



TOWN OF  
**PROSPER**

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COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2011

- **TOWN OF PROSPER, TEXAS**
- *“PROSPER IS A PLACE WHERE EVERYONE MATTERS”*

# Town of Prosper, Texas

*"PROSPER IS A PLACE WHERE EVERYONE MATTERS"*

## Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2011

Prepared by the

### Finance Department

Matthew B. Garrett, MBA, CGFO – Finance Director

Ronald V. Butler, MBA – Comptroller

### Town Manager

Mike Land

### Town Council

Ray Smith, Mayor

Kenneth Dugger, Mayor Pro-Tem

Meigs Miller, Deputy Mayor Pro-Tem

Dave Benefield, Council Member

Curry Vogelsang Jr., Council Member

Danny Wilson, Council Member

Jason Dixon, Council Member



# TOWN OF PROSPER, TEXAS

*"PROSPER IS A PLACE WHERE EVERYONE MATTERS"*

[WWW.PROSPERTX.GOV](http://WWW.PROSPERTX.GOV)

*PHYSICAL:* 121 W. BROADWAY  
PROSPER, TX 75078

*MAILING:* P.O. BOX 307  
PROSPER, TX 75078

**TOWN OF PROSPER, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2011**

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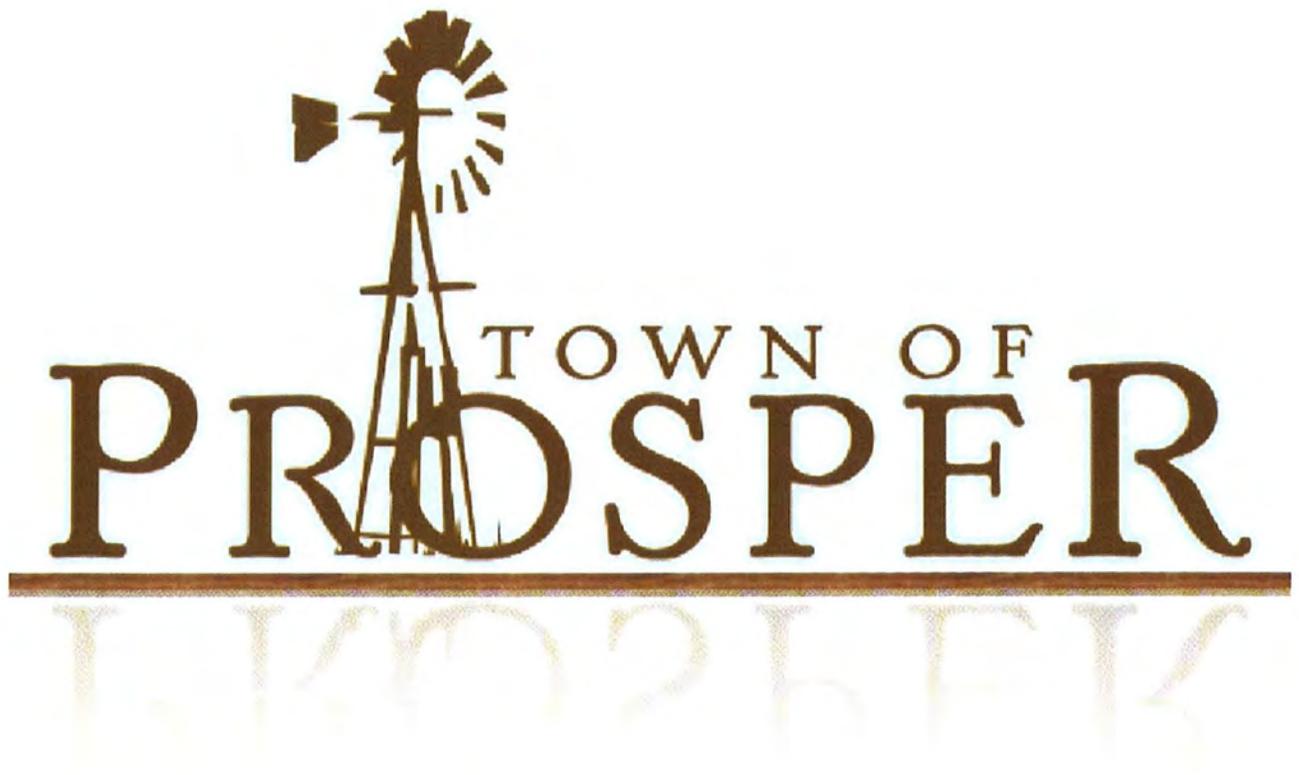
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INTRODUCTORY  
SECTION



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PO Box 307 • 121 W. Broadway • Prosper, Texas 75078 • 972.346.2640 • Fax: 972.346.9335

March 21, 2012

To the Honorable Mayor and Town Council, and  
Citizens of the Town of Prosper, Texas

The Town's Management Staff is pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Town of Prosper ("Town") for the fiscal year ending September 30, 2011. The Town's Management assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. To enable the reader to gain an understanding of the Town's financial activities, all necessary disclosures have been included.

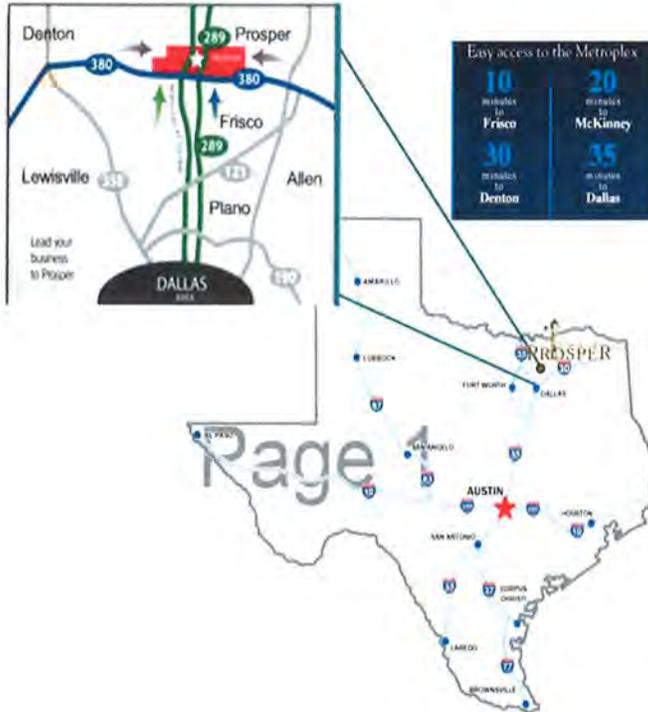
The Town is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the Town. The Town's financial statements have been audited by Davis Kinard & Co. PC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is prepared in accordance with GAAP in the United States of America established by the Government Accounting Standards Board. The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Town's organizational chart, and a list of principal officials. The financial section includes the management's discussion and analysis ("MD&A"), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

## The Reporting Entity

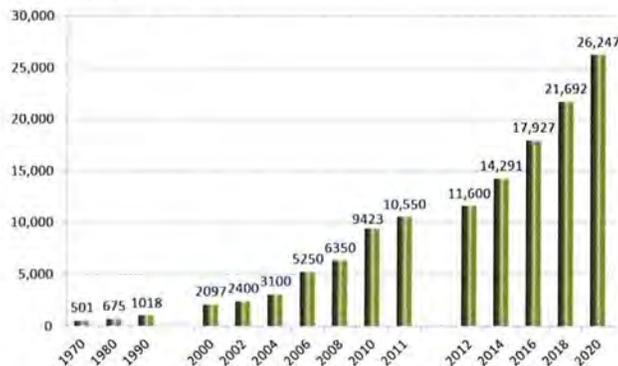
The Town is a political subdivision and a home rule municipality under the laws of the State. The Town was incorporated in 1914. The Town operates with a Town Council comprised of the Mayor and six Councilmembers. The term of office is three years. The Town Manager is the chief executive officer for the Town. Some of the services that the Town provides are: public safety (police, fire protection, dispatch and municipal court), highways and streets, water and sanitary sewer utilities, culture-recreation, code enforcement, library, public improvements, planning and zoning, economic development and general administrative services. Some technical services such as engineering, legal, information technology and solid waste/recycling are outsourced in full or in part to the private sector.



The Town is located in North Central Texas, and covers approximately 27 square miles of the Dallas/Fort Worth Metroplex ("DFW"). Prosper includes areas in both Collin and Denton Counties, with most of the Town's population residing in Collin County. The Town is positioned at the crossroads of Preston Road and US Highway 380, and is just five minutes north of the bustling Dallas North Tollway cities of Frisco and Plano.

The Town is bursting with pride for its first rate education and state championship sports teams, picturesque ranches and other amenities. Access to the DFW area coupled with a commitment to maintain a high standard of living have created substantial growth for the Prosper community and this growth is expected to turn up sharply in the next few years.

A Home Rule Charter was approved by the qualified voters of the Town at an election held November 7, 2006 and was recently revised on May 14, 2011. The Town covers approximately 27 square miles. The 2000 Census population for the Town was 2,097, while the estimated 2012 population is 11,600.



Source: Census for available years. Population estimates to date are from North Central Texas Council of Governments; Future estimates are from Town of Prosper Staff

Prosper began with the first settlers arriving in this area in 1846. Those who settled here were drawn to North Texas' black prairie soil - rich, fertile land that nurtured a thriving cotton crop in a time when cotton was "King". Between 1850 and 1902, two settlements coexisted. One community, two miles south of the present town, was called Rock Hill. The second community, one mile north, was called Richland. The development of these small communities was expedited in 1876 when County Courts ordered small tracts of land to be established for quick sale. These tracts, each approximately 160 acres in size, were sold for \$3.50 per acre. Dr. A. T. Bryant of McKinney purchased one of the tracts, which later became the geographic nucleus for the Town of Prosper.

The establishment of the St. Louis & San Francisco Railroad in March of 1902 created the change that forced the communities of Rock Hill and Richland to merge forming the Town of Prosper. For years, Prosper was the central stop for the railroad between Dallas and Sherman. When community officials applied for a Post Office with the name "Richland", they were informed that city name was already taken. Postmaster B.J. Naugle asked for an alternative name and J.C. Slaughter suggested the name Prosper. A new name was adopted for the hybrid community - one that spoke of the prosperous living conditions and the prosperous crops harvested that year. And so it was that the town of Prosper was born.

The Town of Prosper was incorporated in 1914 with a commission form of government and a population of 500. U.N. Clary was Mayor and served in that position for the next 49 years. It served for decades as a market center for area farmers and their abundant cotton and corn crops. From the mule drawn wagon and horse drawn buggy, the automobile evolved. Thus began the evolution of people moving in and out of the rural community. Surviving the war and the depression, the mechanization of farming provided the next big impact on Prosper's population. In 1980, the introduction of light industry, combined with the growth of the Metroplex, led to a comeback for Prosper.

To this day, Prosper has managed to retain its 19th century country charm, carefully controlling its growth to that end. Unlike the bustling cities of Dallas, Plano and Frisco that lie just a few miles south, Prosper is characterized by estate-size home sites, pristine rolling hills and vast expanses of open land. Here, you'll discover an alluring lifestyle in beautiful homes that populate quiet neighborhoods. Today, Prosper is the home to more than 100 businesses and hundreds of new families.

**The Economic Outlook**

The Town continues to enjoy new home permits at a record pace and benefits tremendously from its location. Prosper, while not immune from economic pressures, has been more insulated than even most DFW communities. According to a recent Dallas Business Journal article (January 2012), Prosper is listed as the fastest growing community in the region for communities over 10,000 in population. The new homes permitted in 2011 averaged \$310,000 in value and 4600 total square feet. In July of 2010 D Magazine rated Prosper as the 5th Best Suburb in the region.

Despite the good press for Prosper, uncertainty in the economy, valuations and growth assumptions have conditioned staff to remain very conservative in forecasts.



Fortunately, the Town maintained growth and benefitted from annexations above early estimates in taxable valuation growth. Certified property valuations increased by \$60M (5.2%) for FY 2011-2012. Property values increased from \$1,145.8M to \$1,205.8. While the growth in total certified property valuations continues to increase, existing property values remain relatively flat, with most of the increase coming from new construction or annexations. Most of the Town's current values come from Collin County properties, but the Denton County portion of Prosper continue to increase.

The Town of Prosper Town Council continues its implementation of rate recommendations that support the Town Council's adopted Water and Wastewater Utility Comprehensive Business Plan. The Plan as adopted contains recommendations to enhance revenues, to establish at least a 60 day operations and maintenance reserve and to fund an annual contribution of 2% to a capital replacement program.

More detailed revenue information can be explored in the MD&A section of the financial section of this CAFR.

The DFW Metroplex continues to outperform most other major metropolitan areas for job growth and stability. Town staff believes that Prosper will maintain a steady economic uptick and be poised for radical growth as construction picks back up.

#### **Accounting System and Budgetary Control**

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the Town Council. The budget is developed and controlled at the department level, although appropriations are set at the fund level. The annual budget serves as the foundation for the Town's financial planning and control. The budget is prepared by Fund and department (e.g. police, fire, inspections). Department Heads may transfer resources within a department with the Town Manager's approval. Any amendments or additional funding requests for appropriations over that of the budgeted fund level total need approval from the governing Council.

The accompanying CAFR incorporates all funds of the Town and includes all government activities, organizations and functions for which the Town is financially accountable. The criteria used in determining activities to be reported within the Town's basic financial statements are based upon and consistent with those set forth by the Governmental Accounting Standards Board.

Component units are legally separate organizations that a primary government must include as a part of its financial entity. On May 6, 1995, Town of Prosper voters approved the 4A

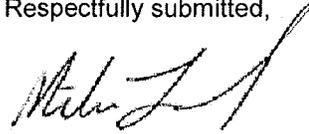
Sales Tax proposition which increased the sales and use tax by ½ of 1% for the promotion and development of new and expanded business enterprises. The 4A funds account for the local sales tax used to encourage additional private investment that will increase and diversify the tax base, create jobs, lower residential taxes, increase the number of retail, commercial and industrial companies locating to the Town and improve Prosper residents' quality of life. The Corporation is town-chartered and governed by a 5-member Board of Directors appointed by the Town Council. The Town has included financial statements for the Prosper Economic Development Corporation in its government-wide financial statements.

**Acknowledgements**

The preparation of this report could not be accomplished without the efficient and dedicated services of the Town Manager and Finance Department staff. We would like to express our appreciation to all employees who contributed to its presentation. Acknowledgement is also given to the representatives of Davis Kinard & Co. PC for their assistance in this year's report with special thanks to Lori Herrick, the Audit Manager for this engagement.

