Prosper's budget for the 2010 fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of the Town of Prosper's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, P. O. Box 307, Prosper, Texas 75078.

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF PROSPER**  
Statement of Net Assets  
September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,694,323	4,897,786	34,592,109	1,029,741
Investments				251,500
Receivables (net of allowance for uncollectibles):				
Utility bills		388,181	388,181	
Delinquent property taxes	145,763		145,763	
Sales tax	99,415		99,415	33,138
Other	46,830		46,830	
Due from component unit	402		402	
Due to/from other funds	250,808	(250,808)		
Prepays	9,642	2,050	11,692	2,149
Inventory		75,140	75,140	
Restricted cash and cash equivalents		800,245	800,245	
Bond issuance costs	420,000	224,429	644,429	
Capital assets not being depreciated:				
Land	2,032,649	5,000	2,037,649	
Construction-in-progress	1,244,879		1,244,879	
Capital assets (net of accumulated depreciation):				
Buildings and systems	2,748,911	19,642,821	22,391,732	45,856
Equipment	874,215	350,191	1,224,406	
Infrastructure	<u>34,267,889</u>		<u>34,267,889</u>	
Total assets	<u>71,835,726</u>	<u>26,135,035</u>	<u>97,970,761</u>	<u>1,362,384</u>
<b>LIABILITIES</b>				
Accounts payable	202,640	39,117	241,757	494
Accrued interest payable	840,071	69,309	909,380	
Escrow payable	141,718		141,718	
Customer deposits		18,000	18,000	
Due to primary government				402
Noncurrent liabilities:				
Due within one year	920,165	707,078	1,627,243	14,546
Due in more than one year	<u>23,668,590</u>	<u>12,525,050</u>	<u>36,193,640</u>	
Total liabilities	<u>25,773,184</u>	<u>13,358,554</u>	<u>39,131,738</u>	<u>15,442</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	33,918,984	6,803,712	40,722,696	45,856
Restricted for:				
Debt service	828,454	43,686	872,140	
Public safety	94,859		94,859	
Parks & recreation	1,633,620		1,633,620	
Impact fees	4,196,527		4,196,527	
Other	1,686,219		1,686,219	
Unrestricted	<u>3,703,879</u>	<u>5,929,083</u>	<u>9,632,962</u>	<u>1,301,086</u>
Total net assets	<u>\$ 46,062,542</u>	<u>12,776,481</u>	<u>58,839,023</u>	<u>1,346,942</u>

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

**TOWN OF PROSPER**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2009

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 1,507,786	172,922	29,548
Police	1,198,529	226,678	17,396
Court	227,419	11,843	
Fire	2,130,712	133,306	273,004
Streets	1,355,747		787,552
Parks and recreation	444,129		289,491
Engineering	141,611		
Inspections	486,008	376,614	
Planning	401,602		
Interest and fiscal charges	<u>1,275,691</u>		
Total governmental activities	<u>9,169,234</u>	<u>921,363</u>	<u>1,396,991</u>
Business-type activities:			
Sanitation	456,612	497,954	
Water and sewer	<u>4,003,088</u>	<u>4,222,301</u>	
Total business-type activities	<u>4,459,700</u>	<u>4,720,255</u>	
Total primary government	<u>13,628,934</u>	<u>5,641,618</u>	<u>1,396,991</u>
<b>Component unit:</b>			
Economic development	<u>275,815</u>		
Total component unit	<u>\$ 275,815</u>		

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Impact and escrow fees  
Unrestricted investment earnings  
Miscellaneous revenue  
Transfers  
Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			Component Unit Economic Development
Primary Government			
Governmental Activities	Business-type Activities	Total	
(1,305,316)		(1,305,316)	
(954,455)		(954,455)	
(215,576)		(215,576)	
(1,724,402)		(1,724,402)	
(568,195)		(568,195)	
(154,638)		(154,638)	
(141,611)		(141,611)	
(109,394)		(109,394)	
(401,602)		(401,602)	
<u>(1,275,691)</u>		<u>(1,275,691)</u>	
<u>(6,850,880)</u>		<u>(6,850,880)</u>	
	41,342	41,342	
	<u>219,213</u>	<u>219,213</u>	
	<u>260,555</u>	<u>260,555</u>	
<u>(6,850,880)</u>	<u>260,555</u>	<u>(6,590,325)</u>	
			<u>(275,815)</u>
			<u>(275,815)</u>
5,296,120		5,296,120	
1,077,127		1,077,127	357,564
428,027		428,027	
366,601		366,601	
455,815	64,715	520,530	19,622
73,627	42,669	116,296	50
<u>(2,707,882)</u>	<u>2,707,882</u>		
<u>4,989,435</u>	<u>2,815,266</u>	<u>7,804,701</u>	<u>377,236</u>
(1,861,445)	3,075,821	1,214,376	101,421
<u>47,923,987</u>	<u>9,700,660</u>	<u>57,624,647</u>	<u>1,245,521</u>
<u>\$ 46,062,542</u>	<u>12,776,481</u>	<u>58,839,023</u>	<u>1,346,942</u>

**TOWN OF PROSPER**

Balance Sheet  
Governmental Fund  
September 30, 2009

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,157,030	4,196,527	828,454
Receivables (net of allowance for uncollectibles):			
Property taxes	86,000		59,763
Sales tax	99,415		
Other	43,829		
Due from other funds	282,811		
Due from component unit	402		
Prepays	<u>9,642</u>		
Total assets	<u>\$ 4,679,129</u>	<u>4,196,527</u>	<u>888,217</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 185,468		
Due to other funds	10,057		
Escrow payable			
Deferred revenue	<u>86,000</u>		<u>59,763</u>
Total liabilities	<u>281,525</u>		<u>59,763</u>
Fund balances:			
Reserved for:			
Debt service			828,454
Public safety			
Parks and recreation			
Unreserved and designated:			
Reported in the capital projects fund			
Reported in the impact fee funds		4,196,527	
Unreserved and undesignated:			
Reported in general fund	4,397,604		
Reported in impact fee fund			
Total fund balances	<u>4,397,604</u>	<u>4,196,527</u>	<u>828,454</u>
Total liabilities and fund balances	<u>\$ 4,679,129</u>	<u>4,196,527</u>	<u>888,217</u>

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

<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
16,951,195	3,561,117	29,694,323
		145,763
		99,415
	3,001	46,830
	10,141	292,952
		402
<u>                    </u>	<u>                    </u>	<u>9,642</u>
<u>16,951,195</u>	<u>3,574,259</u>	<u>30,289,327</u>
9,642	7,530	202,640
21,774	10,313	42,144
	141,718	141,718
<u>                    </u>	<u>                    </u>	<u>145,763</u>
<u>31,416</u>	<u>159,561</u>	<u>532,265</u>
		828,454
	94,859	94,859
	1,633,620	1,633,620
16,919,779		16,919,779
		4,196,527
		4,397,604
<u>                    </u>	<u>1,686,219</u>	<u>1,686,219</u>
<u>16,919,779</u>	<u>3,414,698</u>	<u>29,757,062</u>
<u>16,951,195</u>	<u>3,574,259</u>	<u>30,289,327</u>

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**TOWN OF PROSPER**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
September 30, 2009

**Total Fund Balances - Governmental Funds** \$ 29,757,062

Capital assets used in governmental activities and unamortized bond issuance cost are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of capital assets was \$42,598,087 and the accumulated depreciation was \$2,512,443. In addition, long-term liabilities, including bonds payable of \$10,681,500, capital leases payable of \$31,213, and compensated absences of \$254,323, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

29,118,608

Current year capital outlays of \$2,472,710 and long-term debt principal payments of \$484,354 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

2,957,064

Current year Certificate of Obligation issuance (\$13,900,000) and related bond issuance cost (\$420,000) are other financing sources and uses, respectively, in the fund financial statements but they are an increase in long-term debt and an intangible, amortizable asset in the government-wide financial statements. The net effect of including the debt issuance and related cost is to decrease net assets.

