



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2012

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, 2012

Prepared by the

Finance Department

Matthew B. Garrett, MBA, CGFO – Finance Director

Lori A. Heikkinen, CPA – Accounting Manager

Town Manager

Harlan Jefferson

Town Council

Ray Smith, Mayor

Meigs Miller, Mayor Pro-Tem

Kenneth Dugger, Deputy Mayor Pro-Tem

Mike Korbuly, 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

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, 2012

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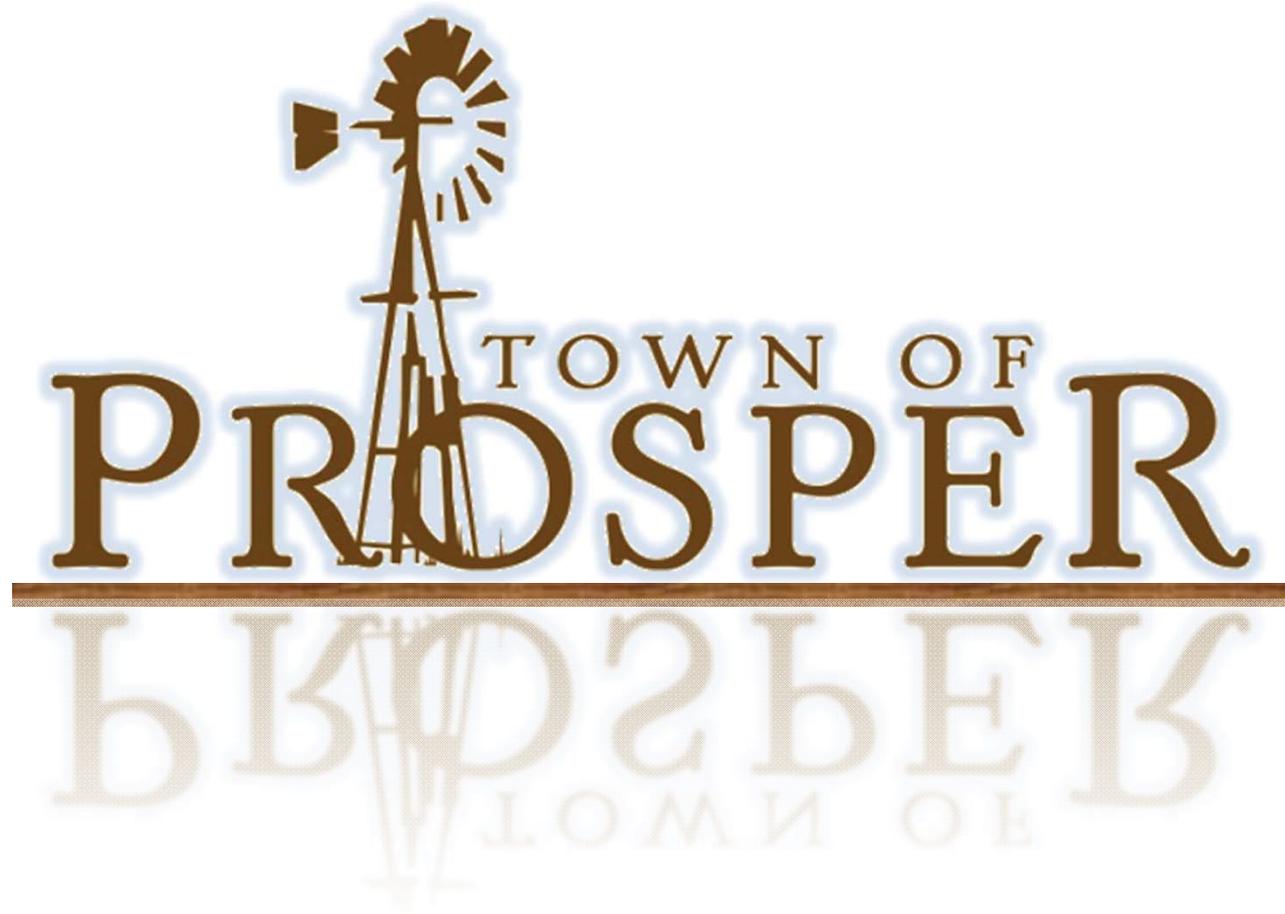
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INTRODUCTORY SECTION



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

March 20, 2013

To the Honorable Mayor, Members of 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, 2012. 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, 2012, 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, 2012, 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.