Lastly, we would also like to thank the members of the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Mike Land  
Town Manager



Matthew B. Garrett  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Prosper  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



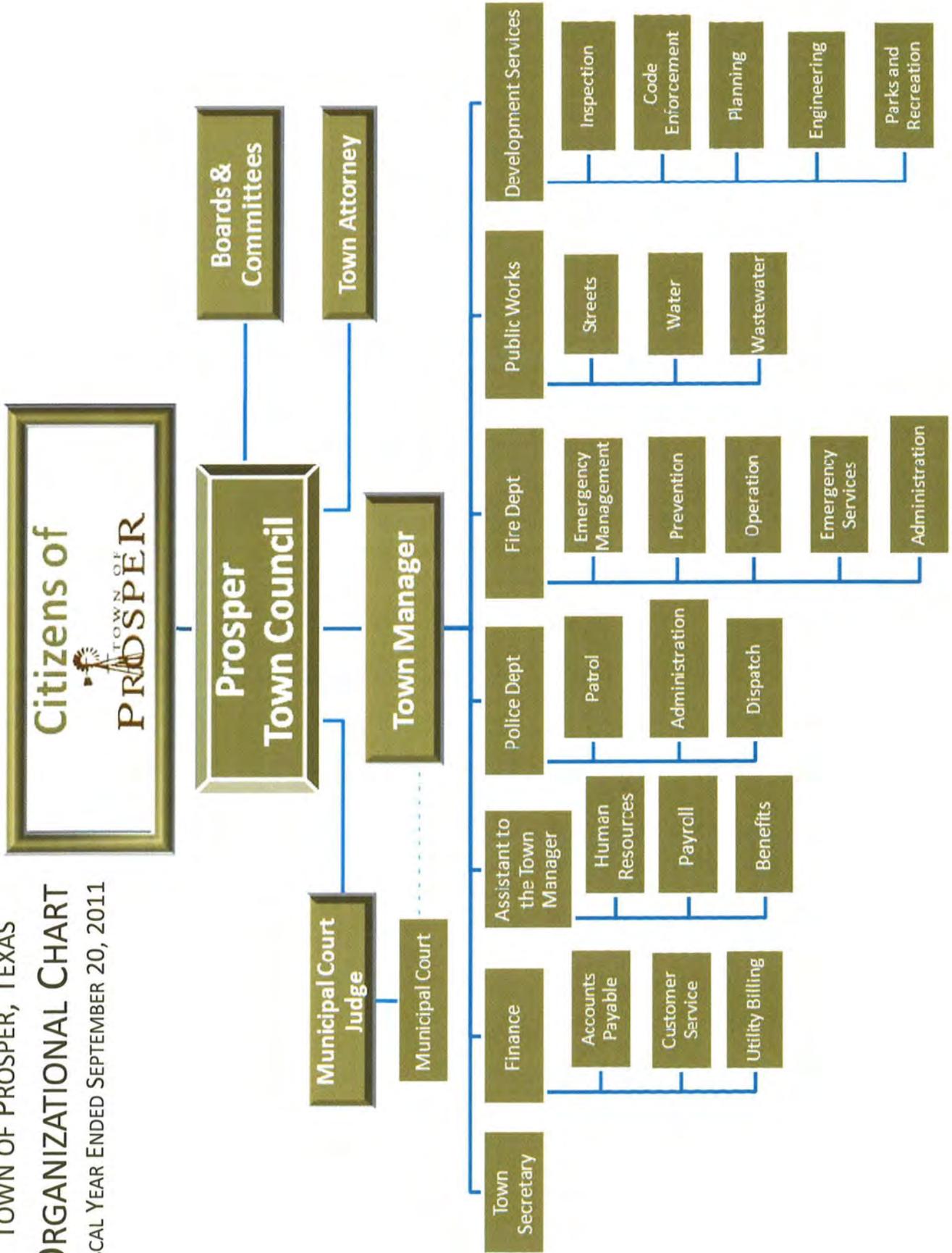
*Linda C. Davison*

President

*Jeffrey R. Emmer*

Executive Director

TOWN OF PROSPER, TEXAS  
**ORGANIZATIONAL CHART**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2011



**TOWN OF PROSPER, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

**TOWN COUNCIL**

MAYOR \_\_\_\_\_ RAY SMITH 

COUNCILMEMBER PLACE 1 \_\_\_\_\_ DAVE BENEFIELD 

COUNCILMEMBER PLACE 2, MAYOR PRO-TEM \_\_\_\_\_ KENNETH DUGGER 

COUNCILMEMBER PLACE 3 \_\_\_\_\_ CURRY VOGELSANG JR. 

COUNCILMEMBER PLACE 4, DEPUTY MAYOR PRO-TEM \_\_\_ MEIGS MILLER 

COUNCILMEMBER PLACE 5 \_\_\_\_\_ DANNY WILSON 

COUNCILMEMBER PLACE 6 \_\_\_\_\_ JASON DIXON 

**APPOINTED OFFICIALS**

TOWN MANAGER \_\_\_\_\_ MIKE LAND

CHIEF OF POLICE \_\_\_\_\_ KIRK MCFARLIN

DIRECTOR OF DEVELOPMENT SERVICES \_\_\_\_\_ HULON WEBB

DIRECTOR OF FINANCE \_\_\_\_\_ MATTHEW GARRETT

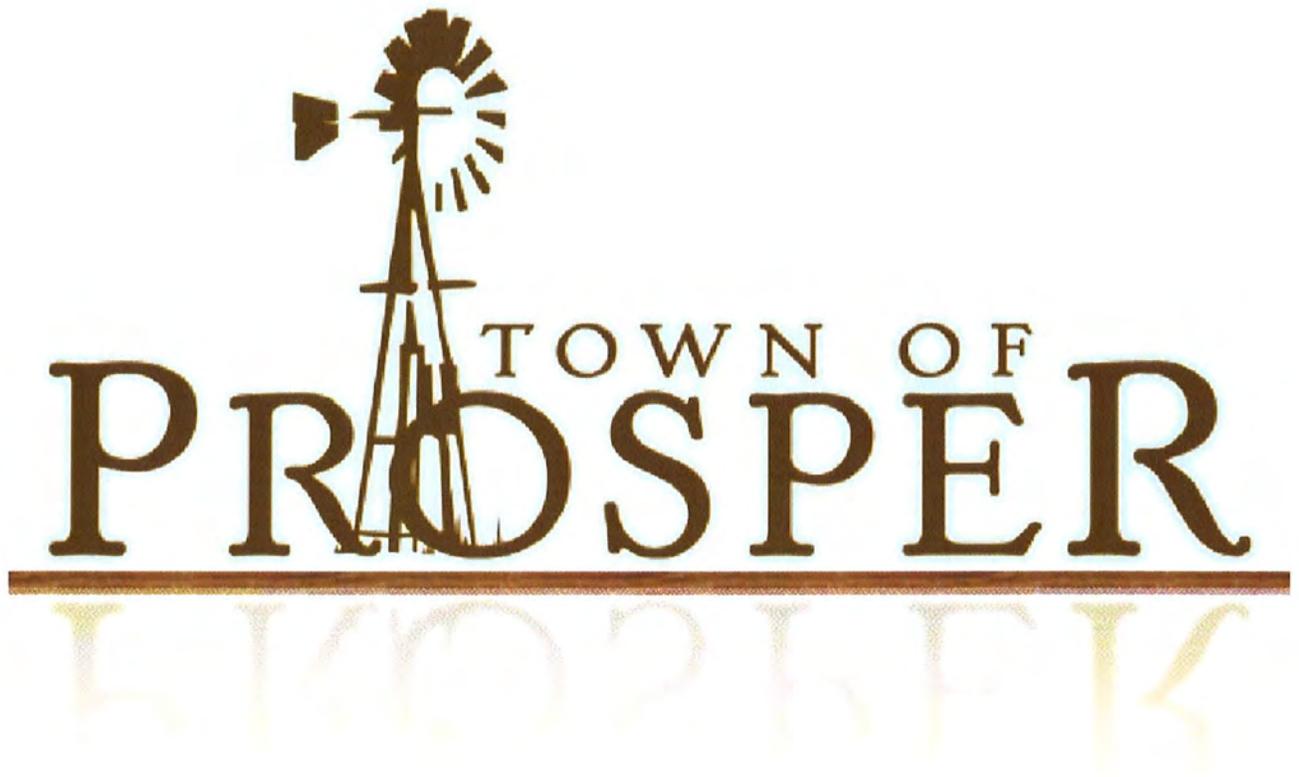
DIRECTOR OF PUBLIC WORKS \_\_\_\_\_ FRANK JAROMIN

FIRE CHIEF \_\_\_\_\_ RONNIE TUCKER

TOWN SECRETARY \_\_\_\_\_ AMY PIUKANA



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FINANCIAL  
SECTION



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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
Members of the Town Council of the  
Town of Prosper, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Prosper, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Prosper, Texas, as of September 30, 2011, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 16 through 23 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prosper, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dennis Kinard & Co., PC*

Certified Public Accountants

Abilene, Texas  
March 12, 2012

## **TOWN OF PROSPER, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Prosper, Texas, 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, 2011.

### **Financial Highlights**

- The assets of the Town of Prosper, on a government wide basis, exceeded its liabilities at the close of the most recent fiscal year by \$67,368,580 (net assets). Of this amount, \$15,047,809 (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 \$3,894,986. Most of the increase is due to property taxes, sales taxes and impact and escrow fees.
- As of the close of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balances of \$21,825,207 (made up of \$5,568,868 in general fund, \$6,895,458 in impact fee fund, \$737,259 in debt service fund, \$5,348,151 in capital projects fund and \$3,275,471 in other governmental funds), an increase of \$686,677 in comparison with the prior year. The increase is primarily due to an increase in general fund revenues and decrease in the general fund and capital project fund expenditures. Approximately \$3,959,464 is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,959,464 or 49 percent of total general fund expenditures.
- The Town's long-term liabilities increased by \$175,708 during the year due mainly to issuance of a tax note in 2010 of \$2,045,000.
- The Town's capital assets increased by \$1,903,266 due to the completion of capital projects funded by prior year bond proceeds.

### **Overview of the Financial Statements**

This discussion and analysis is 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 time 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, public works, recreation, and transportation. The business-type activities of the Town of Prosper include the water and sewer system, as well as sanitation collection and disposal and storm drainage.

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 discretely with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 24-26 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. 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 on 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 six 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 fund, all of which are considered to be major funds. Data from the two other governmental funds are combined into a single, aggregated presentation. Individual fund data for both 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 27-35 of this report.

**Proprietary funds** - The Town of Prosper maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Prosper uses an enterprise fund to account for its water, sewer, sanitation and storm drainage activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. A budgetary comparison statement for the enterprise fund can be found on page 61 of this report.

The internal service fund is used to accumulate and allocate costs internally among the Town's various functions. The Town uses its internal service fund to account for its employee medical reimbursement program. Because these services predominately benefit the governmental rather than the business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 36-38.

**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 39-57 of this report.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Prosper. The Town of Prosper adopts an annual appropriated budget for its impact fee fund. A budgetary comparison statement has been provided for the impact fee fund to demonstrate compliance with this budget. Required supplementary information can be found on page 58 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, assets exceeded liabilities by \$67,368,580 at the close of the most recent fiscal year.

A portion of the Town of Prosper's net assets (64 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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 (22 percent) 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 categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Town of Prosper's Net Assets Government-Wide

	Governmental Activities		Business-type Activities		Total	
	(Restated)					
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 23,251,619	\$ 21,971,319	\$ 8,192,142	\$ 6,598,009	\$ 31,443,761	\$ 28,569,328
Capital assets	55,417,682	52,897,488	18,794,474	19,411,402	74,212,156	72,308,890
<b>Total assets</b>	<u>78,669,301</u>	<u>74,868,807</u>	<u>26,986,616</u>	<u>26,009,411</u>	<u>105,655,917</u>	<u>100,878,218</u>
Long term liabilities	23,665,644	22,734,835	13,195,901	13,951,002	36,861,545	36,685,837
Other liabilities	965,785	398,165	460,007	320,622	1,425,792	718,787
<b>Total liabilities</b>	<u>24,631,429</u>	<u>23,133,000</u>	<u>13,655,908</u>	<u>14,271,624</u>	<u>38,287,337</u>	<u>37,404,624</u>
Net assets:						
Invested in capital assets, net of related debt	37,347,057	37,271,055	5,615,024	5,704,234	42,962,081	42,975,289
Restricted	9,358,690	5,951,694			9,358,690	5,951,694
Unrestricted	7,332,125	8,513,058	7,715,684	6,033,553	15,047,809	14,546,611
<b>Total net assets</b>	<u>\$ 54,037,872</u>	<u>\$ 51,735,807</u>	<u>\$ 13,330,708</u>	<u>\$ 11,737,787</u>	<u>\$ 67,368,580</u>	<u>\$ 63,473,594</u>

**Town of Prosper's Changes in Net Assets  
Government-wide**

	Governmental Activities		Business-type Activities		Total	
	(Restated)		2011	2010	2011	2010
	2011	2010				
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,226,483	\$ 1,069,437	\$ 7,238,153	\$ 5,393,026	\$ 8,464,636	\$ 6,462,463
Capital grants & contributions	2,907,683	3,797,279			2,907,683	3,797,279
Operating grants & contributions	349,877	950,869			349,877	950,869
General revenues:						
Property taxes	5,986,296	5,504,833			5,986,296	5,504,833
Other taxes	1,745,171	1,810,301			1,745,171	1,810,301
Other income	738,336	618,537	100,509	113,176	838,845	731,713
Transfers	434,125	15,118	(434,125)	(15,118)	-	-
<b>Total revenues</b>	<u>13,387,971</u>	<u>13,766,374</u>	<u>6,904,537</u>	<u>5,491,084</u>	<u>20,292,508</u>	<u>19,257,458</u>
<b>Expenses:</b>						
General government	1,622,024	1,233,969			1,622,024	1,233,969
Police	1,115,837	1,074,133			1,115,837	1,074,133
Dispatch	472,774	328,702			472,774	328,702
Court	231,747	217,592			231,747	217,592
Fire	2,287,665	2,249,048			2,287,665	2,249,048
Streets	2,369,730	1,609,155			2,369,730	1,609,155
Parks and recreation	677,679	832,873			677,679	832,873
Library	69,748	84,574			69,748	84,574
Engineering	158,863	145,762			158,863	145,762
Code enforcement	416,793	132,958			416,793	132,958
Inspections	143,382	368,404			143,382	368,404
Planning	380,712	310,924			380,712	310,924
Interest on long-term debt	1,138,952	895,015			1,138,952	895,015
Utility			5,311,616	5,139,778	5,311,616	5,139,778
<b>Total expenses</b>	<u>11,085,906</u>	<u>9,483,109</u>	<u>5,311,616</u>	<u>5,139,778</u>	<u>16,397,522</u>	<u>14,622,887</u>
<b>Change in net assets</b>	2,302,065	4,283,265	1,592,921	351,306	3,894,986	4,634,571
Net assets - beginning of year	<u>51,735,807</u>	<u>47,452,542</u>	<u>11,737,787</u>	<u>11,386,481</u>	<u>63,473,594</u>	<u>58,839,023</u>
Net assets - end of year	<u>\$ 54,037,872</u>	<u>\$ 51,735,807</u>	<u>\$ 13,330,708</u>	<u>\$ 11,737,787</u>	<u>\$ 67,368,580</u>	<u>\$ 63,473,594</u>

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

Revenues for FY 2010-11 increased by \$1,035,050 or 5 percent in comparison to FY 2009-10. The increase is primarily due to the increase in charges for services and property taxes during the year. Charges for services increased \$2,002,173 over prior year. Capital and operating grants and contributions decreased \$1,490,588 from prior year. Property taxes increased \$481,463 from prior year. Other taxes decreased by \$65,130 and other income increased by \$107,132 from prior year.