(13,480,000)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets.

(840,071)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(1,389,811)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$145,763 of deferred revenue as revenue, reclassifying the proceeds of capital leases of \$40,979 as an increase in long-term debt, and recognizing the liabilities associated with compensated absences of \$165,094. The net effect of these reclassifications is to decrease net assets.

(60,310)

**Net Assets of Governmental Activities** \$ 46,062,542

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

**TOWN OF PROSPER**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2009

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,060,078		2,172,820
Sales	1,077,127		
Franchise	428,027		
Licenses, fees and permits	549,536		
Charges for services	133,306		
Intergovernmental			
Impact fees		536,721	
Escrow income			
Grants	275,469		
Investment income	92,728	37,236	101,447
Fines, warrants and seizures	226,678		
Contributions			
Miscellaneous	<u>73,087</u>		
Total revenues	<u>5,916,036</u>	<u>573,957</u>	<u>2,274,267</u>
<b>EXPENDITURES</b>			
Current:			
General government	939,080		
Police department	1,072,158		
Court	213,807		
Fire department	1,897,490		
Streets	257,066		
Parks and recreation	159,729		
Engineering	137,741		
Inspection	469,804		
Planning	390,628		
Capital outlay	159,656		
Debt service:			
Principal	38,554		445,800
Interest and fiscal charges	<u>2,026</u>		<u>470,712</u>
Total expenditures	<u>5,737,739</u>		<u>916,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>178,297</u>	<u>573,957</u>	<u>1,357,755</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital leases	40,979		
Bonds issued			
Transfers in	199,502		
Transfers out	<u>(28,215)</u>	<u>(340,086)</u>	<u>(1,151,170)</u>
Total other financing sources (uses)	<u>212,266</u>	<u>(340,086)</u>	<u>(1,151,170)</u>
Net change in fund balances	390,563	233,871	206,585
Fund balances, beginning	<u>4,007,041</u>	<u>3,962,656</u>	<u>621,869</u>
Fund balances, ending	<u>\$ 4,397,604</u>	<u>4,196,527</u>	<u>828,454</u>

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

<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		5,232,898
		1,077,127
		428,027
		549,536
		133,306
306,343		306,343
	272,990	809,711
	311,089	311,089
	2,000	277,469
207,049	17,355	455,815
	11,843	238,521
	58,980	58,980
	<u>540</u>	<u>73,627</u>
<u>513,392</u>	<u>674,797</u>	<u>9,952,449</u>
64,339	1,962	1,005,381
	23,824	1,095,982
	7,402	221,209
	13,942	1,911,432
		257,066
	219,361	379,090
		137,741
		469,804
		390,628
2,783,359		2,943,015
		484,354
<u>420,000</u>		<u>892,738</u>
<u>3,267,698</u>	<u>266,491</u>	<u>10,188,440</u>
<u>(2,754,306)</u>	<u>408,306</u>	<u>(235,991)</u>
13,900,000		40,979
		13,900,000
	32,940	232,442
<u>(1,420,853)</u>		<u>(2,940,324)</u>
<u>12,479,147</u>	<u>32,940</u>	<u>11,233,097</u>
9,724,841	441,246	10,997,106
<u>7,194,938</u>	<u>2,973,452</u>	<u>18,759,956</u>
<u>16,919,779</u>	<u>3,414,698</u>	<u>29,757,062</u>

**TOWN OF PROSPER**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 September 30, 2009

**Total Net Change in Fund Balances - Governmental Funds** \$ 10,997,106

Current year capital outlays of \$2,472,710 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays is to increase net assets. 2,472,710

The issuance of long-term debt (\$13,900,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$484,354) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued (\$420,000), whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (12,995,646)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to increase net assets. (802,953)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets. (1,389,811)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$63,222 of deferred revenue as revenue, reclassifying the proceeds of capital leases of \$40,979 as an increase in capital leases and recognizing the liabilities associated with compensated absences of \$165,094. The net effect of these reclassifications is to decrease net assets. (142,851)

**Change in Net Assets of Governmental Activities** \$ (1,861,445)

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

**TOWN OF PROSPER**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2009

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 2,884,060	3,060,078	176,018
Sales	1,103,045	1,077,127	(25,918)
Franchise	344,494	428,027	83,533
Licenses, fees, and permits	1,043,200	549,536	(493,664)
Charges for services	165,700	133,306	(32,394)
Grants	358,001	275,469	(82,532)
Fines, warrants and seizures	205,575	226,678	21,103
Investment income	100,000	92,728	(7,272)
Miscellaneous	<u>67,785</u>	<u>73,087</u>	<u>5,302</u>
Total revenues	<u>6,271,860</u>	<u>5,916,036</u>	<u>(355,824)</u>
<b>EXPENDITURES</b>			
General government	923,653	939,080	(15,427)
Police department	1,279,044	1,072,158	206,886
Court	206,716	213,807	(7,091)
Fire department	2,023,059	1,897,490	125,569
Streets	298,482	257,066	41,416
Parks and recreation	260,483	159,729	100,754
Inspections	613,774	469,804	143,970
Planning	386,048	390,628	(4,580)
Engineering	175,926	137,741	38,185
Debt service	40,580	40,580	
Capital outlay	<u>114,532</u>	<u>159,656</u>	<u>(45,124)</u>
Total expenditures	<u>6,322,297</u>	<u>5,737,739</u>	<u>584,558</u>
Excess of revenues over expenditures	<u>(50,437)</u>	<u>178,297</u>	<u>228,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital leases		40,979	40,979
Transfers in	199,502	199,502	
Transfers out	<u>(28,215)</u>	<u>(28,215)</u>	
Total other financing sources (uses)	<u>171,287</u>	<u>212,216</u>	<u>40,979</u>
Net change in fund balances	120,850	390,563	269,713
Fund balances, beginning	<u>4,007,041</u>	<u>4,007,041</u>	_____
Fund balances, ending	\$ <u>4,127,891</u>	<u>4,397,604</u>	<u>269,713</u>

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

**TOWN OF PROSPER**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Impact Fee Fund  
For the Fiscal Year Ended September 30, 2009

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive ( <u>Negative</u> )
<b>REVENUES</b>			
Impact fees	\$ 775,000	536,721	(238,279)
Investment income	<u>81,000</u>	<u>37,236</u>	<u>(43,764)</u>
Total revenues	<u>856,000</u>	<u>573,957</u>	<u>(282,043)</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>195,049</u>		<u>195,049</u>
Total expenditures	<u>195,049</u>		<u>195,049</u>
Excess of revenues over expenditures	<u>660,951</u>	<u>573,957</u>	<u>(86,994)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out		<u>(340,086)</u>	<u>(340,086)</u>
Total other financing sources (uses)		<u>(340,086)</u>	<u>(340,086)</u>
Net change in fund balances	660,951	233,871	(427,080)
Fund balances, beginning	<u>3,962,656</u>	<u>3,962,656</u>	_____
Fund balances, ending	\$ <u>4,623,607</u>	<u>4,196,527</u>	<u>(427,080)</u>