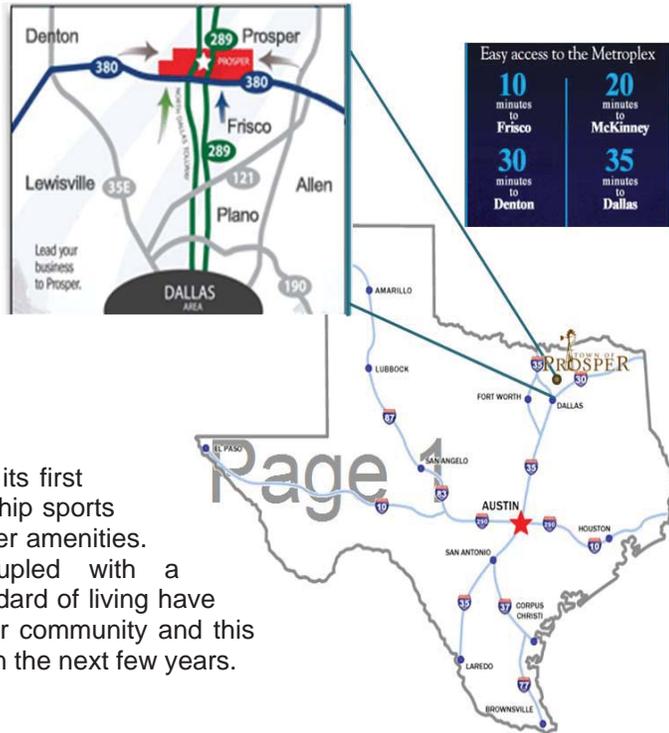
The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

The Reporting Entity

The Town is a political subdivision and a home rule municipality under the laws of the State. A Home Rule Charter was approved by the qualified voters of the Town at an election held November 7, 2006 and was more recently revised on May 14, 2011. 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.

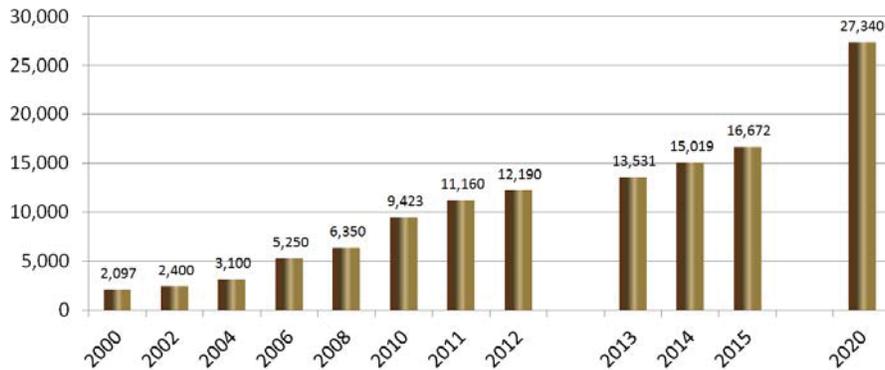
Some of the services that the Town provides are: public safety (police, fire protection, dispatch and municipal court), highways and streets, water/wastewater and storm drainage utilities, culture-recreation, code compliance, library, public improvements, planning and zoning, economic development and general administrative services. Some 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 rapid growth for the Prosper community and this pace is expected to turn up sharply in the next few years.

The 2000 Census population for the Town was 2,097, and the 2013 estimate is 13,531.



Source: Population estimates to date are from North Central Texas Council of Governments; Future estimates are from Town of Prosper Staff

History of Prosper

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.

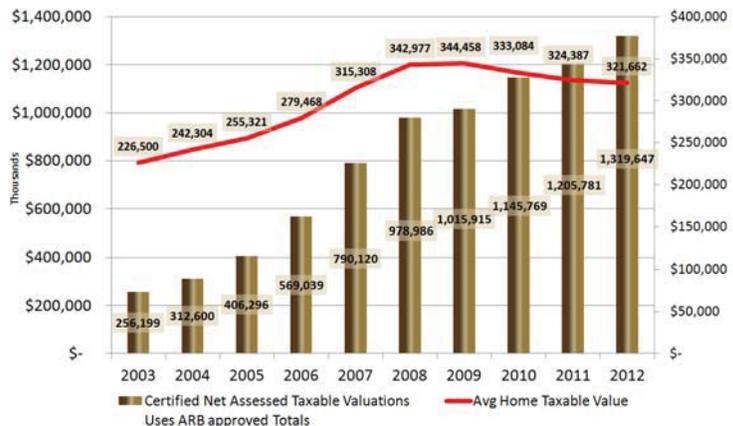
The establishment of the St. Louis & San Francisco Railroad in March of 1902 created the change that forced the communities of Rock Hill and Richland to merge forming the Town of Prosper. For years, Prosper was the central stop for the railroad between Dallas and Sherman. When community officials applied 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