The majority of the revenues from charges for services were derived from the Enterprise Fund water and sewer services provided to residents of the Town of Prosper.

## **Governmental Activities:**

Governmental activities increased the Town of Prosper's net assets by \$2,302,065.

- Impact and escrow fee collections decreased by \$1,042,474 (39 percent) during the year, primarily due to planned real estate development. Impact fees are included as part of capital contribution revenues and the escrow fees are included in other income.
- Total governmental activity expenses increased by \$1,602,797 (17 percent) during the year due to increases in general government (\$410,061), street department (\$760,575), and code enforcement (\$283,835).

## **Business-type Activities**

Business-type activities increased the Town of Prosper's net assets by \$1,592,921.

- Operating revenue increased \$1,832,460 (33 percent) mainly due to increased water sales.
- Operating expenses increased by \$171,838 (3 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balances of \$21,825,207, an increase of \$686,677 from the prior year. Most of the increase is due to increase in property taxes and fewer capital projects during the year. Of the current combined ending fund balance, \$576 is nonspendable due to prepaids, \$14,706,841 is restricted for debt service and capital projects, \$1,608,828 is committed for contingency in accordance with the Town charter, \$1,549,498 is assigned for specific purpose such as impact fees and other specific purposes, and \$3,959,464 is unassigned.

The general fund is the chief operating fund of the Town of Prosper. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,959,464. Total unassigned fund balance represents 49 percent of total general fund expenditures. The increase in fund balance of \$494,959 is primarily due to increase in property taxes and decrease in overall expenditures from the prior year.

The impact fee fund has a total fund balance of \$6,895,458, which is restricted for capital projects. The increase in fund balance of \$656,601 is due to current year impact fee revenue exceeding impact fee expenses during the year.

The debt service fund has a total fund balance of \$737,259, all of which is restricted for payment of debt service. The increase in fund balance of \$160,588 is due to property tax revenues exceeding bond payments during the year.

The capital projects fund has a total fund balance of \$5,348,151, all of which is restricted for construction. The increase in fund balance of \$10,801 is due to the issuance of tax notes in the amount of \$2,045,000 offsetting current year capital projects.

**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 \$7,715,684. The total increase in net assets of the Enterprise Fund was \$1,592,921. 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 were \$615,752 more than budgeted and expenditures were \$791,712 more than budgetary estimates. The excess expenditures were mostly due to capital outlay. The original budget had planned for a decrease in fund balance of \$35,230. Due to improvements over the budgeted amounts for total revenues, proceeds from insurance and transfers in, the net change in fund balance increased to \$494,959.

## 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, 2011, amounts to \$74,212,156 (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 \$4,107,511. The majority of this activity was funded from bond proceeds and was for streets, parks and related infrastructure.
- Capital asset additions in business-type activities totaled \$7,154. The increase was from equipment.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Government-wide capital assets:						
Non-depreciable assets	\$ 7,330,998	\$ 14,742,809	\$ 5,000	\$ 5,000	\$ 7,335,998	\$ 14,747,809
Depreciable assets	54,776,011	43,430,850	22,484,074	22,511,625	77,260,085	65,942,475
Total capital assets	<u>62,107,009</u>	<u>58,173,659</u>	<u>22,489,074</u>	<u>22,516,625</u>	<u>84,596,083</u>	<u>80,690,284</u>
Less accumulated depreciation	<u>6,689,327</u>	<u>5,276,171</u>	<u>3,694,600</u>	<u>3,105,223</u>	<u>10,383,927</u>	<u>8,381,394</u>
Government-wide capital assets, net	<u>\$ 55,417,682</u>	<u>\$ 52,897,488</u>	<u>\$ 18,794,474</u>	<u>\$ 19,411,402</u>	<u>\$ 74,212,156</u>	<u>\$ 72,308,890</u>

Additional information on the Town of Prosper's capital assets can be found in Note 5 on pages 46-47 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Prosper had bonded debt outstanding of \$34,534,300. This amount comprises debt backed by the full faith and credit of the government.

The Town of Prosper's bond rating is Aa3 as assigned by Moody's in October, 2011.

Total long-term debt consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Government-wide long-term debt:						
Certificates of obligation	\$ 21,354,850	\$ 22,259,250	\$ 13,179,450	\$ 13,915,050	\$ 34,534,300	\$ 36,174,300
Tax notes payable	2,045,000				2,045,000	-
Compensated absences payable	237,040	424,739	16,451	35,952	253,491	460,691
Capital leases payable	<u>19,292</u>	<u>50,846</u>			<u>19,292</u>	<u>50,846</u>
Total government-wide long-term debt	<u>\$ 23,656,182</u>	<u>\$ 22,734,835</u>	<u>\$ 13,195,901</u>	<u>\$ 13,951,002</u>	<u>\$ 36,852,083</u>	<u>\$ 36,685,837</u>

Additional information on the Town of Prosper's long-term debt can be found in note 10 on pages 49-53 of this report.

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

The global markets, unemployment and indicators such as consumer confidence have been rocky, but the Dallas metroplex and Prosper specifically have weathered the recent storms very well. Even in these last two "slow" years, the Town maintained growth above preliminary estimates. Being hesitant to overstate the Town's positive outlook, the Fiscal Year 2012 budget was prepared with conservative revenue assumptions despite general optimism about its not too distant future. Overall, revenues are projected to increase 11.6% compared to that budgeted in 2010-2011.

#### **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. Certified property valuations increased by \$60 million (5.2%) for FY 2011-2012. Property values increased from \$1,145.8 million to \$1,205.8 million. While the growth in total certified property valuations continues to increase, existing property values remain relatively flat, with most of the increase coming from new construction or annexations.
- With only a few new commercial operations opening in Prosper and retaining several solid businesses, sales tax forecasts have remained around \$1.1 million for several years and are projected the same for FY 2012-2012. Actual collections for the last two years have exceeded \$1.2 million, but staff remains cautious since a large portion of the Town's sales tax revenues is directly linked to construction, making a decline in that economy a large threat. The Town expects to receive approximately \$1,133,000 in sales tax in FY 2011-2012.
- Municipal Court Fines and Licenses are projected to remain at current levels.
- Building Permit Revenues are projected to increase to \$934,900 or 287.0% when compared to the 2010-2011 Adopted Budget reflecting steady new home and minimal non-residential construction in the coming year at the new, increased permit fee rates. Single Family permits increased from 226 in 2008 to 373 in 2011, an increase of 65%. Commercial permits have slowed since 2008, but continue to trickle in with higher average values than in previous years.
- SAFER Grant revenues are scheduled to reduce 48% from \$218,183 to \$113,989. This source will be exhausted in FY 2012-2013 with reimbursements totaling \$28,496. Over the life of this grant, the Town will have received \$948,825 to help pay for the addition of six full-time Firefighter/Paramedic positions.
- Utility franchise payment and administrative fees from the Town's Water and Sewer Funds are projected to increase in accordance with the Town's adopted Water and Wastewater Utility Comprehensive Business Plan and subsequently adopted rate study. A similar, but smaller fee of 6% will be transferred from the Drainage Utility Fund.
- Revenues for the Water, Sewer and Solid Waste Fund are expected to increase to \$6.3 million. 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.

#### **Appropriations Budget Highlights**

- In FY 2009-2010, employees did not earn salary increases, but rather were allotted one time payments instead. In FY 2010-2011, the Town Council set the target base salary range assignment at 100% of the average prevailing rate for the comparator market and worked within the budget to get all employees up to their respective range minimum. For FY 2011-2012, the strategy is to move employees with more time in their position further into the range beyond the minimum. Salary increases total approximately \$115,000 in the coming year.
- Employee Health, Dental and other benefits typically increase in cost year to year, but this year the Town expects to save approximately \$4,619 compared to the same list of benefits offered last year. The Town has kept medical premium increases for staff to a minimum.

- The TMRS rate budgeted for FY 2011 is 10%, which is slightly more than the Annual Required Contribution (ARC) Rate of 9.77% as required by GASB Statement Number 27. While SB 350 didn't give the Town much net ARC relief, the new calculation and the fractional "overpayment" serve to offset future increases. Working with the TMRS actuary over several scenarios, the payments over ARC helps reduce expected increases to less than 0.05% per year over the next few years.
- Continued partnerships with other entities have produced multiple saving opportunities for shared services, thus improving our customer service to residents and visitors alike.
  - The Town continues to operate the Community Library in the Reynolds Middle School.
  - The Town renews its agreements along with several area cities to contract with Collin County for Animal Control and Sheltering Service.
  - The Town has several agreements with Frisco including using Frisco GIS for our departments and Interlocal agreements for part time help in both the Municipal Court and Dispatch as needed.
- The Town will be completing a Comprehensive Plan update and Impact Fee/CIP update.
- First Street and Coit Road will remain under construction during FY 2011-2012.
- The Wilson Creek Interceptor sewer project is expected to be completed in the coming year.

The Town of Prosper continues steady growth in population and property values. Staff has been able to expand services, further compensate existing staff while maintaining a low tax rate for the Town. The Town of Prosper is fortunate in that one of the pressing issues is still how to properly manage growth without overextending resources too far ahead. As adopted, next year's budget keeps prudent feet on the ground, but stretches far enough to see over the horizon expectantly for radical growth.

All these factors were considered in preparing the Town of Prosper's budget for the 2011-2012 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.

**TOWN OF PROSPER, TEXAS**

**STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Prosper Economic Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,073,863	\$ 2,671,869	\$ 22,745,732	\$ 1,822,859
Investments	2,300,000	4,500,756	6,800,756	
Receivables (net of allowance):				
Utility bills		700,635	700,635	
Delinquent property taxes	68,025		68,025	
Sales tax	284,252		284,252	94,751
Other	68,304		68,304	
Due from component unit	9,565		9,565	
Prepays	576	2,050	2,626	
Inventory		57,342	57,342	
Restricted cash and cash equivalents		68,155	68,155	
Bond issuance costs	447,033	191,335	638,368	
Capital assets not being depreciated:				
Land	2,064,797	5,000	2,069,797	
Construction-in-progress	5,266,201		5,266,201	
Capital assets (net of accumulated depreciation):				
Building and systems	12,854,928	18,551,441	31,406,369	
Vehicles and equipment	3,067,215	238,033	3,305,248	
Infrastructure	32,164,541		32,164,541	
<b>TOTAL ASSETS</b>	<b>78,669,300</b>	<b>26,986,616</b>	<b>105,655,916</b>	<b>1,917,610</b>
<b>LIABILITIES</b>				
Accounts payable	446,010	392,872	838,882	
Accrued interest	143,800	77,445	221,245	
Escrow payable	341,666		341,666	
Customer deposits		24,000	24,000	
Internal balances	34,308	(34,310)	(2)	
Due to primary government			-	9,566
Noncurrent liabilities:				
Due within one year	1,362,339	783,566	2,145,905	182
Due in more than one year	22,303,305	12,412,335	34,715,640	
<b>TOTAL LIABILITIES</b>	<b>24,631,428</b>	<b>13,655,908</b>	<b>38,287,336</b>	<b>9,748</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	37,347,057	5,615,024	42,962,081	
Restricted for:				
Debt service	737,259		737,259	
Capital projects	8,621,431		8,621,431	
Unrestricted	7,332,125	7,715,684	15,047,809	1,907,862
<b>TOTAL NET ASSETS</b>	<b>\$ 54,037,872</b>	<b>\$ 13,330,708</b>	<b>\$ 67,368,580</b>	<b>\$ 1,907,862</b>

The accompanying notes are an integral part of the financial statements.

TOWN OF PROSPER, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 1,622,024	\$ 82,206	\$ 24,015	\$
Police	1,115,837	21,477	23,849	
Dispatch	472,774			
Court	231,747	220,913	3,436	
Fire	2,287,665	158,538	276,559	
Streets	2,369,730			2,700,996
Parks and recreation	677,679			206,687
Library	69,748		22,018	
Engineering	158,863			
Code enforcement	416,793	9,475		
Inspections	143,382	689,062		
Planning	380,712	44,812		
Interest and fiscal charges	1,138,952			
<b>Total governmental activities</b>	<u>11,085,906</u>	<u>1,226,483</u>	<u>349,877</u>	<u>2,907,683</u>
Business-type activities:				
Utility billing and sanitation	709,553	715,150		
Water and sewer	4,514,598	6,330,653		
Storm drainage	87,465	192,350		
<b>Total business-type activities</b>	<u>5,311,616</u>	<u>7,238,153</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 16,397,522</u>	<u>\$ 8,464,636</u>	<u>\$ 349,877</u>	<u>\$ 2,907,683</u>
<b>COMPONENT UNIT:</b>				
Economic development	136,114			
<b>Total component unit</b>	<u>\$ 136,114</u>			

GENERAL REVENUES:

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Escrow fees

Unrestricted investment earnings

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning (restated)

Net assets - ending

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNIT
PRIMARY GOVERNMENT			
Governmental Activities	Business-type Activities	Total	Prosper Economic Development Corporation
\$ (1,515,803)	\$	\$ (1,515,803)	
(1,070,511)		(1,070,511)	
(472,774)		(472,774)	
(7,398)		(7,398)	
(1,852,568)		(1,852,568)	
331,266		331,266	
(470,992)		(470,992)	
(47,730)		(47,730)	
(158,863)		(158,863)	
(407,318)		(407,318)	
545,680		545,680	
(335,900)		(335,900)	
(1,138,952)		(1,138,952)	
(6,601,863)	-	(6,601,863)	
	5,597	5,597	
	1,816,055	1,816,055	
	104,885	104,885	
-	1,926,537	1,926,537	
(6,601,863)	1,926,537	(4,675,326)	
			\$ (136,114)
			(136,114)
5,986,296		5,986,296	
1,320,686		1,320,686	438,636
424,485		424,485	
53,351		53,351	
154,577	53,242	207,819	20,299
530,408	47,267	577,675	
434,125	(434,125)	-	
8,903,928	(333,616)	8,570,312	458,935
2,302,065	1,592,921	3,894,986	322,821
51,735,807	11,737,787	63,473,594	1,585,041
\$ 54,037,872	\$ 13,330,708	\$ 67,368,580	\$ 1,907,862

**TOWN OF PROSPER, TEXAS**

BALANCE SHEET-  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	General Fund	Impact Fee Fund	Debt Service Fund
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,714,723	\$ 6,884,650	\$ 438,505
Investments	2,000,000		300,000
Receivables (net of allowance for uncollectibles):			
Property taxes	43,536		24,489
Sales tax	284,252		
Other	58,625		1,399
Due from other funds	264,346	71,068	
Due from component unit	9,566		
Prepays	576		
	<u>6,375,624</u>	<u>6,955,718</u>	<u>764,393</u>
Total Assets	\$ <u>6,375,624</u>	\$ <u>6,955,718</u>	\$ <u>764,393</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 398,601	\$ 32,955	
Escrow payable			
Deferred revenues	43,536		24,489
Due to other funds	364,619	27,305	2,645
	<u>806,756</u>	<u>60,260</u>	<u>27,134</u>
Total Liabilities	<u>806,756</u>	<u>60,260</u>	<u>27,134</u>
<b>FUND BALANCES:</b>			
Nonspendable for:			
Prepays	576		
Restricted for:			
Debt service			737,259
Capital projects		6,895,458	
Committed for:			
Contingency	1,608,828		
Assigned			
Unassigned	3,959,464		
	<u>5,568,868</u>	<u>6,895,458</u>	<u>737,259</u>
Total Fund Balances	<u>5,568,868</u>	<u>6,895,458</u>	<u>737,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,375,624</u>	<u>\$ 6,955,718</u>	<u>\$ 764,393</u>

The accompanying notes are an integral part of the financial statements.