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

**TOWN OF PROSPER**  
Statement of Net Assets  
Proprietary Fund  
September 30, 2009

**ASSETS**

Cash and cash equivalents	\$ 4,897,786
Receivables (net of allowance of uncollectibles):	
Utility bills	388,181
Prepaid items	2,050
Inventory	75,140
Restricted cash and cash equivalents	<u>800,245</u>
Total current assets	<u>6,163,402</u>
 Noncurrent assets:	
Bond issuance costs	<u>224,429</u>
 Capital Assets:	
Land	5,000
Buildings and systems	21,892,449
Equipment	582,919
Less: accumulated depreciation	<u>(2,482,356)</u>
Total capital assets (net of accumulated depreciation)	<u>19,998,012</u>
Total noncurrent assets	<u>20,222,441</u>
 Total assets	 <u>26,385,843</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	39,117
Deposits	18,000
Accrued interest	69,309
Due to other funds	250,808
Compensated absences payable	37,828
Current portion of bonds payable	<u>669,250</u>
Total current liabilities	<u>1,084,312</u>
 Noncurrent liabilities:	
Bonds payable	<u>12,525,050</u>
Total noncurrent liabilities	<u>12,525,050</u>
 Total liabilities	 <u>13,609,362</u>

**NET ASSETS**

Invested in capital assets, net of related debt	6,803,712
Restricted for:	
Debt service	43,686
Unrestricted	<u>5,929,083</u>
 Total net assets	 \$ <u><u>12,776,481</u></u>

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

**TOWN OF PROSPER**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2009

**OPERATING REVENUES**

Water and sewer charges	\$ 4,032,768
Sanitation charges	497,954
Water and sewer connections	155,563
Service initiation	33,970
Miscellaneous	<u>42,669</u>
Total operating revenues	<u>4,762,924</u>

**OPERATING EXPENSES**

Personnel services	588,248
Materials and supplies	220,606
Contractual services	2,517,599
Depreciation	<u>501,531</u>
Total operating expenses	<u>3,827,984</u>

Operating income (loss)	<u>934,940</u>
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**NONOPERATING REVENUES (EXPENSES)**

Interest revenue	64,715
Interest expense and fiscal charges	<u>(631,716)</u>
Total nonoperating revenues (expenses)	<u>(567,001)</u>

Net income (loss) before transfers	<u>367,939</u>
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**TRANSFERS**

Transfers in	2,912,109
Transfers out	<u>(204,227)</u>

Total transfers	2,707,882
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Change in net assets	3,075,821
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Net assets, beginning	<u>9,700,660</u>
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Net assets, ending	\$ <u><u>12,776,481</u></u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF PROSPER**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2009

Cash flows from operating activities:	
Cash received from customers and users	\$ 4,629,342
Cash payments to suppliers for goods and services	(2,797,580)
Cash payments to employees for services	<u>(566,398)</u>
Net cash provided (used) by operating activities	<u>1,265,364</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	(204,227)
Transfers from other funds	2,912,109
Advances to other funds	(1,420,853)
Advances from other funds	<u>47,733</u>
Net cash provided (used) for noncapital financing activities	<u>1,334,762</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(373,090)
Principal paid on bonds	(619,200)
Interest paid on bonds	<u>(598,265)</u>
Net cash provided (used) for capital and related financing activities	<u>(1,590,555)</u>
Cash flows from investing activities:	
Interest on deposits and investments	<u>64,715</u>
Net cash provided (used) by investing activities	<u>64,715</u>
Net increase (decrease) in cash and cash equivalents	1,074,286
Cash and cash equivalents, beginning	<u>4,623,745</u>
Cash and cash equivalents, ending	<u>\$ 5,698,031</u>

Reconciliation of Operating Income to Net Cash Provided (Used)  
by Operating Activities

Operating income (loss)	\$ <u>934,940</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	501,531
(Increase) decrease in accounts receivable	(115,582)
(Increase) decrease in prepaids	11,735
(Increase)/decrease in inventory	(75,140)
Increase (decrease) in accounts payable	4,030
Increase (decrease) in compensated absences	21,850
Increase (decrease) in customer deposits	<u>(18,000)</u>
Total adjustments	<u>330,424</u>
Net cash provided (used) by operating activities	<u>\$ 1,265,364</u>

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

**TOWN OF PROSPER**  
Notes to the Financial Statements  
September 30, 2009

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Prosper, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

*Discretely Presented Component Unit.* The Prosper Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration office, Prosper Economic Development Corporation, P. O. Box 1060, Prosper, Texas 75078.

**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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

**TOWN OF PROSPER**  
Notes to the Financial Statements  
September 30, 2009  
-continued-

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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 government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *impact fee fund* accounts for revenues that are legally restricted for particular purposes. This fund is used to account for activity related to impact fees.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The government reports the following proprietary fund:

The *Enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

**TOWN OF PROSPER**  
Notes to the Financial Statements  
September 30, 2009  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 Governmental Accounting Standards Board. 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 government 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 payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

**2. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity** (continued)

**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.

**4. Restricted Assets**

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40
Equipment	5-10
Vehicles	5

**6. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity** (continued)

**7. 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.

**8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, impact fee fund, and water and sewer fund. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for all capital projects funds.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 16th, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first meeting in September, the budget is legally enacted through the passage of an ordinance.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**A. Budgetary Information** (continued)

4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters total expenditures of any fund must be approved by the Town Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Impact Fee Fund. No supplemental appropriations were made during the fiscal year.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the year.
7. The Debt Service and Capital Projects Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The nonmajor governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

**B. Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Enterprise Fund:

	<u>Water and Sewer Fund</u>
Net assets (budget)	\$ 13,278,012
Depreciation	<u>(501,531)</u>
Net assets (GAAP)	\$ <u><u>12,776,481</u></u>

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Town may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

The EDC may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2009, the Town's carrying amount of deposits was \$18,084,559 and the bank balance was \$18,653,843. Of the bank balance, \$303,860 was covered by federal depository insurance and \$18,349,983 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$937,461 and the bank balance was \$937,461. Of the bank balance, \$41,253 was covered by federal depository insurance and \$896,208 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name

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

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The government is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Government investments are with the Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The government is not exposed to custodial credit risk for its investments.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The government is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

At year end, the government's investment balances were as follows:

Investment type:	<u>Fair Value</u>
Texas Local Government investment pool	\$ 5,784,203
TexStar investment pool	<u>11,521,187</u>
Total	<u>\$ 17,305,390</u>

At year end, the EDC's investment balances were as follows:

Investment type:	<u>Fair Value</u>
Certificates of deposit	\$ 251,500
Texas Local Government investment pool	71,105
TexStar investment pool	<u>21,125</u>
Total	<u>\$ 343,730</u>

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**B. Receivables**

Receivables at September 30, 2009 consisted of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Total</u>
Delinquent taxes	\$ 86,000		59,763		145,763
Sales tax	99,415				99,415
Accounts		3,001		537,619	540,620
Franchise tax	42,563				42,563
Mixed beverage tax	<u>1,266</u>	—	—	—	<u>1,266</u>
Gross receivables	229,244	3,001	59,763	537,619	829,627
Less: allowance for uncollectibles	—	—	—	(149,438)	(149,438)
Net receivables	\$ <u>229,244</u>	<u>3,001</u>	<u>59,763</u>	<u>388,181</u>	<u>680,189</u>

Property taxes are based on the appraised values provided by the Collin County or Denton County Central Appraisal District, whichever is applicable. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town. The Town's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2009, the EDC had sales taxes receivable of \$33,138. No allowance for uncollectibles has been made.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,032,649			2,032,649
Construction-in-progress	<u>5,424,203</u>	<u>782,802</u>	<u>(4,962,126)</u>	<u>1,244,879</u>
Total capital assets not being depreciated	<u>7,456,852</u>	<u>782,802</u>	<u>(4,962,126)</u>	<u>3,277,528</u>
Capital assets being depreciated:				
Building & improvements	2,132,213	1,103,456		3,235,669
Equipment	2,053,150	97,888	(70,889)	2,080,149
Infrastructure	<u>35,917,998</u>	<u>488,564</u>		<u>36,406,562</u>
Total capital assets being depreciated	<u>40,103,361</u>	<u>1,689,908</u>	<u>(70,889)</u>	<u>41,722,380</u>
Less accumulated depreciation for:				
Buildings & improvements	(398,001)	(88,757)		(486,758)
Equipment	(1,060,588)	(216,235)	70,889	(1,205,934)
Infrastructure	<u>(1,053,854)</u>	<u>(1,084,819)</u>		<u>(2,138,673)</u>
Total accumulated depreciation	<u>(2,512,443)</u>	<u>(1,389,811)</u>	<u>70,889</u>	<u>(3,831,365)</u>
Total capital assets being depreciated, net	<u>37,590,918</u>	<u>300,097</u>	<u>0</u>	<u>37,891,015</u>
Governmental activities capital assets, net	<u>\$ 45,047,770</u>	<u>1,082,899</u>	<u>(4,962,126)</u>	<u>41,168,543</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ <u>5,000</u>			<u>5,000</u>
Total capital assets not being depreciated	<u>5,000</u>			<u>5,000</u>
Capital assets being depreciated:				
Building and system	16,590,237	5,302,212		21,892,449
Equipment	<u>549,916</u>	<u>33,003</u>		<u>582,919</u>
Total capital assets being depreciated	<u>17,140,153</u>	<u>5,335,215</u>		<u>22,475,368</u>
Less accumulated depreciation for:				
Building and system	(1,804,648)	(444,980)		(2,249,628)
Equipment	<u>(176,177)</u>	<u>(56,551)</u>		<u>(232,728)</u>
Total accumulated depreciation	<u>(1,980,825)</u>	<u>(501,531)</u>		<u>(2,482,356)</u>
Total capital assets being depreciated, net	<u>15,159,328</u>	<u>4,833,684</u>		<u>19,993,012</u>
Business-type activities capital assets, net	<u>\$ 15,164,328</u>	<u>4,833,684</u>		<u>19,998,012</u>

-continued-

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets** (continued)

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

Government activities:	
General government	\$ 3,540
Police	71,777
Fire	165,615
Parks and recreation	54,399
Streets	1,091,466
Inspections	<u>3,014</u>
Total depreciation expense - government activities	<u>\$ 1,389,811</u>
Business-type activities:	
Water and sewer	<u>\$ 501,531</u>
Total depreciation expense - business-type activities	<u>\$ 501,531</u>

Capital asset activity for the EDC for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Component unit:				
Capital assets being depreciated:				
Leasehold improvements and furniture	\$ <u>113,849</u>			<u>113,849</u>
Total capital assets being depreciated	<u>113,849</u>			<u>113,849</u>
Less accumulated depreciation for:				
Leasehold improvements and furniture	<u>(30,043)</u>	<u>(37,950)</u>		<u>(67,993)</u>
Total accumulated depreciation	<u>(30,043)</u>	<u>(37,950)</u>		<u>(67,993)</u>
Component unit capital assets, net	<u>\$ 83,806</u>	<u>(37,950)</u>		<u>45,856</u>

**D. Construction Commitments**

At September 30, 2009, the Town had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Date</u>	<u>Costs Incurred Through 9/30/09</u>
Prosper Trail Elevated Tank			4,600
Prosper CR Improvements			680,220
LaCima Sewer			36,257
Unified communication			3,300
Dispatch renovations			84,237
Community park			355,677
Bayer park			11,599
Prosper Trail			68,989

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**E. Interfund Receivables, Payables, and Transfers**

Interfund balances at September 30, 2009 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Parks & Recreation	\$ 9,292
General	Donations	1,021
General	Capital Projects	21,774
General	Water and Sewer	250,724
Donations	Water and Sewer	84
Insurance	General	<u>10,057</u>
Total		<u>\$ 292,952</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	<u>Transfer In:</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Water &amp; Sewer</u>	
<u>Transfer Out:</u>	<u>Fund</u>	<u>Governmental</u>	<u>Fund</u>	
General Fund	\$	28,215		28,215
Impact Fee			340,086	340,086
Debt Service			1,151,170	1,151,170
Capital Projects			1,420,853	1,420,853
Water & Sewer	<u>199,502</u>	<u>4,725</u>		<u>204,227</u>
Total	<u>\$ 199,502</u>	<u>32,940</u>	<u>2,912,109</u>	<u>3,144,551</u>

**Purpose of Transfers**

To pay its share of operating costs, the Water and Sewer Fund transferred \$199,502 to the General Fund. The General Fund and Water and Sewer Fund transferred \$28,215 and \$4,725, respectively, to the Insurance Fund to fund liability and property insurance. The Water and Sewer Fund received transfers from the Impact Fee Fund for impact fees relating to the enterprise fund, and transfers from the Capital Projects Fund for capital assets. The Debt Service Fund transferred funds to the Water and Sewer Fund for specific debt payments.

**F. Capital Leases**

The Town has entered into a capital lease agreement, with Ford Motor Credit Company, for two police vehicles. As of September 30, 2009, the vehicles had a carrying value of \$49,555 which is included in the governmental activities on the Statement of Net Assets. Capital lease expenditures for 2009 were \$14,568, which included no interest. The effective interest is 6.8%.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Capital Leases** (continued)

The Town entered into a capital lease agreement for a police vehicle with Ford Motor Credit Company. As of September 30, 2009, the vehicle had a carrying value of \$14,110. Capital lease expenditures for 2009 were \$7,703, which included \$924 interest. The effective interest rate is 6.6%.

Pursuant to the terms of the capital lease agreements, the Town will be required to make future minimum payments as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Lease #1</u>	<u>Lease #2</u>	<u>Total</u>
2010	\$ 14,568	7,703	22,271
2011	<u>14,567</u>	<u>          </u>	<u>14,567</u>
Future minimum lease payments	29,135	7,703	36,838
Less: amount representing interest	<u>(2,724)</u>	<u>(476)</u>	<u>(3,200)</u>
Present value of future minimum lease payments	\$ <u>26,411</u>	<u>7,227</u>	<u>33,638</u>

**G. Long-term Debt**

Long-term debt activity for the year ended September 30, 2009 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Capital leases	\$ 31,213	40,979	(38,554)	33,638	19,998
Compensated absences	254,323	419,417	(254,323)	419,417	419,417
Certificates of Obligation	<u>10,681,500</u>	<u>13,900,000</u>	<u>(445,800)</u>	<u>24,135,700</u>	<u>480,750</u>
Totals	\$ <u>10,967,036</u>	<u>14,360,396</u>	<u>(738,677)</u>	<u>24,588,755</u>	<u>920,165</u>

The capital leases will be repaid by the general fund. The certificates of obligation will be repaid by the debt service fund. Compensated absences will be liquidated by the general fund.