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 5,357,979	\$ 3,615,380	\$ 20,011,237
		2,300,000
		68,025
		284,252
	3,280	63,304
	455	335,869
		9,566
		576
<u>\$ 5,357,979</u>	<u>\$ 3,619,115</u>	<u>\$ 23,072,829</u>
\$	\$	\$
		431,556
	341,666	341,666
		68,025
<u>9,828</u>	<u>1,978</u>	<u>406,375</u>
<u>9,828</u>	<u>343,644</u>	<u>1,247,622</u>
		576
		737,259
5,348,151	1,725,973	13,969,582
		1,608,828
	1,549,498	1,549,498
		3,959,464
<u>5,348,151</u>	<u>3,275,471</u>	<u>21,825,207</u>
<u>\$ 5,357,979</u>	<u>\$ 3,619,115</u>	<u>\$ 23,072,829</u>

**TOWN OF PROSPER, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2011**

Total Fund Balances - Governmental Funds \$ 21,825,207

Amounts reported for governmental activities in the statement of net assets (page 24) are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$58,173,659 and the accumulated depreciation was \$5,276,171. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net assets. 52,897,488

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. The long-term debt, including capital leases of \$50,846, was \$22,310,096 with bond issuance costs of \$420,000 at the beginning of the year. The effect of the beginning balances for long-term debt in the governmental activities is a decrease to net assets. (21,890,096)

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays of \$4,107,511, less net book value of asset retirements of \$10,688, is to increase net assets. 4,096,823

Current year long-term debt principal payments and changes in long-term obligations of \$935,954 and bond issuance costs of \$56,039 are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. The net effect of including principal payments, decrease in long-term obligations and increase in bond issuance costs is to increase net assets. 991,993

Current issuance of the 2010 Tax Note and related bond premium is an other financing source in the governmental fund financial statements because it is not due and payable during the current year. However this will increase the long-term debt in the government-wide financial statements. The total note and premium amount was \$2,054,462. The net effect of this is a decrease to net assets. (2,054,462)

Depreciation and amortization expense are not reflected in the governmental funds, but are recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation and decrease to bond issuance costs. The net effect of the current year depreciation and amortization expense of \$1,605,635 is to decrease net assets. (1,605,635)

The Town uses an internal service fund to charge the costs the medical reimbursement program to appropriate departments in other funds. The assets and liabilities of the insurance fund are included in governmental activities in the statement of net assets. The net effect is to increase net assets. 89,369

Various other reclassifications are necessary to convert the fund financial statements from the modified accrual basis of accounting to accrual basis of accounting. These included the following adjustments for the current year:

Recognition of deferred property tax revenues	68,025	
Accrual for interest payable on long-term debt	(143,800)	
Accrual for compensated absences	(237,040)	
		(312,815)

Net Assets of Governmental Activities \$ 54,037,872

The accompanying notes are an integral part of the financial statements.

**TOWN OF PROSPER, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Impact Fee Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property	\$ 3,868,027		\$ 2,144,426
Sales	1,320,686		
Franchise	424,485		
Licenses and permits	670,199		
Charges for services	163,188		
Intergovernmental			
Impact fees		1,592,139	
Escrow income			
Grants	284,645		
Investment income	69,567	30,666	17,328
Fines, fees, warrants and seizures	386,001		
Contributions			
Miscellaneous	114,666		
	<hr/>	<hr/>	<hr/>
Total Revenues	7,301,464	1,622,805	2,161,754
<b>EXPENDITURES:</b>			
Current:			
General government	1,524,824		
Police	1,071,276		
Dispatch	399,632		
Court	217,117		
Fire	2,129,840		
Streets	302,862	966,204	
Parks and recreation	529,756		
Library	69,748		
Engineering	164,812		
Inspection	423,145		
Code enforcement	144,368		
Planning	385,206		
Capital outlay	646,325		
Debt service:			
Principal	31,554		904,400
Interest and fiscal charges	3,676		1,096,766
Bond issue costs and fees			
	<hr/>	<hr/>	<hr/>
Total Expenditures	8,044,141	966,204	2,001,166
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	\$ (742,677)	\$ 656,601	\$ 160,588

The accompanying notes are an integral part of the financial statements.

continued

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
		6,012,453
		1,320,686
		424,485
		670,199
		163,188
1,108,857		1,108,857
		1,592,139
	53,351	53,351
		284,645
28,637	7,811	154,009
	7,095	393,096
200,747	71,172	271,919
		114,666
<u>1,338,241</u>	<u>139,429</u>	<u>12,563,693</u>
104,815	3,188	1,632,827
	28,116	1,099,392
		399,632
	15,697	232,814
	17,262	2,147,102
		1,269,066
	53,472	583,228
		69,748
		164,812
		423,145
		144,368
		385,206
3,056,694	409,119	4,112,138
		935,954
		1,100,442
58,771		58,771
<u>3,220,280</u>	<u>526,854</u>	<u>14,758,645</u>
\$ <u>(1,882,039)</u>	\$ <u>(387,425)</u>	\$ <u>(2,194,952)</u>

continued

**TOWN OF PROSPER, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Impact Fee Fund	Debt Service Fund
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from insurance	\$ 426,430	\$	\$
Proceeds from capital related debt issued			
Premium on issuance of bonds			
Transfer in	841,446		
Transfer out	<u>(30,240)</u>		
<b>Total Other Financing Sources (Uses)</b>	<u>1,237,636</u>	<u>-</u>	<u>-</u>
Net change in fund balances	494,959	656,601	160,588
Fund balances, beginning (restated)	<u>5,073,909</u>	<u>6,238,857</u>	<u>576,671</u>
Fund balances, ending	<u>\$ 5,568,868</u>	<u>\$ 6,895,458</u>	<u>\$ 737,259</u>

The accompanying notes are an integral part of the financial statements.

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
		426,430
2,045,000		2,045,000
11,039		11,039
224,679	-	1,066,125
<u>(387,878)</u>	<u>(248,847)</u>	<u>(666,965)</u>
<u>1,892,840</u>	<u>(248,847)</u>	<u>2,881,629</u>
10,801	(636,272)	686,677
<u>5,337,350</u>	<u>3,911,743</u>	<u>21,138,530</u>
\$ <u><u>5,348,151</u></u>	\$ <u><u>3,275,471</u></u>	\$ <u><u>21,825,207</u></u>

**TOWN OF PROSPER, TEXAS**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Net Change in Fund Balances - Governmental Funds	\$	686,677
Amounts reported for governmental activities in the statement of activities (pages 25-26) are different because:		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays of \$4,107,511, less net book value of asset retirements of \$10,688, is to increase net assets.</p>		
		4,096,823
<p>Current year long-term debt principal payments and changes in long-term obligations of \$935,954 and bond issuance costs of \$56,039 are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. The net effect of including principal payments, decrease in long-term obligations and increase in bond issuance costs is to increase net assets.</p>		
		991,993
<p>Current issuance of the 2010 Tax Note and related bond premium is an other financing source in the governmental fund financial statements because it is not due and payable during the current year. However this will increase the long-term debt in the government-wide financial statements. The total note and premium amount was \$2,054,462. The net effect of this is a decrease to net assets.</p>		
		(2,054,462)
<p>Depreciation and amortization expense are not reflected in the governmental funds, but are recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation and decrease to bond issuance costs. The net effect of the current year depreciation and amortization expense of \$1,605,635 is to decrease net assets.</p>		
		(1,605,635)
<p>The Town uses an internal service fund to charge the costs of the medical reimbursement program to the appropriate departments in other funds. The change in net assets of the insurance fund is reported with governmental activities.</p>		
		33,476
<p>Various other reclassifications are necessary to convert the fund financial statements from the modified accrual basis of accounting to accrual basis of accounting. These included the following adjustments for the current year:</p>		
Change in recognition of deferred property tax revenues	(26,157)	
Change in accrual for interest payable on long-term debt	(8,349)	
Change in accrual for compensated absences	187,699	
	153,193	
Change in Net Assets of Governmental Activities	\$	2,302,065

The accompanying notes are an integral part of the financial statements.

**TOWN OF PROSPER, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2011

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES:</b>				
Taxes				
Property	\$ 3,880,789	\$ 3,880,789	\$ 3,868,027	\$ (12,762)
Sales	1,103,500	1,103,500	1,320,686	217,186
Franchise	327,550	327,550	424,485	96,935
Licenses and permits	636,575	636,575	670,199	33,624
Charges for services	196,505	196,505	163,188	(33,317)
Grants	234,183	234,183	284,645	50,462
Investment income	50,500	50,500	69,567	19,067
Fines, fees, warrants and seizures	220,000	220,000	386,001	166,001
Miscellaneous	36,110	36,110	114,666	78,556
Total Revenues	<u>6,685,712</u>	<u>6,685,712</u>	<u>7,301,464</u>	<u>615,752</u>
<b>EXPENDITURES:</b>				
General government	1,181,322	1,206,728	1,524,824	(318,096)
Police	1,075,915	1,075,915	1,071,276	4,639
Dispatch	475,295	475,295	399,632	75,663
Court	233,010	233,010	217,117	15,893
Fire	2,180,340	2,101,485	2,129,840	(28,355)
Streets	276,855	276,855	302,862	(26,007)
Parks and recreation	505,935	505,935	529,756	(23,821)
Library	-	78,855	69,748	9,107
Inspections	410,285	410,285	423,145	(12,860)
Code enforcement	136,290	136,290	144,368	(8,078)
Planning	279,455	343,905	385,206	(41,301)
Engineering	144,735	144,735	164,812	(20,077)
Debt Service	35,230	-	35,230	(35,230)
Capital outlay	185,435	263,136	646,325	(383,189)
Total Expenditures	<u>7,120,102</u>	<u>7,252,429</u>	<u>8,044,141</u>	<u>(791,712)</u>
Deficiency of revenues over expenditures	(434,390)	(566,717)	(742,677)	(175,960)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from insurance	-	-	426,430	426,430
Transfers in	429,400	429,400	841,446	412,046
Transfers out	(30,240)	(30,240)	(30,240)	-
Total other financing sources (uses)	<u>399,160</u>	<u>399,160</u>	<u>1,237,636</u>	<u>838,476</u>
Change in fund balances	(35,230)	(167,557)	494,959	662,516
Fund balances, beginning (restated)	<u>4,971,175</u>	<u>4,971,175</u>	<u>5,073,909</u>	<u>102,734</u>
Fund balances, ending	<u>\$ 4,935,945</u>	<u>\$ 4,803,618</u>	<u>\$ 5,568,868</u>	<u>\$ 765,250</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF PROSPER, TEXAS

STATEMENT OF NET ASSETS-  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Enterprise Fund Utility Fund	Governmental Activities- Internal Service Funds
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,671,869	\$ 62,626
Investments	4,500,756	
Receivables (net of allowance of uncollectibles)	700,635	5,000
Due from other funds	262,911	36,196
Prepays	2,050	
Inventory	57,342	
Restricted cash and cash equivalents	68,155	
<b>Total Current Assets</b>	<b>8,263,718</b>	<b>103,822</b>
<b>Noncurrent Assets:</b>		
Bond issuance costs	191,335	
Capital assets		
Land	5,000	
Buildings and systems	21,935,860	
Equipment	548,214	
Less: accumulated depreciation	(3,694,600)	
Net property, plant and equipment	18,794,474	-
<b>Total Noncurrent Assets</b>	<b>18,985,809</b>	<b>-</b>
<b>Total Assets</b>	<b>27,249,527</b>	<b>103,822</b>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable	392,872	14,453
Deposits	24,000	
Due to other funds	228,601	
Accrued interest	77,445	
Compensated absences	11,516	
Long-term debt, due in one year	772,050	
<b>Total Current Liabilities</b>	<b>1,506,484</b>	<b>14,453</b>
<b>Noncurrent Liabilities:</b>		
Compensated absences	4,935	
Long-term debt	12,407,400	
<b>Total Noncurrent Liabilities</b>	<b>12,412,335</b>	<b>-</b>
<b>Total Liabilities</b>	<b>13,918,819</b>	<b>14,453</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	5,615,024	
Unrestricted	7,715,684	89,369
<b>Total Net Assets</b>	<b>\$ 13,330,708</b>	<b>\$ 89,369</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF PROSPER, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2011

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>	<u>Governmental</u> <u>Activities-</u> <u>Internal Service</u> <u>Fund</u>
<b>OPERATING REVENUE:</b>		
Water and sewer charges	\$ 5,904,939	\$
Sanitation charges	681,480	
Storm drainage utility fees	192,350	
Water and sewer connections	425,714	
Service initiation	33,670	
Insurance charges for services		34,290
Miscellaneous	47,267	
	<u>7,285,420</u>	<u>34,290</u>
Total Operating Revenue		
<b>OPERATING EXPENSES:</b>		
Personnel services	555,837	36,347
Materials and supplies	263,689	
Contractual services	3,212,791	
Storm drainage	87,465	
Depreciation and amortization	637,921	
	<u>4,757,703</u>	<u>36,347</u>
Total Operating Expenses		
Operating Income	<u>2,527,717</u>	<u>(2,057)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	53,242	568
Interest expense	(553,913)	
	<u>(500,671)</u>	<u>568</u>
Total Non-operating Revenues (Expenses)		
Income before transfers	2,027,046	(1,489)
Transfers in (out)	(434,125)	34,965
Change in net assets	1,592,921	33,476
Net assets, at beginning of year	<u>11,737,787</u>	<u>55,893</u>
Net assets, at end of year	<u>\$ 13,330,708</u>	<u>\$ 89,369</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF PROSPER, TEXAS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Enterprise Fund</u> Utility Fund	<u>Governmental Activities- Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 7,085,926	\$
Cash contributions for insurance premiums		29,290
Cash payments to suppliers for goods and services	(3,277,487)	
Cash payments for insurance premiums		(34,404)
Cash payments to employees for services	(641,060)	
Net cash provided (used) by operating activities	<u>3,167,379</u>	<u>(5,114)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to/from other funds	(434,125)	34,965
Advances from other funds	(102,814)	(13,146)
Net cash provided (used) by noncapital financing activities	<u>(536,939)</u>	<u>21,819</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(7,154)	
Disposition of assets	2,708	
Principal paid on bonds	(735,600)	
Interest paid on bonds	(553,913)	
Net cash provided by capital and related financing activities	<u>(1,293,959)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,500,756)	
Interest on deposits and investments	53,242	568
Net cash provided (used) by investing activities	<u>(4,447,514)</u>	<u>568</u>
Net increase (decrease) in cash & cash equivalents	(3,111,033)	17,273
Cash and cash equivalents at beginning of year	5,851,057	45,353
Cash and cash equivalents at end of year	<u>\$ 2,740,024</u>	<u>\$ 62,626</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 2,527,717	\$ (2,057)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	637,921	
(Increase) decrease in accounts receivable	(214,494)	(5,000)
(Increase) decrease in inventory and prepaids	(6,463)	
Increase (decrease) in accounts payable	292,921	1,943
Increase (decrease) in accrued liabilities	(65,722)	
Increase (decrease) in compensated absences	(19,501)	
Increase (decrease) in customer deposits	15,000	
Net cash provided (used) by operating activities	<u>\$ 3,167,379</u>	<u>\$ (5,114)</u>

The accompanying notes are an integral part of the financial statements.