Certificates of obligation at September 30, 2009 are comprised of the following issues for the debt service fund:

2001 Certificates of Obligation (67% debt service fund portion) issued October 25, 2001 maturing August 15, 2003 to August 15, 2021. Interest payable February 15 and August 15 at rates ranging from 4.15% to 5.00%. \$ 1,232,800

2004 Certificates of Obligation (38% debt service fund portion) issued March 11, 2004 maturing August 15, 2007 to August 15, 2024. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.50%. \$ 3,617,300

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2006 Certificates of Obligation (48% debt service fund portion) issued September 21, 2006 maturing August 15, 2007 to August 15, 2026. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.50%. \$ 5,385,600

2008 Certificates of Obligation issued December 2, 2008 maturing February 15, 2011 to February 15, 2029. Interest payable February 15 and August 15 at rates ranging from 3.75% to 6.0%. \$ 13,900,000

Combined debt \$ 24,135,700

The annual requirements to amortize the combined debt outstanding for the debt service fund as of September 30, 2009, are as follows:

2001 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 77,050	57,404	134,454
2011	80,400	54,206	134,606
2012	83,750	50,870	134,620
2013	90,450	47,310	137,760
2014	93,800	43,376	137,176
2015	97,150	39,155	136,305
2016	103,850	34,686	138,536
2017	110,550	29,805	140,355
2018	113,900	24,499	138,399
2019	120,600	18,974	139,574
2020	127,300	13,065	140,365
2021	<u>134,000</u>	<u>6,700</u>	<u>140,700</u>
Total	<u>\$ 1,232,800</u>	<u>420,050</u>	<u>1,652,850</u>

2004 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 180,500	151,468	331,968
2011	186,200	144,248	330,448
2012	193,800	136,800	330,600
2013	201,400	129,048	330,448
2014	209,000	120,992	329,992
2015	216,600	112,632	329,232
2016	226,100	103,968	330,068
2017	235,600	94,641	330,241
2018	\$ 245,100	84,628	329,728

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2004 Certificates of Obligation (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 254,600	74,212	328,812
2020	266,000	63,391	329,391
2021	277,400	52,086	329,486
2022	290,700	40,297	330,997
2023	304,000	27,578	331,578
2024	<u>330,300</u>	<u>14,864</u>	<u>345,164</u>
Total	<u>\$ 3,617,300</u>	<u>1,350,853</u>	<u>4,968,153</u>

2006 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 223,200	231,425	454,625
2011	232,800	221,939	454,739
2012	242,400	212,045	454,445
2013	252,000	201,742	453,742
2014	264,000	191,033	455,033
2015	273,600	179,813	453,413
2016	285,600	168,185	453,785
2017	297,600	156,047	453,647
2018	309,600	144,142	453,742
2019	324,000	131,372	455,372
2020	336,000	117,764	453,764
2021	350,400	103,484	453,884
2022	364,800	88,416	453,216
2023	381,600	72,456	454,056
2024	398,400	55,762	454,162
2025	415,200	38,232	453,432
2026	<u>434,400</u>	<u>19,548</u>	<u>453,948</u>
Total	<u>\$ 5,385,600</u>	<u>2,333,405</u>	<u>7,719,005</u>

2008 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	1,289,208	1,289,208
2011	450,000	747,450	1,197,450
2012	470,000	729,613	1,199,613
2013	485,000	709,906	1,194,906
2014	510,000	688,125	1,198,125
2015	535,000	663,944	1,198,944
2016	\$ 560,000	637,238	1,197,238

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2008 Certificates of Obligation (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 590,000	608,487	1,198,487
2018	620,000	578,237	1,198,237
2019	650,000	545,675	1,195,675
2020	690,000	509,638	1,199,638
2021	725,000	470,725	1,195,725
2022	770,000	428,650	1,198,650
2023	815,000	383,081	1,198,081
2024	860,000	334,925	1,194,925
2025	915,000	282,750	1,197,750
2026	970,000	226,200	1,196,200
2027	1,030,000	166,200	1,196,200
2028	1,095,000	102,450	1,197,450
2029	<u>1,160,000</u>	<u>34,800</u>	<u>1,194,800</u>
Total	<u>\$ 13,900,000</u>	<u>10,137,302</u>	<u>24,037,302</u>

During the year ended September 30, 2009, the following changes occurred in long-term debt reported in the Water and Sewer Fund:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
Compensated absences	\$ 15,978	37,828	(15,978)	37,828	37,828
Certificates of Obligation	<u>13,813,500</u>	_____	<u>(619,200)</u>	<u>13,194,300</u>	<u>669,250</u>
Totals	<u>\$ 13,829,478</u>	<u>37,828</u>	<u>(635,178)</u>	<u>13,232,128</u>	<u>707,078</u>

Certificates of obligation at September 30, 2009, are comprised of the following individual issues for the Water and Sewer Fund:

1996 Certificates of Obligation maturing January 15, 1997 to January 15, 2016. Interest payable January 15 and July 15 at rates ranging from 4.45% to 6.45% \$ 415,000

1998 Certificates of Obligation maturing July 15, 1999 through July 15, 2016. Interest payable January 15 and July 15 at rates ranging from 3.15% to 4.55%. \$ 470,000

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2001 Certificates of Obligation (33% water and sewer portion) maturing August 15, 2003 to August 15, 2021. Interest payable February 15 and August 15 at rates ranging from 4.15% to 5.00%.	\$ 607,200
2004 Certificates of Obligation (62% water and sewer portion) maturing August 15, 2007 to August 15, 2024. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.50%.	5,867,700
2006 Certificates of Obligation (52% water and sewer portion) issued September 21, 2006, maturing August 15, 2007 to August 15, 2026. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.5%.	<u>5,834,400</u>
Combined debt	<u>\$ 13,194,300</u>

The annual requirements to amortize the combined debt outstanding for the Water and Sewer Fund as of September 30, 2009, are as follows:

1996 Certificates of Obligation			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 50,000	24,817	74,817
2011	50,000	21,705	71,705
2012	55,000	18,410	73,410
2013	60,000	14,773	74,773
2014	65,000	10,787	75,787
2015	65,000	6,611	71,611
2016	<u>70,000</u>	<u>2,258</u>	<u>72,258</u>
Totals	<u>\$ 415,000</u>	<u>99,361</u>	<u>514,361</u>

1998 Certificates of Obligation			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 45,000	20,790	65,790
2011	45,000	18,922	63,922
2012	50,000	17,010	67,010
2013	50,000	14,835	64,835
2014	50,000	12,635	62,635
2015	55,000	10,410	65,410
2016	55,000	7,935	62,935
2017	60,000	5,460	65,460
2018	<u>60,000</u>	<u>2,730</u>	<u>62,730</u>
Total	<u>\$ 470,000</u>	<u>110,727</u>	<u>580,727</u>

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2001 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 37,950	28,274	66,224
2011	39,600	26,699	66,299
2012	41,250	25,055	66,305
2013	44,550	23,302	67,852
2014	46,200	21,364	67,564
2015	47,850	19,285	67,135
2016	51,150	17,084	68,234
2017	54,450	14,680	69,130
2018	56,100	12,066	68,166
2019	59,400	9,346	68,746
2020	62,700	6,435	69,135
2021	<u>66,000</u>	<u>3,300</u>	<u>69,300</u>
Total	<u>\$ 607,200</u>	<u>206,890</u>	<u>814,090</u>

2004 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 294,500	247,132	541,632
2011	303,800	235,352	539,152
2012	316,200	223,200	539,400
2013	328,600	210,552	539,152
2014	341,000	197,408	538,408
2015	353,400	183,768	537,168
2016	368,900	169,632	538,532
2017	384,400	154,415	538,815
2018	399,900	138,078	537,978
2019	415,400	121,082	536,482
2020	434,000	103,428	537,428
2021	452,600	84,983	537,583
2022	474,300	65,747	540,047
2023	496,000	44,997	540,997
2024	<u>504,700</u>	<u>22,711</u>	<u>527,411</u>
Total	<u>\$ 5,867,700</u>	<u>2,202,485</u>	<u>8,070,185</u>

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2006 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 241,800	250,710	492,510
2011	252,200	240,434	492,634
2012	262,600	229,715	492,315
2013	273,000	218,555	491,555
2014	286,000	206,952	492,952
2015	296,400	194,797	491,197
2016	309,400	182,200	491,600
2017	322,400	169,051	491,451
2018	335,400	156,155	491,555
2019	351,000	142,319	493,319
2020	364,000	127,577	491,577
2021	379,600	112,107	491,707
2022	395,200	95,785	490,985
2023	413,400	78,495	491,895
2024	431,600	60,408	492,008
2025	449,800	41,418	491,218
2026	<u>470,600</u>	<u>21,177</u>	<u>491,777</u>
Total	<u>\$ 5,834,400</u>	<u>2,527,855</u>	<u>8,362,255</u>

Restrictions of Bonded Debt

There are a number of limitations and restrictions contained in the various bond ordinances. The Town is in compliance with all significant limitations and restrictions.

**H. Restricted Assets**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 18,000
Accrued interest	69,309
Revenue bond reserve requirements	43,686
Current bonds payable	<u>669,250</u>
Total restricted assets	<u>\$ 800,245</u>

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

**B. Retirement System**

**Plan Description**

The Town provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. Each of the municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

**Contributions**

The contribution rate for the employees is 7%, and the Town matching ratio is currently 2 to 1, both as adopted by the governing body of the Town. Under the state law governing TMRS, the actuary annually determines the Town contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the Town matching percent, which are the obligation of the Town as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Town to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - closed period - amortization period using the level percent of payroll amortization period. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 2008. The projected unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

**Annual Pension Cost**

For the year ended September 30, 2009, the Town's annual pension cost of \$307,279 for TMRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) 2.1% cost-of-living adjustment. A 3.0% inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three Year Trend Information for TMRS

Fiscal Year <u>Ended</u>	Annual <u>Pension Cost (APC)</u>	Contributions <u>Made</u>	Net Pension <u>Obligation</u>
09/30/07	\$ 119,506	119,506	0
09/30/08	\$ 156,603	156,603	0
09/30/09	\$ 307,279	307,279	0

**TOWN OF PROSPER**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

Schedule of Funding Progress for TMRS						U.A.A.L. as a
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability <u>(AAL)(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Covered Payroll <u>(c)</u>	Percentage of Covered Payroll <u>[(b)-(a)/(c)]</u>
12/31/06	\$ 838,979	927,275	88,296	90.5%	\$ 1,873,454	4.7 %
12/31/07	\$ 1,174,250	1,786,376	612,126	65.7%	\$ 2,343,834	26.1%
12/31/08	\$ 1,624,228	2,529,352	905,124	64.2%	\$ 3,321,607	27.2%

New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December, 2008 meeting, to be effective for the December 31, 2008 valuation.

**COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**TOWN OF PROSPER**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	<u>Parks &amp; Recreation</u>	<u>Donations</u>	<u>Insurance</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,642,912	1,892,104	26,101	3,561,117
Receivables		3,001		3,001
Due from other funds	<u>                    </u>	<u>84</u>	<u>10,057</u>	<u>10,141</u>
Total assets	\$ <u>1,642,912</u>	<u>1,895,189</u>	<u>36,158</u>	<u>3,574,259</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$	7,530		7,530
Escrow payable		141,718		141,718
Due to other funds	<u>9,292</u>	<u>1,021</u>		<u>10,313</u>
Total liabilities	<u>9,292</u>	<u>150,269</u>		<u>159,561</u>
 Fund balances:				
Unreserved and designated				
Reported in impact fee funds	<u>1,633,620</u>	<u>1,744,920</u>	<u>36,158</u>	<u>3,414,698</u>
Total fund balances	<u>1,633,620</u>	<u>1,744,920</u>	<u>36,158</u>	<u>3,414,698</u>
Total liabilities and fund balances	\$ <u>1,642,912</u>	<u>1,895,189</u>	<u>36,158</u>	<u>3,574,259</u>

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

**TOWN OF PROSPER**  
Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds  
For the Year Ended September 30, 2009

	<u>Parks &amp; Recreation</u>	<u>Donations</u>	<u>Insurance</u>	<u>Total</u>
<b>REVENUES</b>				
Impact fees	\$ 272,990			272,990
Police grant		2,000		2,000
Investment income	16,765		590	17,355
Contributions		58,980		58,980
Escrow income		311,089		311,089
Fines, warrants and seizures		11,843		11,843
Miscellaneous			540	540
Total revenues	<u>289,755</u>	<u>383,912</u>	<u>1,130</u>	<u>674,797</u>
<b>EXPENDITURES</b>				
General government			1,962	1,962
Police department		23,824		23,824
Fire department		13,942		13,942
Parks and recreation	194,216	25,145		219,361
Court		7,402		7,402
Total expenditures	<u>194,216</u>	<u>70,313</u>	<u>1,962</u>	<u>266,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,539</u>	<u>313,599</u>	<u>(832)</u>	<u>408,306</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			32,940	32,940
Total other financing sources (uses)			<u>32,940</u>	<u>32,940</u>
Net change in fund balances	95,539	313,599	32,108	441,246
Fund balances, beginning	<u>1,538,081</u>	<u>1,431,321</u>	<u>4,050</u>	<u>2,973,452</u>
Fund balances, ending	\$ <u>1,633,620</u>	<u>1,744,920</u>	<u>36,158</u>	<u>3,414,698</u>

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

**TOWN OF PROSPER**  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Enterprise Fund  
For the Fiscal Year Ended September 30, 2009

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive (Negative)
<b>OPERATING REVENUES</b>			
Water and sewer charges	\$ 3,160,800	4,032,768	871,968
Sanitation charges	424,900	497,954	73,054
Water and sewer connections	200,000	155,563	(44,437)
Service initiation	14,000	33,970	19,970
Miscellaneous	<u>3,293</u>	<u>42,669</u>	<u>39,376</u>
Total operating revenue	<u>3,802,993</u>	<u>4,762,924</u>	<u>959,931</u>
<b>OPERATING EXPENSES</b>			
Personnel services	592,729	588,248	4,481
Materials and supplies	461,420	220,606	240,814
Contractual services	<u>2,569,310</u>	<u>2,517,599</u>	<u>51,711</u>
Total operating expenses	<u>3,623,459</u>	<u>3,326,453</u>	<u>297,006</u>
Operating income (loss)	<u>179,534</u>	<u>1,436,471</u>	<u>1,256,937</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	93,000	64,715	(28,285)
Interest expense and fiscal charges	<u>(67,660)</u>	<u>(631,716)</u>	<u>(564,056)</u>
Total nonoperating revenues (expenses)	<u>25,340</u>	<u>(567,001)</u>	<u>(592,341)</u>
Net income (loss) before operating transfers	204,874	869,470	664,596
<b>TRANSFERS</b>			
Transfers in		2,912,109	2,912,109
Transfers out	<u>(204,227)</u>	<u>(204,227)</u>	<u>2,912,109</u>
Total transfers	<u>(204,227)</u>	<u>2,707,882</u>	<u>2,912,109</u>
Change in net assets	647	3,577,352	3,576,705
Net assets, beginning	<u>9,700,660</u>	<u>9,700,660</u>	_____
Net assets, ending	<u>\$ 9,701,307</u>	<u>13,278,012</u>	<u>3,576,705</u>

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## **STATISTICAL SECTION**

**TOWN OF PROSPER**  
Net Assets by Component  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$ 587	1,119	1,225	706
Restricted	131	223	12,226	8,150
Unrestricted	<u>1,246</u>	<u>3,221</u>	<u>(6,941)</u>	<u>1,861</u>
Total governmental activities net assets	<u>\$ 1,964</u>	<u>4,563</u>	<u>6,510</u>	<u>10,717</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,728	2,765	3,750	4,609
Restricted	33	32	40	39
Unrestricted	<u>945</u>	<u>1,199</u>	<u>2,862</u>	<u>3,242</u>
Total business-type activities net assets	<u>\$ 3,706</u>	<u>3,996</u>	<u>6,652</u>	<u>7,890</u>
Primary government				
Invested in capital assets, net of related debt	\$ 3,315	3,884	4,975	5,315
Restricted	164	255	12,266	8,189
Unrestricted	<u>2,191</u>	<u>4,420</u>	<u>(4,079)</u>	<u>5,103</u>
Total primary government net assets	<u>\$ 5,670</u>	<u>8,559</u>	<u>13,162</u>	<u>18,607</u>

Note: The Town of Prosper implemented Governmental Accounting Standards Board Statement Number 34 for the fiscal year ended September 30, 2004. Additional amounts will be added each year until ten years are reported.