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Prosper, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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.

##### 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. The 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.

##### 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 and has a September 30 year end.

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

##### 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 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.

##### 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 by the provider have been met.

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

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, sales taxes, franchise taxes, licenses, and interest income 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*, a special revenue 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 funds:

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, sewer, sanitation and storm drainage operations.

The *internal service fund* is used to accumulate and allocate costs internally among the Town's various functions. The Town uses its internal service fund to account for its employee medical reimbursement program. Because these services predominately benefit the governmental rather than the business-type functions, they have been included within governmental activities in the government-wide financial statements.

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.

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

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.

##### Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents include 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 which approximates fair value.

##### 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".

##### Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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.

##### 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. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

##### 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.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets - continued

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	20 - 30
System infrastructure	15 - 45
Street infrastructure	25 - 30
Equipment	5 - 10
Vehicles	5 - 7

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 resignation and retirements.

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.

Fund Equity

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

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### *NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

##### Budgetary Control

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 project funds.

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

1. Prior to August 16<sup>th</sup>, 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.
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. Supplemental appropriations were made during the fiscal year for the General Fund.
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 and amortization in the approved budget. These amounts are reported at year end as part of the "actual" column. 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.

##### Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in the General Fund by \$791,712. These over-expenditures were funded by transfers from the Capital Projects Fund and proceeds from insurance for repairs.

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3: DEPOSITS AND INVESTMENTS

##### Deposits

At September 30, 2011, the Town's deposits and the EDC's deposits were fully covered by federal depository insurance or collateral held by the pledging financial institution's trust department or agent in the government's name and/or irrevocable standby letters of credit.

*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.

##### 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).

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).

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

*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 Town's investments are with the Texas Local Government Investment Pool ("TexPool"), the Texas Short-Term Asset Reserve Investment Pool ("TexSTAR"), and in certificates of deposit. 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 reported value of the pool is the same as the fair value of the pool shares. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. TexSTAR is managed by J.P. Morgan Investment Management, Inc. and First Southwest Asset Management, Inc. The government is not exposed to custodial credit risk for its investments.

*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 both TexPool and TexSTAR at year end was AAAM by Standard & Poor's.

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 3: DEPOSITS AND INVESTMENTS - continued*

Investments - continued

*Interest Rate Risk* - This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, 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 maximum allowable maturity for operating funds is 5 years and 2 years for debt service funds. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

*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.

*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:

	<u>Fair Value</u>	<u>Maturity Less than One Year</u>	<u>Maturity Greater than One Year</u>
Primary Government			
Investment type:			
Texas Local Government investment pool	\$ 2,498,335	\$ 2,498,335	\$ -
TexSTAR investment pool	8,518,230	8,518,230	-
Certificates of deposit	<u>6,800,756</u>	<u>1,700,756</u>	<u>5,100,000</u>
Total	<u>\$ 17,817,321</u>	<u>\$ 12,717,321</u>	<u>\$ 5,100,000</u>
 Prosper Economic Development Corporation			
Investment type:			
Texas Local Government investment pool	\$ 1,323	\$ 1,323	
TexSTAR investment pool	<u>1,188</u>	<u>1,188</u>	
Total	<u>\$ 2,511</u>	<u>\$ 2,511</u>	

For the purpose of presentation in the financial statements, Texpool and TexSTAR investments have been included in cash and cash equivalents due to their highly liquid nature.

*NOTE 4: RECEIVABLES*

Receivables at September 30, 2011 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Property taxes	\$ 43,536	\$ 24,489	\$	\$	\$	\$ 68,025
Sales tax	284,252					284,252
Utility bills				864,082		864,082
Interest	6,554	1,399		11,078		19,031
Other receivables	<u>52,071</u>		<u>3,280</u>		<u>5,000</u>	<u>60,351</u>
Gross receivables	386,413	25,888	3,280	875,160	5,000	1,295,741
Less: allowance for uncollectibles				<u>(174,525)</u>	<u>(174,525)</u>	<u>(174,525)</u>
Net receivables	<u>\$ 386,413</u>	<u>\$ 25,888</u>	<u>\$ 3,280</u>	<u>\$ 700,635</u>	<u>\$ (169,525)</u>	<u>\$ 1,121,216</u>

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 4: RECEIVABLES - continued*

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, 2011 the EDC had sales tax receivable of \$94,751. No allowances for uncollectibles is deemed necessary.

*NOTE 5: CAPITAL ASSETS*

Capital asset activity for the year ended September 30, 2011 was as follows:

<u>Governmental activities:</u>	Balance October 1, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 2,032,649	\$ 32,148	\$	\$ 2,064,797
Construction in progress	12,710,160	3,053,768	(10,497,727)	5,266,201
Total capital assets, not being depreciated	<u>14,742,809</u>	<u>3,085,916</u>	<u>(10,497,727)</u>	<u>7,330,998</u>
Capital assets being depreciated:				
Buildings and improvements	3,235,669	10,386,416		13,622,085
Equipment	3,788,619	1,036,688	(174,161)	4,651,146
Infrastructure	36,406,562	96,218		36,502,780
Total assets being depreciated	<u>43,430,850</u>	<u>11,519,322</u>	<u>(174,161)</u>	<u>54,776,011</u>
Less accumulated depreciation for:				
Buildings and improvements	622,842	144,315		767,157
Equipment	1,414,909	332,495	(163,473)	1,583,931
Infrastructure	3,238,420	1,099,819		4,338,239
Total accumulated depreciation	<u>5,276,171</u>	<u>1,576,629</u>	<u>(163,473)</u>	<u>6,689,327</u>
Total capital assets being depreciated, net	<u>38,154,679</u>	<u>9,942,693</u>	<u>(10,688)</u>	<u>48,086,684</u>
Governmental activities capital assets, net	<u>\$ 52,897,488</u>	<u>\$ 13,028,609</u>	<u>\$ (10,508,415)</u>	<u>\$ 55,417,682</u>

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS – continued

<u>Business-type activities:</u>	Balance October 1, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets, not being depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings and systems	21,928,706	7,154		21,935,860
Vehicles and Equipment	582,919		(34,705)	548,214
Total assets being depreciated	<u>22,511,625</u>	<u>7,154</u>	<u>(34,705)</u>	<u>22,484,074</u>
Less accumulated depreciation for:				
Buildings and systems	2,816,117	568,302		3,384,419
Vehicles and Equipment	289,106	53,073	(31,998)	310,181
Total accumulated depreciation	<u>3,105,223</u>	<u>621,375</u>	<u>(31,998)</u>	<u>3,694,600</u>
Total capital assets being depreciated, net	<u>19,406,402</u>	<u>(614,221)</u>	<u>(2,707)</u>	<u>18,789,474</u>
Business-type activities capital assets, net	<u>\$ 19,411,402</u>	<u>\$ (614,221)</u>	<u>\$ (2,707)</u>	<u>\$ 18,794,474</u>

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

Governmental activities:	
General government	\$ 16,126
Police	60,435
Dispatch	82,525
Fire	199,646
Streets	1,106,700
Parks and recreation	108,183
Inspections	3,014
	<u>\$ 1,576,629</u>
Business-type activities:	
Water and Sewer	\$ 621,375
	<u>\$ 621,375</u>

Capital asset activity for the EDC for the year ended September 30, 2011 was as follows:

Component unit:	Balance October 1, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Capital assets being depreciated:				
Leasehold improvements	\$ 113,849	\$ -	\$ -	\$ 113,849
Total assets being depreciated	<u>113,849</u>	<u>-</u>	<u>-</u>	<u>113,849</u>
Less accumulated depreciation for:				
Leasehold improvements	105,943	7,906		113,849
Total accumulated depreciation	<u>105,943</u>	<u>7,906</u>	<u>-</u>	<u>113,849</u>
Total capital assets being depreciated, net	<u>7,906</u>	<u>(7,906)</u>	<u>-</u>	<u>-</u>
Component unit capital assets, net	<u>\$ 7,906</u>	<u>\$ (7,906)</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 6: CONSTRUCTION COMMITMENTS*

At September 30, 2011 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:

Project Name	Contract Date	Estimated Cost to Complete	Scheduled Completion Date	Costs Incurred Through 9/30/11
Prosper CR Improvements	February, 2008	\$ 115,000	November, 2012	\$ 766,836
Boyer Park	February, 2009	3,075	February, 2012	86,615
Prosper Trail Widening	September, 2009	400,000	June, 2012	4,332,306
First St. and Coit Rd. Widening	September, 2009	7,600,000	September, 2013	80,444
Construction in Progress				<u>\$ 5,266,201</u>

*NOTE 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS*

Interfund balances at September 30, 2011 were as follows:

Due to/from other funds:

Fund	Due From	Due To
General Fund:		
Water and Sewer	\$ 222,590	\$ 262,911
Debt Service	2,645	
Parks and Recreation	70	400
Impact Fees	27,305	71,068
Capital Projects	9,828	
Contributions	1,908	
Insurance		30,240
Water and Sewer:		
General Fund	262,911	222,590
Insurance		5,956
Contributions		55
Debt Service:		
General Fund		2,645
Insurance:		
General Fund	30,240	
Water and Sewer	5,956	
Parks and Recreation:		
General Fund	400	70
Impact Fees:		
General Fund	71,068	27,305
Contributions:		
General Fund	55	1,908
Capital Projects:		
General Fund		9,828
Totals	<u>\$ 634,976</u>	<u>\$ 634,976</u>

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – continued*

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:

	Transfers In	Transfers Out
<b>General Fund:</b>		
Water and Sewer	\$ 429,400	\$
Contributions	24,168	
Capital Projects	387,878	
Insurance		30,240
<b>Water and Sewer:</b>		
General Fund		429,400
Insurance		4,725
<b>Insurance:</b>		
General Fund	30,240	
Water and Sewer	4,725	
<b>Contributions:</b>		
General Fund		24,168
Capital Projects		224,679
<b>Capital Projects:</b>		
General Fund		387,878
Contributions	224,679	
<b>Totals</b>	\$ 1,101,090	\$ 1,101,090

The purpose of the transfers includes funding the share of operating costs from the Water and Sewer Fund to the General Fund. The General Fund and Water and Sewer Fund transfer funds to the Insurance Fund to cover insurance liabilities. The Special Revenue - Donations Fund transferred donations as they were received to the respective departments in the General Fund and the General Fund and Capital Projects funds transferred funds for capital outlay.

*NOTE 8: CAPITAL LEASES*

The Town has entered into a capital lease agreement, with Ford Motor Credit Company, for two police vehicles. As of September 30, 2011, the vehicles had a carrying value of \$26,235 which is included in the governmental activities on the Statement of Net Assets. Capital lease expenditures were \$14,567 which included \$927 in interest. The effective interest rate is 6.8%.

The Town entered into a second capital lease agreement for two police vehicles with Ford Motor Credit Company. As of September 30, 2011, the vehicles had a carrying value of \$38,646. Capital lease expenditures for 2011 were \$20,663, which included interest of \$2,749. The effective interest rate is 7.1%.

The lease activity for the year ended September 30, 2011 was as follows:

	Balance 10/1/2010	Issued	Retired	Balance 10/1/2011	Due Within One Year
<b>Governmental Activities:</b>					
2008 Crown Victoria Lease	\$ 13,640	\$	\$ 13,640	\$ -	\$
2010 Crown Victoria Lease	37,206		17,914	19,292	19,292
	\$ 50,846	\$	\$ 31,554	\$ 19,292	\$ 19,292

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 8: CAPITAL LEASES - continued*

The following is a schedule of future minimum lease payments as of September 30, 2011:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 19,292	\$ 1,371	\$ 20,663
Total	<u>\$ 19,292</u>	<u>\$ 1,371</u>	<u>\$ 20,663</u>

*NOTE 9: COMPENSATED ABSENCES*

Eligibility for the compensated absences for the employees of the Town is determined by length of service. The current portion, the amount of the accrual which would normally be liquidated with available expendable financial resources for Governmental Fund employees, is reflected as a current liability in the General Fund. The liability for the Enterprise fund is reflected entirely within the Enterprise fund.

During the year ending September 30, 2011 activity in compensated absences is as follows:

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance 10/1/2011</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 424,739	\$ 24,671	\$ 212,370	\$ 237,040	\$ 118,520
<u>Business-type Activities:</u>					
Compensated absences	35,952	5,665	25,166	16,451	11,516
	<u>\$ 460,691</u>	<u>\$ 30,336</u>	<u>\$ 237,536</u>	<u>\$ 253,491</u>	<u>\$ 130,036</u>

During the year ending September 30, 2011 the following occurred in compensated absences for the EDC:

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance 10/1/2011</u>	<u>Due Within One Year</u>
<u>Component Unit:</u>					
Compensated absences	\$ 993	\$ 182	\$ 993	\$ 182	\$ 182

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 10: LONG-TERM DEBT*

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The certificates of obligation will be repaid by the debt service fund.