<u>2008</u>	<u>2009</u>
33,422	33,919
9,809	8,440
<u>4,693</u>	<u>3,704</u>
<u>47,924</u>	<u>46,063</u>
3,321	6,804
42	44
<u>6,338</u>	<u>5,929</u>
<u>9,701</u>	<u>12,777</u>
36,743	40,723
9,851	8,484
<u>11,031</u>	<u>9,633</u>
<u>57,625</u>	<u>58,840</u>

**TOWN OF PROSPER**  
Changes in Net Assets  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)

	Fiscal Year			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 638	934	1,229	1,492
Public safety	1,285	1,601	1,805	2,089
Transportation	414	230	236	417
Culture and recreation	17	49	244	125
Interest on long-term debt	<u>195</u>	<u>276</u>	<u>252</u>	<u>516</u>
Total governmental activities expenses	<u>2,549</u>	<u>3,090</u>	<u>3,766</u>	<u>4,639</u>
Business-type activities:				
Water, sewer and sanitation	<u>1,534</u>	<u>2,381</u>	<u>2,652</u>	<u>3,889</u>
Total business-type activities expenses	<u>1,534</u>	<u>2,381</u>	<u>2,652</u>	<u>3,889</u>
 Total primary government expenses	 <u>4,083</u>	 <u>5,471</u>	 <u>6,418</u>	 <u>8,528</u>
 <b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	802	1,318	1,852	2,363
Public safety	348	348	304	159
Transportation	293	221	412	1,047
Culture and recreation	21	115	98	680
Operating grants and contributions	<u>123</u>	<u>559</u>	<u>266</u>	<u>547</u>
Total governmental activities program revenues	<u>1,587</u>	<u>2,561</u>	<u>2,932</u>	<u>4,796</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	<u>1,522</u>	<u>2,243</u>	<u>3,603</u>	<u>3,444</u>
Total business-type activities program revenues	<u>1,522</u>	<u>2,243</u>	<u>3,603</u>	<u>3,444</u>
 Total primary government program revenues	 <u>3,109</u>	 <u>4,804</u>	 <u>6,535</u>	 <u>8,240</u>
Net (expense)/revenue:				
Governmental activities	(962)	(529)	(834)	157
Business-type activities	<u>(12)</u>	<u>(138)</u>	<u>951</u>	<u>(445)</u>
 Total primary government net expense	 \$ <u>(974)</u>	 <u>(667)</u>	 <u>117</u>	 <u>(288)</u>

<u>2008</u>	<u>2009</u>
2,063	2,764
2,485	3,329
1,444	1,356
130	444
<u>459</u>	<u>1,276</u>
<u>6,581</u>	<u>9,169</u>
<u>4,076</u>	<u>4,460</u>
<u>4,076</u>	<u>4,460</u>
<u>10,657</u>	<u>13,629</u>
1,440	561
162	360
485	
418	
<u>452</u>	<u>1,397</u>
<u>2,957</u>	<u>2,318</u>
<u>4,507</u>	<u>4,720</u>
<u>4,507</u>	<u>4,720</u>
<u>7,464</u>	<u>7,038</u>
(3,624)	(6,851)
<u>431</u>	<u>260</u>
<u>(3,193)</u>	<u>(6,591)</u>

**TOWN OF PROSPER**  
Changes in Net Assets  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)  
(continued)

	Fiscal Year			
	2004	2005	2006	2007
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 870	1,574	1,686	3,015
Sales taxes	971	1,407	1,509	1,208
Franchise taxes	162	206	201	304
Impact fees				
Investment earnings	79	289	574	1,107
Miscellaneous	59	63	376	79
Gain/(loss) on sale of capital asset		(5)		
Transfers	<u>(284)</u>	<u>(406)</u>	<u>(1,565)</u>	<u>(1,553)</u>
Total governmental activities	<u>1,857</u>	<u>3,128</u>	<u>2,781</u>	<u>4,160</u>
Business-type activities:				
Investment earnings	12	23	58	132
Miscellaneous	12		82	33
Gain on sale of capital asset				
Transfers	<u>284</u>	<u>406</u>	<u>1,565</u>	<u>1,553</u>
Total business-type activities	<u>308</u>	<u>429</u>	<u>1,705</u>	<u>1,718</u>
Total primary government	<u>2,165</u>	<u>3,557</u>	<u>4,486</u>	<u>5,878</u>
 <b>CHANGE IN NET ASSETS</b>				
Governmental activities	895	2,599	1,947	4,317
Business-type activities	<u>296</u>	<u>291</u>	<u>2,656</u>	<u>1,273</u>
Total primary government	\$ <u>1,191</u>	<u>2,890</u>	<u>4,603</u>	<u>5,590</u>

Note: The Town of Prosper implemented Governmental Accounting Standards Board Statement Number 34 for the fiscal year ended September 30, 2004. Additional amounts will be added each year until ten years are reported.

<u>2008</u>	<u>2009</u>
4,429	5,296
1,288	1,077
341	428
1,828	367
596	456
114	74
<u>(1,237)</u>	<u>(2,708)</u>
<u>7,359</u>	<u>4,990</u>
109	65
33	43
<u>1,237</u>	<u>2,708</u>
<u>1,379</u>	<u>2,816</u>
<u>8,738</u>	<u>7,806</u>
3,735	(1,861)
<u>1,810</u>	<u>3,076</u>
<u>5,545</u>	<u>1,215</u>

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**TOWN OF PROSPER**  
 Governmental Activities Tax Revenues By Source  
 Last Six Fiscal Years  
 (Accrual basis of accounting)  
 (Amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$ 870	971	162	2,003
2005	1,574	1,407	206	3,187
2006	1,686	1,507	201	3,394
2007	3,015	1,208	304	4,527
2008	4,429	1,288	341	6,058
2009	\$ 5,296	1,077	428	6,801

Note: The Town of Prosper implemented Governmental Accounting Standards Board Statement Number 34 for the fiscal year ended September 30, 2004. Additional amounts will be added each year until ten years are reported.

**TOWN OF PROSPER**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Fiscal</u> <u>2003</u>
General fund				
Reserved	\$	2	1,550	1,468
Unreserved	<u>332</u>	<u>493</u>	<u>453</u>	<u>580</u>
Total general fund	<u>\$ 332</u>	<u>495</u>	<u>2,003</u>	<u>2,048</u>
All other governmental funds				
Reserved	\$ 88	58	74	79
Unreserved, reported in:				
Impact fee funds				
Capital projects funds	—	—	—	—
Total all other governmental funds	<u>\$ 88</u>	<u>58</u>	<u>74</u>	<u>79</u>

<u>Year</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
			74	59	18	
	<u>1,181</u>	<u>1,821</u>	<u>2,855</u>	<u>3,034</u>	<u>3,989</u>	<u>4,398</u>
	<u>1,181</u>	<u>1,821</u>	<u>2,929</u>	<u>3,093</u>	<u>4,007</u>	<u>4,398</u>
	131	223	315	581	622	2,557
	478	1,624	1,826	4,290	6,936	5,883
	<u>3,604</u>	<u>3,819</u>	<u>10,011</u>	<u>3,160</u>	<u>2,233</u>	<u>16,920</u>
	<u>4,213</u>	<u>5,666</u>	<u>12,152</u>	<u>8,031</u>	<u>9,791</u>	<u>25,360</u>

**TOWN OF PROSPER**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Fiscal</u> <u>2003</u>
<b>REVENUES</b>				
Taxes	\$ 814	1,043	1,389	1,455
Licenses and permits	94	282	198	295
Intergovernmental		7	39	393
Charges for services				
Fines				
Investments earnings	23	19	59	30
Contributions	14	26	13	
Miscellaneous		<u>41</u>	<u>4</u>	<u>7</u>
Total revenues	<u>945</u>	<u>1,418</u>	<u>1,702</u>	<u>2,180</u>
<b>EXPENDITURES</b>				
General government	127	252	530	588
Public safety	100	395	545	859
Transportation	145	218	172	168
Culture and recreation				48
Capital outlay	158	213	455	425
Debt service:				
Principal	56	37	40	80
Interest	<u>9</u>	<u>5</u>	<u>74</u>	<u>88</u>
Total expenditures	<u>595</u>	<u>1,120</u>	<u>1,816</u>	<u>2,256</u>
Excess of revenues over/(under) expenditures	<u>350</u>	<u>298</u>	<u>(114)</u>	<u>(76)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	(115)	(168)	(260)	(256)
Note issued			217	325
Bonds issued			1,682	
Capital leases				<u>56</u>
Total other financing sources (uses)	<u>(115)</u>	<u>(168)</u>	<u>1,639</u>	<u>125</u>
Net change in fund balances	<u>\$ 235</u>	<u>130</u>	<u>1,525</u>	<u>49</u>
Debt service as a percentage of noncapital expenditures	15.0%	4.0%	6.7%	9.1%

<u>Year</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2,005	3,186	3,383	4,500	6,034	6,738	
1,124	1,876	2,429	3,964	3,925	550	
111	276	33	500	452	584	
243	245	304	156	161	1,254	
98	93	106	131	247	239	
79	289	574	1,107	596	456	
12	72	61	45	50	59	
<u>59</u>	<u>63</u>	<u>376</u>	<u>79</u>	<u>64</u>	<u>74</u>	
<u>3,731</u>	<u>6,100</u>	<u>7,266</u>	<u>10,482</u>	<u>11,529</u>	<u>9,954</u>	
624	819	1,178	1,466	2,003	2,225	
1,099	1,342	1,594	1,871	2,194	3,007	
176	165	210	177	352	257	
7	26	29	92	97	379	
1,942	770	378	8,338	2,108	2,943	
181	189	221	386	399	484	
<u>184</u>	<u>336</u>	<u>257</u>	<u>493</u>	<u>481</u>	<u>893</u>	
<u>4,213</u>	<u>3,647</u>	<u>3,867</u>	<u>12,823</u>	<u>7,634</u>	<u>10,188</u>	
<u>(482)</u>	<u>2,453</u>	<u>3,399</u>	<u>(2,341)</u>	<u>3,895</u>	<u>(234)</u>	
292	250				232	
(576)	(656)	(1,565)	(1,553)	(1,237)	(2,940)	
4,003		5,760			13,900	
<u>30</u>	<u>45</u>		<u>48</u>	<u>14</u>	<u>41</u>	
<u>3,749</u>	<u>(361)</u>	<u>4,195</u>	<u>(1,505)</u>	<u>(1,223)</u>	<u>11,233</u>	
<u>3,267</u>	<u>2,092</u>	<u>7,594</u>	<u>(3,846)</u>	<u>2,672</u>	<u>10,999</u>	
14.2%	17.3%	12.8%	18.6%	15.9%	17.8%	

**TOWN OF PROSPER**  
 General Governmental Tax Revenues By Source  
 Last Ten Fiscal Years  
 (Modified accrual basis of accounting)  
 (Amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2000	\$ 295	473	46	814
2001	417	535	91	1,043
2002	588	683	118	1,389
2003	740	562	153	1,455
2004	872	971	162	2,005
2005	1,572	1,407	207	3,186
2006	1,673	1,509	201	3,383
2007	2,988	1,208	304	4,500
2008	4,406	1,287	341	6,034
2009	\$ 5,233	1,077	428	6,738

**TOWN OF PROSPER**  
Property Tax Rates  
Direct and Overlapping Governments  
(Per \$100 of Assessed Value)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Town of Prosper</u>		<u>Total</u>	<u>Prosper Independent School District</u>	<u>Collin County</u>	<u>Collin County College District</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Funds</u>					
2000	\$.192768	.167232	.360000	1.539522	.250000	.096723	2.246245
2001	.244389	.115611	.360000	1.522197	.250000	.094049	2.226246
2002	.226001	.133999	.360000	1.720249	.250000	.092843	2.423092
2003	.244698	.115302	.360000	1.760960	.250000	.091946	2.462906
2004	.218440	.105660	.324100	1.819900	.250000	.091932	2.485932
2005	.188440	.291260	.479700	1.951500	.250000	.090646	2.771846
2006	.184549	.220836	.405385	1.975310	.250000	.089422	2.720117
2007	.184549	.314268	.498817	1.800000	.242500	.087683	2.629000
2008	.275075	.244925	.520000	1.670000	.242500	.086984	2.519484
2009	.305011	.214989	.520000	1.670000	.242500	.086493	2.518993

Source: Applicable taxing entities.

**TOWN OF PROSPER**  
Property Tax Levies and Collections (1)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>
2000	\$ 293,598	289,995	98.77%	\$ 1,059	291,054	99.13%
2001	412,100	408,388	99.10	3,799	412,187	100.02
2002	570,374	546,714	95.85	23,961	570,675	100.05
2003	693,398	684,901	98.77	23,843	708,744	102.21
2004	860,692	846,098	98.30	7,632	853,730	99.19
2005	1,561,979	1,550,274	99.30	5,426	1,555,700	99.60
2006	1,664,728	1,643,724	98.70	10,680	1,654,404	99.38
2007	2,920,145	2,871,131	98.32	73,528	2,944,659	100.83
2008	4,345,264	4,279,374	98.48	66,065	4,345,439	100.00
2009	\$ 5,218,951	5,149,015	98.66%	\$ 83,883	5,232,898	100.27%

Notes: (1) Includes general and debt service funds.

**TOWN OF PROSPER**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds</u>	<u>Notes</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes</u>	<u>Total Primary Government</u>
2000	\$		77	1,555	89	1,721
2001			40	1,480	76	1,596
2002	1,682	217		2,228	61	4,188
2003	1,642	503	56	2,144	47	4,392
2004	5,584	403	50	8,546	33	14,616
2005	5,521	298	74	8,444	17	14,354
2006	11,214	188	31	14,581		26,014
2007	10,993	71	30	14,272		25,366
2008	10,682		31	13,813		24,526
2009	\$ 24,136		34	13,194		37,364

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

<sup>1</sup>See the Schedule of Demographic and Economic Statistics on page 99 for personal income and population data.

**TOWN OF PROSPER**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Water and Sewer Revenue Bonds</u>					
	<u>Charges and Other</u>	Less: <u>Operating Expenses</u>	Net <u>Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2000	\$ 590	577	13	61	91	0.09
2001	976	790	186	88	86	1.07
2002	1,819	902	917	95	114	4.39
2003	1,711	1,509	202	85	112	1.03
2004	1,546	1,144	402	109	108	1.85
2005	2,266	1,835	431	117	491	0.71
2006	3,742	2,101	1,641	120	369	3.36
2007	3,609	2,932	677	310	657	0.70
2008	4,649	3,088	1,561	458	588	1.49
2009	\$ 4,828	3,326	1,502	619	598	1.23

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings. Operating expenses do not include depreciation.