Long-term debt activity for the year ended September 30, 2011 was as follows:

	<u>Balance</u> <u>10/1/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>9/30/2011</u>	<u>Amount Due</u> <u>Within one Year</u>
<u>Governmental Activities:</u>					
2001 Certificate of Obligation	\$ 1,155,750	\$	\$ 80,400	\$ 1,075,350	\$ 83,750
2004 Certificate of Obligation	3,431,100		186,200	3,244,900	193,800
2006 Certificate of Obligation	5,162,400		232,800	4,929,600	242,400
2008 Certificate of Obligation	12,510,000		405,000	12,105,000	423,000
2010 Series, Tax Note		2,045,000		2,045,000	280,000
Total Governmental	<u>22,259,250</u>	<u>2,045,000</u>	<u>904,400</u>	<u>23,399,850</u>	<u>1,222,950</u>
<u>Business-type Activities:</u>					
1996 Certificate of Obligation	365,000		50,000	315,000	55,000
1998 Certificate of Obligation	425,000		45,000	380,000	50,000
2001 Certificate of Obligation	569,250		39,600	529,650	41,250
2004 Certificate of Obligation	5,573,200		303,800	5,269,400	316,200
2006 Certificate of Obligation	5,592,600		252,200	5,340,400	262,600
2008 Certificate of Obligation	<u>1,390,000</u>		<u>45,000</u>	<u>1,345,000</u>	<u>47,000</u>
Total Business-type	<u>13,915,050</u>		<u>735,600</u>	<u>13,179,450</u>	<u>772,950</u>
 Total	 <u>\$ 36,174,300</u>	 <u>\$ 2,045,000</u>	 <u>\$ 1,640,000</u>	 <u>\$ 36,579,300</u>	 <u>\$ 1,995,000</u>
<u>Governmental Activities:</u>					
Bond Premium on Issuance	<u>\$</u>	<u>\$ 11,039</u>	<u>\$ 1,577</u>	<u>\$ 9,462</u>	<u>\$ 1,577</u>

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 10: LONG-TERM DEBT - continued*

Certificates of obligation and tax notes at September 30, 2011 are comprised of the following issues for the Debt Service Fund and Water and Sewer Fund:

	Governmental Activities	Business-Type Activities	Total
1996 Certificates of Obligation (100% water and sewer portion) maturing January 15, 1997 to January 15, 2016. Interest payable January 15 and July 15 at rates ranging from 4.45% to 6.45%.	\$	\$ 315,000	\$ 315,000
1998 Certificates of Obligation (100% water and sewer portion) maturing July 15, 1999 through July 15, 2016. Interest payable January 15 and July 15 at rates ranging from 3.15% to 4.55%.		380,000	380,000
2001 Certificates of Obligation (67% debt service fund portion and 33% water and sewer portion) issued October 25, 2001 and maturing August 15, 2003 to August 15, 2021. Interest payable February 15 and August 15 at rates ranging from 4.15% to 5.00%.	1,075,350	529,650	1,605,000
2004 Certificates of Obligation (38% debt service fund portion and 62% water and sewer portion) issued March 11, 2004 and maturing August 15, 2007 to August 15, 2024. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.50%.	3,244,900	5,269,400	8,514,300
2006 Certificates of Obligation (48% debt service fund portion and 52% water and sewer portion) issued September 21, 2006 and maturing August 15, 2007 to August 15, 2026. Interest payable February 15 and August 15 at rates ranging from 4.00% to 4.50%.	4,929,600	5,340,400	10,270,000
2008 Certificates of Obligation (90% debt service fund portion and 10% water and sewer portion) issued December 2, 2008 and maturing February 15, 2011 to February 15, 2029. Interest payable February 15 and August 15 at rates ranging from 3.75% to 6.0%.	12,105,000	1,345,000	13,450,000
Tax Notes, Series 2010 (100% debt service fund portion) issued October 1, 2010 and maturing February 15, 2012 to February 15, 2017. Interest payable February 15th and August 15th at rates ranging from 1.15% to 1.85%.	2,045,000		2,045,000
	\$ 23,399,850	\$ 13,179,450	\$ 36,579,300

**TOWN OF PROSPER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

*NOTE 10: LONG-TERM DEBT - continued*

The annual requirements to amortize the combined debt outstanding for the Debt Service Fund and Water and Sewer Fund as of September 30, 2011 are as follows:

Year Ended September 30	Governmental Activities		Business-Type Activities		Total Principal	Total Interest	Total Obligation
	Principal	Interest	Principal	Interest			
2012	\$ 1,222,950	\$ 1,110,858	\$ 772,050	\$ 586,351	\$ 1,995,000	\$ 1,697,209	\$ 3,692,209
2013	1,320,350	1,041,635	804,650	553,008	2,125,000	1,594,643	3,719,643
2014	1,370,800	994,880	839,200	517,958	2,210,000	1,512,838	3,722,838
2015	1,423,850	944,325	871,150	481,265	2,295,000	1,425,590	3,720,590
2016	1,479,550	889,987	910,450	442,832	2,390,000	1,332,819	3,722,819
2017-2021	6,815,150	3,559,672	4,584,850	1,634,488	11,400,000	5,194,160	16,594,160
2022-2026	6,810,700	1,847,199	4,068,600	596,298	10,879,300	2,443,497	13,322,797
2027-2031	2,956,500	273,105	328,500	30,345	3,285,000	303,450	3,588,450
<b>Total</b>	<b>\$ 23,399,850</b>	<b>\$ 10,661,661</b>	<b>\$ 13,179,450</b>	<b>\$ 4,842,545</b>	<b>\$ 36,579,300</b>	<b>\$ 15,504,206</b>	<b>\$ 52,083,506</b>

*NOTE 11: RESTRICTED ASSETS*

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

Customer deposits	\$ 24,000
Revenue bond service requirements	44,155
	<u>\$ 68,155</u>

*NOTE 12: 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 employee; 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 reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage in any of the past three years.

*NOTE 13: TEXAS MUNICIPAL RETIREMENT SYSTEM*

Plan Description

The Town provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Town are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 13: TEXAS MUNICIPAL RETIREMENT SYSTEM - continued*

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percent of APC Contributed	Net Pension Obligation (NPO)
2009	\$ 307,279	\$ 307,279	100%	\$ -
2010	346,903	368,094	106%	(21,191)
2011	389,749	407,378	105%	(17,629)

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 13: TEXAS MUNICIPAL RETIREMENT SYSTEM - continued*

The required contribution rates for fiscal year 2011 are determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

**Actuarial Assumptions**

Valuation Date	12/31/2008	12/31/2009	12/31/2010 prior to Restructure	12/31/2010 Restructured
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	24 years - Closed Period	23.3 years - Closed Period	22.6 years - Closed Period	22.5 years - Closed Period
Remaining Amortization Period	25 Years	25 Years	25 Years	25 Years
Amortization Period for New Gains/Losses		10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Asset Valuation Method	7.5%	7.5%	7.5%	7.0%
Investment Rate of Return*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases*	3.00%	3.00%	3.00%	3.00%
*Includes Inflation at	2.1%	2.1%	2.1%	2.1%
Cost-of-Living Adjustments				

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**TOWN OF PROSPER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

*NOTE 13: TEXAS MUNICIPAL RETIREMENT SYSTEM - continued*

The schedule of funding progress below presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Schedule of Funding Progress for the Retirement Plan  
For the Employees of the Town of Prosper**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 1,624,228	\$ 2,529,352	\$ 905,124	64.2%	\$ 3,321,607	27.2%
12/31/2009	2,288,445	3,343,417	1,054,972	68.4%	3,719,393	28.4%
12/31/2010(1)	3,070,169	4,268,064	1,197,895	71.9%	3,828,422	31.3%
12/31/2010(2)	3,175,249	4,606,199	1,430,950	68.9%	3,828,422	37.4%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

*NOTE 14: FUND BALANCE*

The Town classifies governmental fund balances in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

*Nonspendable* fund balance includes amounts that either (a) are not in a spendable form or (b) are legally or contractually required to be maintained intact. At September 30, 2011, the Town had \$576 in nonspendable fund balance for prepaids.

*Restricted* fund balance includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) or imposed by law through constitutional provisions or enabling legislation. At September 30, 2011 the restricted fund balance includes fund balance restricted for debt service of \$737,259 and fund balance restricted for capital projects of \$13,969,582.

*Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Town Council. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. In accordance with Town Charter, an amount equal to twenty percent of total general fund expenditures has been identified as committed. At September 30, 2011 the committed fund balance includes contingency funds of \$1,608,828.

*Assigned* fund balance includes amounts intended to be used by the government for specific purposes. The Town has designated the Town Manager or his/her designee as the official authorized person to assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. At September 30, 2011 the Town had assigned fund balances for specific purposes including parks and recreation in the amount of \$1,549,498.

*Unassigned* fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications. The unassigned fund balance remaining in the General Fund at September 30, 2011 was \$3,959,464.

## TOWN OF PROSPER, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### *NOTE 14: FUND BALANCE - continued*

The Town uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the Town would use restricted, committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town's financial goal is to achieve and maintain an unassigned fund balance in the general fund equal to twenty-five percent of budgeted expenditures, but may be reduced down to ten percent in unusual financial circumstances with a corrective five-year plan to restore the fund balance back to twenty-five percent.

#### *NOTE 15: PRIOR PERIOD ADJUSTMENTS*

During the performance of audit procedures sales tax was found to be understated due to the two month difference between the time that sales tax is earned and reported and the time in which the comptroller distributes the sales tax. In order to correct the beginning sales tax receivables and prior year sales tax revenue, an adjustment was made to increase the general fund balance for \$102,734 and to increase the Economic Development Corporation fund balance for \$34,245.

Internal service funds utilized by the Town should be classified as proprietary funds and included in the proprietary fund financial statements along with the utility fund. We have reclassified the internal service fund from the governmental funds to proprietary funds. This reclassification increases the beginning net assets of the proprietary funds, and decreases the fund balance of governmental funds by \$55,893.

#### *NOTE 16: SUBSEQUENT EVENTS*

Subsequent to September 30, 2011 the Town issued General Obligation Refunding and Improvement Bonds, Series 2011, in the amount of \$2,645,000. The bonds were issued to refund a portion of the Town's outstanding debt in order to lower the overall debt service requirements of the Town, to purchase park equipment and to pay for bond issuance costs. The Town's obligation is scheduled to be repaid over a 7 year period and bears interest rates ranging from 1.75% – 2.00%.

**TOWN OF PROSPER, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET (GAAP BASIS) AND ACTUAL - IMPACT FEE FUND  
 YEAR ENDED SEPTEMBER 30, 2011

	Impact Fee Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
<b>REVENUES:</b>				
Impact fees	\$ 650,000	\$ 650,000	\$ 1,592,139	\$ 942,139
Investment income	25,000	25,000	30,666	5,666
Total revenues	<u>675,000</u>	<u>675,000</u>	<u>1,622,805</u>	<u>947,805</u>
<b>EXPENDITURES:</b>				
Streets	<u>1,300,000</u>	<u>1,300,000</u>	<u>966,204</u>	<u>333,796</u>
Total expenditures	<u>1,300,000</u>	<u>1,300,000</u>	<u>966,204</u>	<u>333,796</u>
Excess of revenues over expenditures	(625,000)	(625,000)	656,601	1,281,601
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(625,000)	(625,000)	656,601	1,281,601
Fund balances, beginning	<u>6,238,857</u>	<u>6,238,857</u>	<u>6,238,857</u>	
Fund balances, ending	<u>\$ 5,613,857</u>	<u>\$ 5,613,857</u>	<u>\$ 6,895,458</u>	<u>\$ 1,281,601</u>

**TOWN OF PROSPER, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	Special Revenue		Total
	Parks & Recreation	Contributions	Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,549,168	\$ 2,066,212	\$ 3,615,380
Receivables		3,280	3,280
Due from other funds	400	55	455
Total Assets	\$ 1,549,568	\$ 2,069,547	\$ 3,619,115
<b>LIABILITIES:</b>			
Escrow payable	\$ 70	\$ 341,666	\$ 341,666
Due to other funds	70	1,908	1,978
Total Liabilities	70	343,574	343,644
<b>FUND BALANCES:</b>			
Restricted for:			
Capital projects		1,725,973	1,725,973
Assigned	1,549,498		1,549,498
Total Fund Balances	1,549,498	1,725,973	3,275,471
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,549,568</b>	<b>\$ 2,069,547</b>	<b>\$ 3,619,115</b>

**TOWN OF PROSPER, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue		Total Nonmajor Governmental Funds
	Parks & Recreation	Contributions	
<b>REVENUES:</b>			
Escrow income	\$	\$ 53,351	\$ 53,351
Investment income		7,811	7,811
Fines, warrants and seizures		7,095	7,095
Contributions		5,940	71,172
Total Revenues		<u>13,751</u>	<u>139,429</u>
<b>EXPENDITURES:</b>			
Current:			
General government		3,188	3,188
Police department		28,116	28,116
Court		15,697	15,697
Fire department		17,262	17,262
Parks and recreation	29,497	23,975	53,472
Capital outlay	409,119		409,119
Total Expenditures		<u>438,616</u>	<u>526,854</u>
Excess (deficiency) of Revenues over expenditures		<u>(424,865)</u>	<u>(387,425)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in			-
Transfers out		(248,847)	(248,847)
Total Other Financing Sources (Uses)		<u>-</u>	<u>(248,847)</u>
Net change in fund balances		(424,865)	(636,272)
Fund balances, beginning		<u>1,974,363</u>	<u>3,911,743</u>
Fund balances, ending	\$	<u>1,549,498</u>	<u>\$ 3,275,471</u>

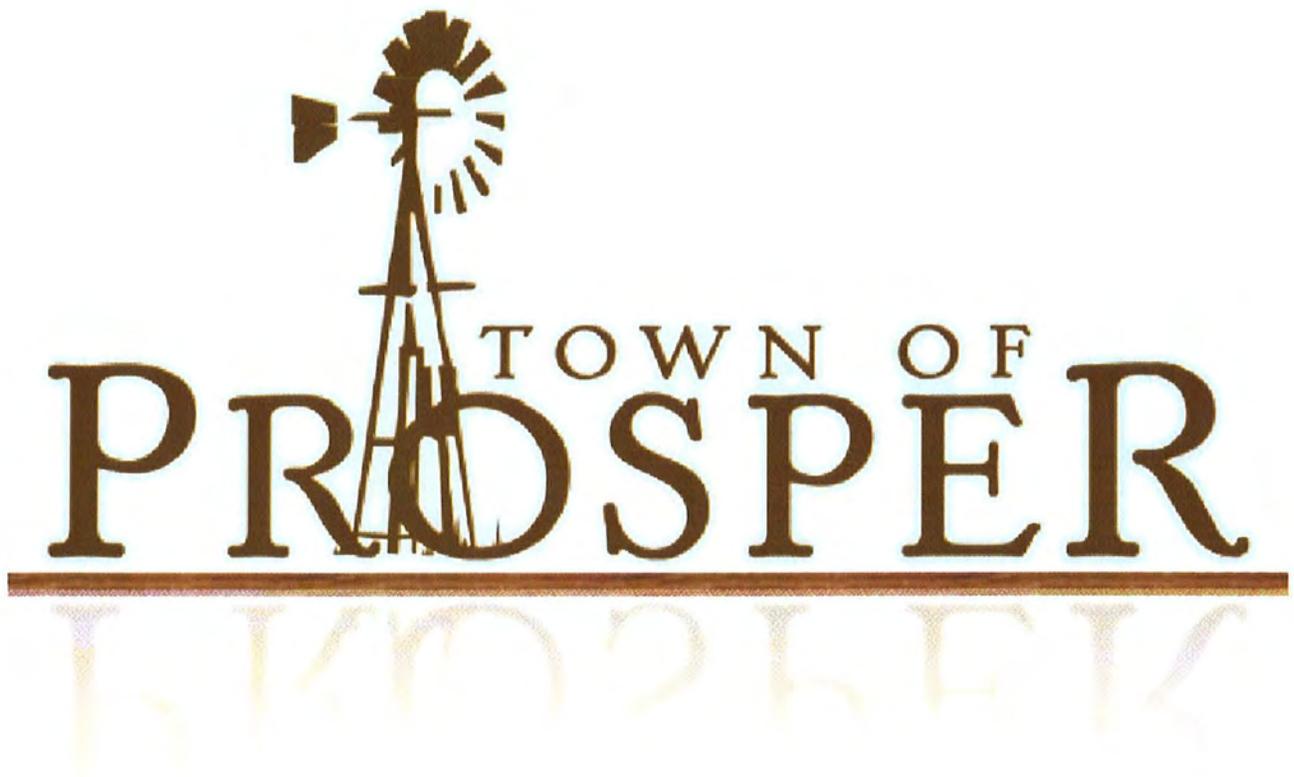
**TOWN OF PROSPER, TEXAS**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
BUDGET AND ACTUAL - UTILITY FUND  
YEAR ENDED SEPTEMBER 30, 2011

	Utility Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Budget Basis	
<b>OPERATING REVENUES</b>				
Water and sewer charges	\$ 4,791,410	\$ 4,791,410	\$ 5,904,939	\$ 1,113,529
Sanitation charges	580,000	580,000	681,480	101,480
Storm drainage utility fees	168,000	168,000	192,350	24,350
Water and sewer connections	135,000	135,000	425,714	290,714
Service initiation	18,000	18,000	33,670	15,670
Miscellaneous	16,600	16,600	47,267	30,667
<b>Total Operating Revenue</b>	<u>5,709,010</u>	<u>5,709,010</u>	<u>7,285,420</u>	<u>1,576,410</u>
<b>OPERATING EXPENSES</b>				
Personnel services	575,945	575,945	555,837	20,108
Materials and supplies	386,075	386,075	263,689	122,386
Contractual services	2,951,980	2,951,980	3,212,791	(260,811)
Storm drainage	140,000	140,000	87,465	52,535
<b>Total Operating Expenses</b>	<u>4,054,000</u>	<u>4,054,000</u>	<u>4,119,782</u>	<u>(65,782)</u>
<b>Operating Income (Loss)</b>	<u>1,655,010</u>	<u>1,655,010</u>	<u>3,165,638</u>	<u>1,510,628</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	40,200	40,200	53,242	13,042
Interest expense and fiscal charges	(1,353,465)	(1,353,465)	(553,913)	799,552
<b>Total nonoperating revenues (Expenses)</b>	<u>(1,313,265)</u>	<u>(1,313,265)</u>	<u>(500,671)</u>	<u>812,594</u>
<b>INCOME BEFORE TRANSFERS</b>	341,745	341,745	2,664,967	2,323,222
<b>TRANSFERS</b>				
Net transfers in/(out)	(434,125)	(434,125)	(434,125)	-
<b>Total Transfers</b>	<u>(434,125)</u>	<u>(434,125)</u>	<u>(434,125)</u>	<u>-</u>
<b>Change in net assets</b>	<u>\$ (92,380)</u>	<u>\$ (92,380)</u>	2,230,842	<u>\$ 2,323,222</u>
Reconciliation to generally accepted accounting principles (GAAP)				
Depreciation			(621,375)	
Amortization			(16,546)	
<b>Change in net assets (GAAP basis)</b>			<u>1,592,921</u>	
<b>Net assets, beginning</b>			<u>11,737,787</u>	
<b>Net assets, ending</b>			<u>\$ 13,330,708</u>	



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STATISTICAL  
SECTION



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## STATISTICAL SECTION

This part of the Town of Prosper's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	66
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	76
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	82
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	88
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	90

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**TOWN OF PROSPER, TEXAS**  
Net Assets by Component  
Last Eight Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

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

Source: Town financial statements

Note: Fiscal Year 2004 was the initial year of implementation of GASB Statement No. 34.  
Additional amounts will be added each year until ten years are reported.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 33,422	\$ 33,919	\$ 37,271	\$ 37,347
9,809	8,440	5,952	9,359
4,693	3,704	8,410	7,332
<u>\$ 47,924</u>	<u>\$ 46,063</u>	<u>\$ 51,633</u>	<u>\$ 54,038</u>
\$ 3,321	\$ 6,804	\$ 5,704	\$ 5,615
42	44	-	-
6,338	5,929	6,034	7,716
<u>\$ 9,701</u>	<u>\$ 12,777</u>	<u>\$ 11,738</u>	<u>\$ 13,331</u>
\$ 36,743	\$ 40,723	\$ 42,975	\$ 42,962
9,851	8,484	5,952	9,359
11,031	9,633	14,444	15,048
<u>\$ 57,625</u>	<u>\$ 58,840</u>	<u>\$ 63,371</u>	<u>\$ 67,369</u>

**TOWN OF PROSPER, TEXAS**

Changes in Net Assets  
 Last Eight Fiscal Years  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

Expenses	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental activities:</b>				
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	195	276	252	516
Total governmental activities expenses	<u>2,549</u>	<u>3,090</u>	<u>3,766</u>	<u>4,639</u>
<b>Business-type activities:</b>				
Water, Sewer and sanitation	1,534	2,381	2,652	3,889
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>				
<b>Governmental activities:</b>				
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	123	559	266	547
Total governmental activities program revenues	<u>1,587</u>	<u>2,561</u>	<u>2,932</u>	<u>4,796</u>
<b>Business-type activities:</b>				
Charges for services:				
Water, sewer and sanitation	1,522	2,243	3,603	3,444
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>
<b>Net (expense) revenue</b>				
Governmental activities	(962)	(529)	(834)	157
Business-type activities	(12)	(138)	951	(445)
Total primary government net expense	<u>\$ (974)</u>	<u>\$ (667)</u>	<u>\$ 117</u>	<u>\$ (288)</u>

continued

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	2,063	\$ 2,764	\$ 2,193	\$ 2,722
	2,485	3,329	3,869	4,108
	1,444	1,356	1,609	2,370
	130	444	917	747
	459	1,276	895	1,139
	<u>6,581</u>	<u>9,169</u>	<u>9,483</u>	<u>11,086</u>
	4,076	4,460	5,140	5,312
	<u>4,076</u>	<u>4,460</u>	<u>5,140</u>	<u>5,312</u>
	10,657	13,629	14,623	16,398
	<u>10,657</u>	<u>13,629</u>	<u>14,623</u>	<u>16,398</u>
	1,440	561	672	826
	162	360	397	400
	485	-	-	-
	418	-	-	-
	452	1,397	2,224	3,258
	<u>2,957</u>	<u>2,318</u>	<u>3,293</u>	<u>4,484</u>
	4,507	4,720	5,393	7,238
	<u>4,507</u>	<u>4,720</u>	<u>5,393</u>	<u>7,238</u>
	7,464	7,038	8,686	11,722
	<u>7,464</u>	<u>7,038</u>	<u>8,686</u>	<u>11,722</u>
	(3,624)	(6,851)	(6,190)	(6,602)
	431	260	253	1,926
\$	<u>(3,193)</u>	<u>(6,591)</u>	<u>(5,937)</u>	<u>(4,676)</u>

**TOWN OF PROSPER, TEXAS**

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

General Revenues and Other Changes in Net Assets	Fiscal Year			
	2004	2005	2006	2007
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 and escrow fees	-	-	-	-
Investment income	79	289	574	1,107
Miscellaneous	59	63	376	79
Gain/(Loss) on sale of capital asset	-	(5)	-	-
Transfers	(284)	(406)	(1,565)	(1,553)
Total governmental activities	<u>1,857</u>	<u>3,128</u>	<u>2,781</u>	<u>4,160</u>
Business-type activities:				
Investment income	12	23	58	132
Miscellaneous income	12	-	82	33
Gain/(Loss) on sale of capital asset	-	-	-	-
Transfers	284	406	1,565	1,553
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	296	291	2,656	1,273
Total primary government	<u>\$ 1,191</u>	<u>\$ 2,890</u>	<u>\$ 4,603</u>	<u>\$ 5,590</u>

Source: Town financial statements

Note: Fiscal Year 2004 was the initial year of implementation of GASB Statement No. 34.

Additional amounts will be added each year until ten years are reported.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	4,429	\$ 5,296	\$ 5,505	\$ 5,986
	1,288	1,077	1,309	1,321
	341	428	399	425
	1,828	367	2,688	53
	596	456	338	155
	114	74	116	530
	-	-	-	-
	(1,237)	(2,708)	15	434
	<u>7,359</u>	<u>4,990</u>	<u>10,370</u>	<u>8,904</u>
	109	65	74	53
	33	43	39	47
	-	-	-	-
	<u>1,237</u>	<u>2,708</u>	<u>(15)</u>	<u>(434)</u>
	<u>1,379</u>	<u>2,816</u>	<u>98</u>	<u>(334)</u>
	<u>8,738</u>	<u>7,806</u>	<u>10,468</u>	<u>8,570</u>
	3,735	(1,861)	4,180	2,302
	1,810	3,076	351	1,592
\$	<u>5,545</u>	<u>\$ 1,215</u>	<u>\$ 4,531</u>	<u>\$ 3,894</u>

**TOWN OF PROSPER, TEXAS**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	<b>Fiscal Year</b>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>						
Reserved	\$ 1,550	\$ 1,468	\$ -	\$ -	\$ 74	\$ 59
Unreserved	453	580	1,181	1,821	2,855	3,034
Total general fund	<u>\$ 2,003</u>	<u>\$ 2,048</u>	<u>\$ 1,181</u>	<u>\$ 1,821</u>	<u>\$ 2,929</u>	<u>\$ 3,093</u>
<b>All other governmental funds</b>						
Reserved	\$ 74	\$ 79	\$ 131	\$ 223	\$ 315	\$ 581
Unreserved, reported in:						
Capital Project funds	-	-	3,604	3,819	10,011	3,160
Impact Fee Funds	-	-	478	1,624	1,826	4,290
Special revenue funds	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 74</u>	<u>\$ 79</u>	<u>\$ 4,213</u>	<u>\$ 5,666</u>	<u>\$ 12,152</u>	<u>\$ 8,031</u>

Source: Statements of Revenues, Expenditures and Changes in Fund balances - Governmental Funds tables in Town CAFRs

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 18	\$ -	\$ 3	\$ 1
3,989	4,398	4,968	5,568
<u>\$ 4,007</u>	<u>\$ 4,398</u>	<u>\$ 4,971</u>	<u>\$ 5,569</u>

\$ 622	\$ 2,557	\$ 577	\$ 737
2,233	16,920	5,337	5,348
6,936	5,883	6,239	6,895
-	-	3,968	3,276
<u>\$ 9,791</u>	<u>\$ 25,360</u>	<u>\$ 16,121</u>	<u>\$ 16,256</u>

**TOWN OF PROSPER, TEXAS**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Revenues</b>						
Taxes	\$ 1,389	\$ 1,455	\$ 2,005	\$ 3,186	\$ 3,383	\$ 4,500
Licenses and permits	198	295	1,124	1,876	2,429	3,964
Intergovernmental	39	393	111	276	33	500
Charges for services	-	-	243	245	304	156
Fines and forfeitures	-	-	98	93	106	131
Investment Earnings	59	30	79	289	574	1,107
Contributions	13	-	12	72	61	45
Miscellaneous	4	7	59	63	376	79
Grants	-	-	-	-	-	-
Total Revenues	<u>1,702</u>	<u>2,180</u>	<u>3,731</u>	<u>6,100</u>	<u>7,266</u>	<u>10,482</u>
<b>Expenditures</b>						
General government	530	588	624	819	1,178	1,466
Public safety	545	859	1,099	1,342	1,594	1,871
Transportation	172	168	176	165	210	177
Culture and recreation	-	48	7	26	29	92
Capital outlay	455	425	1,942	770	378	8,338
Debt service						
Principal	40	80	181	189	221	386
Interest	74	88	184	336	257	493
Other charges	-	-	-	-	-	-
Total Expenditures	<u>1,816</u>	<u>2,256</u>	<u>4,213</u>	<u>3,647</u>	<u>3,867</u>	<u>12,823</u>
Excess of revenues over (under) expenditures	(114)	(76)	(482)	2,453	3,399	(2,341)
<b>Other financing sources (uses)</b>						
Transfer in	-	-	292	250	-	-
Transfer out	(260)	(256)	(576)	(656)	(1,565)	(1,553)
Proceeds from insurance	-	-	-	-	-	-
Proceeds from debt issuance	1,899	325	4,003	-	5,760	-
Premium (discount) on debt issuance						
Bonds issued						
Capital Leases		56	30	45	-	48
Net other financing sources (uses)	<u>1,639</u>	<u>125</u>	<u>3,749</u>	<u>(361)</u>	<u>4,195</u>	<u>(1,505)</u>
Net change in fund balances	<u>\$ 1,525</u>	<u>\$ 49</u>	<u>\$ 3,267</u>	<u>\$ 2,092</u>	<u>\$ 7,594</u>	<u>\$ (3,846)</u>
Debt service as a percentage of noncapital expenditures	<u>8.4%</u>	<u>9.2%</u>	<u>16.1%</u>	<u>18.2%</u>	<u>13.7%</u>	<u>19.6%</u>

Source: Statement of Revenues, Expenditures,  
and Changes in Fund Balance for Governmental Funds

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,034	\$ 6,738	\$ 7,264	\$ 7,757
3,925	550	672	670
452	584	1,109	1,109
161	976	2,858	1,809
247	239	227	393
596	456	339	154
50	59	45	272
64	74	116	115
-	278	1,070	285
<u>11,529</u>	<u>9,954</u>	<u>13,700</u>	<u>12,564</u>
2,003	2,225	2,173	2,750
2,194	3,007	3,648	3,879
352	257	503	1,269
97	379	814	653
2,108	2,943	13,174	4,112
399	484	527	936
481	893	1,600	1,101
-	-	-	59
<u>7,634</u>	<u>10,188</u>	<u>22,439</u>	<u>14,759</u>
3,895	(234)	(8,739)	(2,195)
-	232	2,460	1,066
(1,237)	(2,940)	(2,445)	(667)
-	-	-	426
-	13,900	-	2,045
			11
14	41	58	
<u>(1,223)</u>	<u>11,233</u>	<u>73</u>	<u>2,881</u>
<u>\$ 2,672</u>	<u>\$ 10,999</u>	<u>\$ (8,666)</u>	<u>\$ 686</u>
<u>15.9%</u>	<u>19.0%</u>	<u>23.0%</u>	<u>19.1%</u>

**TOWN OF PROSPER, TEXAS**  
 General Governmental Tax Revenues By Source  
 Last Eight Fiscal Years  
 (modified accrual basis of accounting)  
 (amounts expressed in thousands)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
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
2010	5,504	1,309	399	7,212
2011	\$ 6,012	\$ 1,321	\$ 424	\$ 7,757

Source: Town CAFRs and detailed financial records

Note: Fiscal Year 2004 was the initial year of implementation of GASB Statement No. 34.  
 Additional amounts will be added each year until ten years are reported.

**TOWN OF PROSPER, TEXAS**  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

a

<b>Fiscal Year Ended</b>	<b>Total Estimated Market Value as Assessed</b>	<b>Estimated Market Value Real Property</b>	<b>Estimated Market Value Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable<sup>1</sup> Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Taxable Assesed Value as a % of Estimated Market Value</b>
2002	\$ 192,829	\$ 174,996	\$ 17,833	\$ 35,396	\$ 157,433	0.36000	81.64%
2003	269,961	253,923	16,038	50,097	219,864	0.32410	81.44%
2004	315,804	303,034	12,770	59,605	256,199	0.47970	81.13%
2005	389,550	373,458	16,092	76,950	312,600	0.40539	80.25%
2006	562,960	541,335	21,625	156,664	406,296	0.49882	72.17%
2007	922,056	895,671	26,385	353,017	569,039	0.52000	61.71%
2008	1,280,490	1,249,228	31,262	461,769	818,721	0.52000	63.94%
2009	1,502,656	1,470,009	32,647	507,992	994,664	0.52000	66.19%
2010	1,549,887	1,516,169	33,718	503,338	1,046,549	0.52000	67.52%
2011	1,651,676	1,618,179	33,497	504,888	1,146,788	0.52000	69.43%

Source: Collin and Denton County Appraisal District Certified Totals and Collin County Tax Assessor-Collector Tax Rolls

<sup>1</sup>Taxable Assesed Values are net of local option over-65 exemptions, state mandated agricultural exemptions, and disabled veterans' exemptions. This amount may include senior tax freeze ceiling amounts.

**TOWN OF PROSPER, TEXAS**  
Property Tax Rates<sup>1</sup>  
Direct and Overlapping<sup>2</sup> Governments  
(per \$100 of assessed value)  
Last Ten Fiscal Years

Fiscal Year	Town of Prosper Tax Rate			Overlapping Tax Rates			
	General Government	Debt Service	Total	Prosper ISD	Collin County	Collin College	Denton County
2002	0.244698	0.115302	<b>0.360000</b>	1.760960	0.250000	0.091946	0.248970
2003	0.218440	0.105660	<b>0.324100</b>	1.819900	0.250000	0.091932	0.247170
2004	0.188440	0.291260	<b>0.479700</b>	1.951500	0.250000	0.090646	0.254800
2005	0.184549	0.220836	<b>0.405385</b>	1.975310	0.250000	0.089422	0.246480
2006	0.184549	0.314268	<b>0.498817</b>	1.800000	0.245000	0.087683	0.231920
2007	0.275075	0.244925	<b>0.520000</b>	1.670000	0.245000	0.086984	0.235890
2008	0.305011	0.214989	<b>0.520000</b>	1.670000	0.242500	0.086493	0.235770
2009	0.314084	0.205916	<b>0.520000</b>	1.640000	0.242500	0.086300	0.249800
2010	0.334742	0.185258	<b>0.520000</b>	1.630000	0.240000	0.086300	0.273900
2011	0.316937	0.203063	<b>0.520000</b>	1.670000	0.240000	0.086300	0.277357

Source: Collin County and Denton County Appraisal Districts

<sup>1</sup>Tax rate is per \$100 of taxable assessed value

<sup>2</sup>Overlapping rates are those of local and county governments that apply to property owners within the Town of Prosper.

<b>Total Direct &amp; Overlapping Rates Collin County</b>	<b>Total Direct &amp; Overlapping Rates Denton County</b>
2.462906	2.369930
2.485932	2.391170
2.771846	2.686000
2.720117	2.627175
2.631500	2.530737
2.521984	2.425890
2.518993	2.425770
2.488800	2.409800
2.476300	2.423900
2.516300	2.467357

**TOWN OF PROSPER, TEXAS**  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 570,374	\$ 546,714	95.85%	\$ 23,327	\$ 570,041	99.9%
2003	693,398	684,901	98.77%	8,163	693,064	100.0%
2004	860,692	846,098	98.30%	13,670	859,768	99.9%
2005	1,561,979	1,550,274	99.25%	9,245	1,559,519	99.8%
2006	1,664,728	1,643,724	98.74%	17,635	1,661,359	99.8%
2007	2,920,145	2,871,131	98.32%	45,127	2,916,258	99.9%
2008	4,345,264	4,279,374	98.48%	62,336	4,341,710	99.9%
2009	5,218,951	5,149,015	98.66%	50,676	5,199,691	99.6%
2010	5,404,368	5,338,109	98.77%	32,758	5,370,867	99.4%
2011	\$ 5,932,358	\$ 5,898,857	99.44%	\$ -	\$ 5,898,857	99.4%

Note: Taxes stated are for General Fund and Debt Service Funds.

**TOWN OF PROSPER, TEXAS**  
Principal Property Taxpayers  
Fiscal Year End 2011 and 2002

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Western Rim Investors	\$ 36,970,550	1	3.22%			
Prosper Land Company	9,872,357	2	0.86%	\$ 8,805,841	3	5.59%
Saddle Creek Investments LTD	7,841,324	3	0.68%			
Five SAC Self-Storage Corp.	6,543,640	4	0.57%			
HCB Real Holdings LLC	6,528,556	5	0.57%			
CC Joint Ventures	6,150,139	6	0.54%			
Sanders Deion	5,363,960	7	0.47%	9,232,725	2	5.86%
First Texas Homes Inc	5,119,228	8	0.45%			
Preston Development LTD	4,904,163	9	0.43%			
Beazer Homes	4,747,486	10	0.41%			
183 Land Corporation				9,958,158	1	6.33%
Mustang-Midway Plano				5,999,434	4	3.81%
Godwin Investments				3,654,480	5	2.32%
Wells Fargo Bank NA				3,378,515	6	2.15%
2002 Tuscany Partner				3,368,043	7	2.14%
Shaddock Developers				3,338,750	8	2.12%
Jobe Properties				3,335,620	9	2.12%
Lattimore Materials				3,319,774	10	2.11%
Totals	<u>\$ 94,041,403</u>		<u>8.20%</u>	<u>\$ 54,391,340</u>		<u>34.55%</u>

Source: Collin and Denton County Appraisal Districts

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

Fiscal Year	Governmental Activities				Business Type Activities	
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Revenue Bond	Notes
2002	\$ -	\$ 1,682	\$ 217	\$ -	\$ 2,228	\$ 61
2003	-	1,642	503	56	2,144	47
2004	-	5,584	403	50	8,546	33
2005	-	5,521	298	74	8,444	17
2006	-	11,214	188	31	14,581	-
2007	-	10,993	71	30	14,272	-
2008	-	10,682	-	31	13,813	-
2009	-	24,136	-	34	13,194	-
2010	-	22,259	-	51	13,915	-
2011	\$ -	\$ 21,355	\$ 2,045	\$ 21	\$ 13,179	\$ -

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 for personal income and population data.

N/A: Data not available at the time of this publication

<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
\$ 4,188	4.3%	\$ 1,745
4,392	4.0%	1,627
14,616	11.2%	4,715
14,354	7.8%	3,501
26,014	10.8%	4,955
25,366	8.8%	4,193
24,526	7.8%	3,862
37,364	11.5%	5,263
36,225	N/A	3,844
\$ 36,600	N/A	\$ 3,469

**TOWN OF PROSPER, TEXAS**  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Other Notes or Obligations</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property<sup>1</sup></b>	<b>Per Capita<sup>2</sup></b>
2002	\$ -	\$ 1,682	\$ 217	\$ 1,899	1.21%	\$ 791
2003	-	1,642	559	2,201	1.00%	815
2004	-	5,584	453	6,037	2.36%	1,947
2005	-	5,521	372	5,893	1.89%	1,437
2006	-	11,214	219	11,433	2.81%	2,178
2007	-	10,993	101	11,094	1.95%	1,834
2008	-	10,682	31	10,713	1.31%	1,687
2009	-	24,136	34	24,170	2.43%	3,404
2010	-	22,259	51	22,310	2.13%	2,368
2011	\$ -	\$ 21,355	\$ 2,066	\$ 23,421	2.04%	\$ 2,220

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 Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics

**TOWN OF PROSPER, TEXAS**  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Prosper Independent School District	\$ 237,591,623	64.82%	\$ 154,006,890
Collin County	387,580,000	1.82%	7,053,956
Collin College	45,690,000	1.82%	831,558
Denton County	478,020,000	0.15%	717,030
Subtotal - overlapping debt	<u>1,148,881,623</u>		<u>162,609,434</u>
Town of Prosper direct debt	\$ 23,399,850	100%	23,399,850
Total direct and overlapping debt			<u><u>\$ 186,009,284</u></u>

Source: Outstanding data for other entities provided by Municipal Advisory Council of Texas as of 07/15/2011.

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Prosper. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup>The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the government's taxable assessed value that is within the government's boundaries and dividing it by the government's total taxable assessed value.

**TOWN OF PROSPER, TEXAS**  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (rates rounded to 4 places)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Total Tax Rate	0.3600	0.3241	0.4797	0.4054	0.4988	0.5200
Available Tax Rate	\$ 1.1400	\$ 1.1759	\$ 1.0203	\$ 1.0946	\$ 1.0012	\$ 0.9800

Note: The Town Charter does not provide for a debt limit.

For FY 2002 - FY 2007, under Article XI, Section 4 of the Texas Constitution, the maximum tax rate under general law charter is \$1.50 per \$100 assessed valuation.

For FY 2008- Present, under Article XI, Section 5 of the Texas Constitution, the maximum tax rate under a home rule charter is \$2.50 per \$100 assessed valuation.

No direct bond debt limitation is imposed on the Town under current state law or the Town's Charter.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
0.5200	0.5200	0.5200	0.5200
<u>\$ 1.9800</u>	<u>\$ 1.9800</u>	<u>\$ 1.9800</u>	<u>\$ 1.9800</u>

**TOWN OF PROSPER, TEXAS**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>2</sup></u> (expressed in thousands)	<u>Per Capita Personal Income<sup>2</sup></u>	<u>School Enrollment<sup>3</sup></u>	<u>Unemployment Rate<sup>4</sup></u>
2002	2,400	\$ 98,294	\$ 40,956	901	6.1%
2003	2,700	110,419	40,896	962	6.0%
2004	3,100	130,721	42,168	1,300	5.0%
2005	4,100	183,942	44,864	1,475	4.6%
2006	5,250	241,064	45,917	1,825	4.3%
2007	6,050	289,704	47,885	2,100	3.9%
2008	6,350	313,963	49,443	2,800	4.6%
2009	7,100	325,776	45,884	3,220	7.3%
2010	9,423	N/A	N/A	3,575	7.5%
2011	10,550	N/A	N/A	3,627	7.0%

<sup>1</sup>Population data estimates from the North Central Texas Council of Governments

<sup>2</sup>Per capita personal income data not available specific to Prosper. Used Collin County data from Bureau of Economic Analysis to estimate

<sup>3</sup>Enrollment data comes from Prosper ISD

<sup>4</sup>Annual Unemployment Rate from the Texas Workforce Commission

N/A: Data not available at the time of this publication

**TOWN OF PROSPER, TEXAS**

Principal Employers

Current Year

	<u>2011</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Prosper ISD	502	1	41.49%
Town of Prosper	72	2	5.95%
Cornerstone Automation Systems, Inc	64	3	5.29%
Gentle Creek	50	4	4.13%
Prosper Bank	35	5	2.89%
ProBuild	30	6	2.48%
Lattimore Materials	30	7	2.48%
Dairy Manufacturers, Inc.	30	8	2.48%
Mahard Egg Farm	30	9	2.48%
CVS	20	10	1.65%
<b>Total</b>	<b>863</b>		<b>71.32%</b>

Source: Prosper Chamber of Commerce, Self-reported by Employers, Staff Estimate

N/A: Data not available for 2002 at the time of this publication

**TOWN OF PROSPER, TEXAS**  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years  
 (dollar amounts below expressed in thousands)

<u>Function/Program</u>	<u>Fiscal Year</u>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>						
<b>Building Inspection Permits</b>						
<b>Commercial Construction</b>						
Number of Units	N/A	N/A	N/A	N/A	15	14
Total dollar value of permits issued	N/A	N/A	N/A	N/A	\$ 5,630	\$ 14,410
Average Value	N/A	N/A	N/A	N/A	\$ 375	\$ 1,029
<b>Residential Construction</b>						
Number of Units	N/A	N/A	177	310	340	338
Total dollar value of permits issued	N/A	N/A	N/A	N/A	\$ 125,180	\$ 109,141
Average Value	N/A	N/A	N/A	N/A	\$ 368	\$ 323
<b>Public Safety</b>						
<b>Police</b>						
Physical Arrests	8	18	32	47	48	64
Traffic Collisions	40	69	95	115	128	99
<b>Fire</b>						
Total Incidents/Calls for Service	N/A	N/A	613	784	901	576
Fire	N/A	N/A	28	43	66	34
Overpressure/Explosion	N/A	N/A	-	-	-	1
Rescue & EMS	N/A	N/A	484	544	613	292
Hazardous Condition	N/A	N/A	21	25	24	53
Service Call	N/A	N/A	23	60	57	91
Good Intent Call	N/A	N/A	21	49	66	55
False Alarm & False Call	N/A	N/A	27	42	46	45
Severe Weather & Natural Disaster	N/A	N/A	-	3	-	2
Special Incident	N/A	N/A	9	18	29	3
<b>Fire Marshal</b>						
Fire Inspections	N/A	N/A	N/A	N/A	N/A	N/A
Fire Safety Programs	N/A	N/A	N/A	N/A	N/A	N/A
<b>Municipal Court</b>						
Number of cases filed	N/A	N/A	882	887	1,059	1,123
Number of cases closed	N/A	N/A	796	678	825	979
<b>Public Works</b>						
<b>Water &amp; Sewer</b>						
Water Customers	934	1,044	1,277	1,656	2,013	2,380
Wastewater Customers	614	733	867	1,173	1,493	1,842

Source: Town of Prosper Department Staff

N/A: Data not available at the time of this publication. The software for tracking Fire Marshal stats changed in late FY 2011. Staff is still merging and compiling data.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
23	14	8	12
\$ 6,195	\$ 4,721	\$ 3,150	\$ 36,359
\$ 269	\$ 337	\$ 394	\$ 3,030
227	204	299	346
\$ 99,110	\$ 62,870	\$ 79,232	\$ 128,987
\$ 437	\$ 308	\$ 265	\$ 373
90	88	150	109
72	92	138	151
646	747	776	1,046
56	45	42	63
1	-	-	1
334	379	399	441
38	36	30	38
104	116	147	234
59	80	61	85
52	87	95	107
2	3	2	64
-	1	-	13
N/A	94	112	N/A
N/A	37	42	N/A
1,762	1,743	2,050	2,025
1,707	1,592	1,504	1,833
2,664	2,883	3,080	3,431
2,007	2,137	2,333	2,672

**TOWN OF PROSPER, TEXAS**  
 Full-time Equivalent Town Government Employees by Function  
 Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>GENERAL FUND</b>										
Administration	3	3	3	4	4	5	5	5	5.5	5.5
Code Enforcement	-	-	-	1	1	1	1	1	1	1
Court	1	1	1	1	1	1	1	1	1	1
Dispatch	-	-	-	-	-	-	-	1	6	7
Engineering	-	-	-	-	-	1	1	1	1	1
Fire	4.5	4.5	5.5	8.5	8.5	8.5	12.5	18.5	18.5	18.5
Fire Marshal	-	-	-	-	-	1	1	1	1	1
Inspections	1	1	2	3	4	6	7	8	6	6
Library	-	-	-	-	-	1	1	1	1	1
Parks	-	-	-	-	1	1	2	2	4	4
Planning	-	-	-	1	1	1	2	3	3	2
Police	4	6	6	6	7	9	8	11	10	11
Streets	1	1	1	2	2	2	2	2	2	2
<b>Total General Fund</b>	15	17	19	27	30	38	44	56	60	61
<b>ENTERPRISE FUNDS</b>										
Storm Drainage	-	-	-	-	-	-	-	-	-	1
Utility Billing	-	-	-	-	1	1	2	2	2	2
Wastewater	1	1	1	2	4	5	5	5	5	5
Water	1	1	1	2	3	2	2	2	2	2
<b>Total General Fund</b>	2	2	2	4	8	8	9	9	9	10
<b>CAPITAL PROJECTS FUND</b>										
	-	-	-	-	-	-	-	1	1	1
	17	19	21	31	38	46	53	66	70	72

Source: Town of Prosper Annual Budget