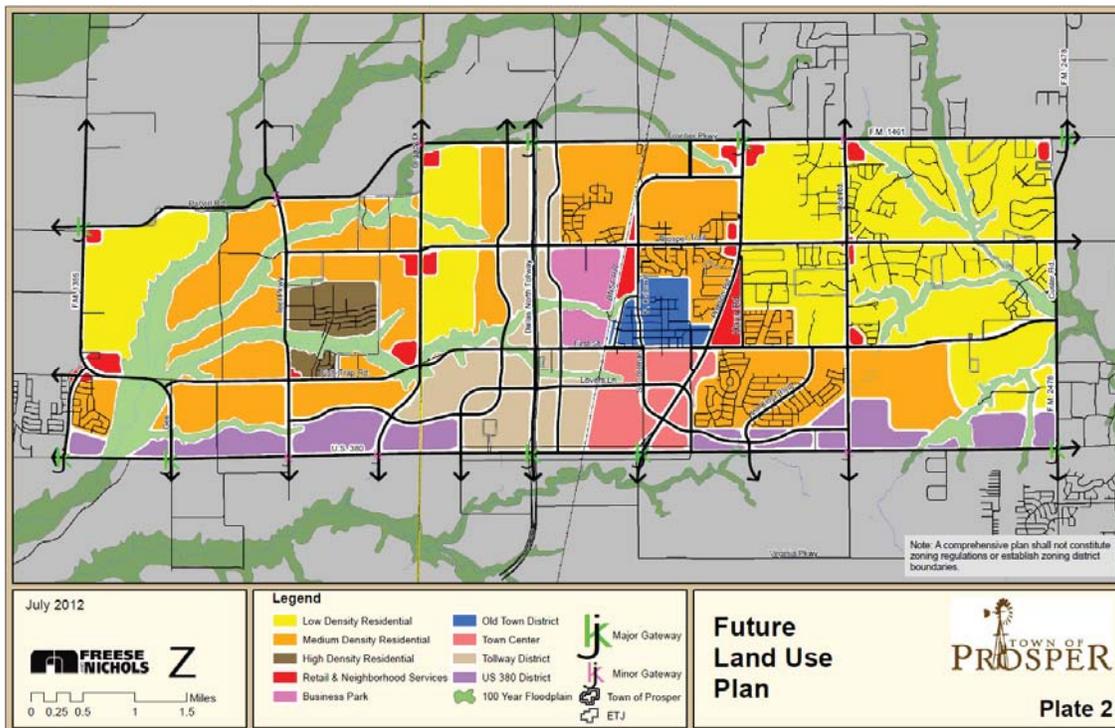
The Town continues to enjoy new home permits at a record pace and benefits tremendously from its location. Prosper, while not immune from economic pressures, has been more insulated than even most DFW communities. According to a recent Dallas Business Journal article (January 2012), Prosper is listed as the fastest growing community in the region for communities over 10,000 in population. The new homes permitted in 2012 averaged \$395,700 in value and 4740 total square feet. In July of 2010 D Magazine rated Prosper as the 5th Best Suburb in the region.



Source: Collin CAD and Denton CAD Certified Totals 2003-2012

Fortunately, the Town has maintained significant growth. Certified property valuations increased by \$114M (9.4%) for FY 2012-2013. Property values increased from \$1,205.8M to \$1,319.6M. For the first time in a few years, both the total certified property valuations and existing property values increased. The bulk of the increase came from new construction, accounting for \$94.6M. Most of the Town's current values come from Collin County properties, but the Denton County portion is expected to have a few new developments in the near future.

The economy dictates the timing of population increases, but the final population will be most greatly affected by the types of development that occur. Town Council approved the 2012 Comprehensive Plan, which improves and replaces the 2004 Plan. Policy-makers and Town staff will use this document as a guide while reviewing development projects, Town budget, prioritizing capital improvement projects and drafting ordinances to direct growth that leads to the established vision. The Future Land Use Plan (below) sets an overall framework for the preferred pattern of development within Prosper.



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 Prosper will maintain steady economic development and is currently positioning itself for radical growth.

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 annual budget is developed and controlled at the department level, and serves as the foundation for the Town's financial planning and control. The budget is prepared by fund and department (e.g. General Fund - Police, General Fund-Fire, Water/Wastewater Utility – Utility Billing). 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 department level total need approval from the Town 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 $\frac{1}{2}$ 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 seven-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.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Prosper, Texas for its comprehensive annual financial report for fiscal year ended September 30, 2011. The Town of Prosper, Texas has received a Certificate of Achievement for the last two consecutive years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement

Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the Town Manager and Finance Department staff. I would like to express my 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, I 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,

A handwritten signature in black ink, appearing to read "Matthew B. Garrett", with a long, sweeping horizontal line extending to the right.

Matthew B. Garrett, MBA, CGFO
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, 2011

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.

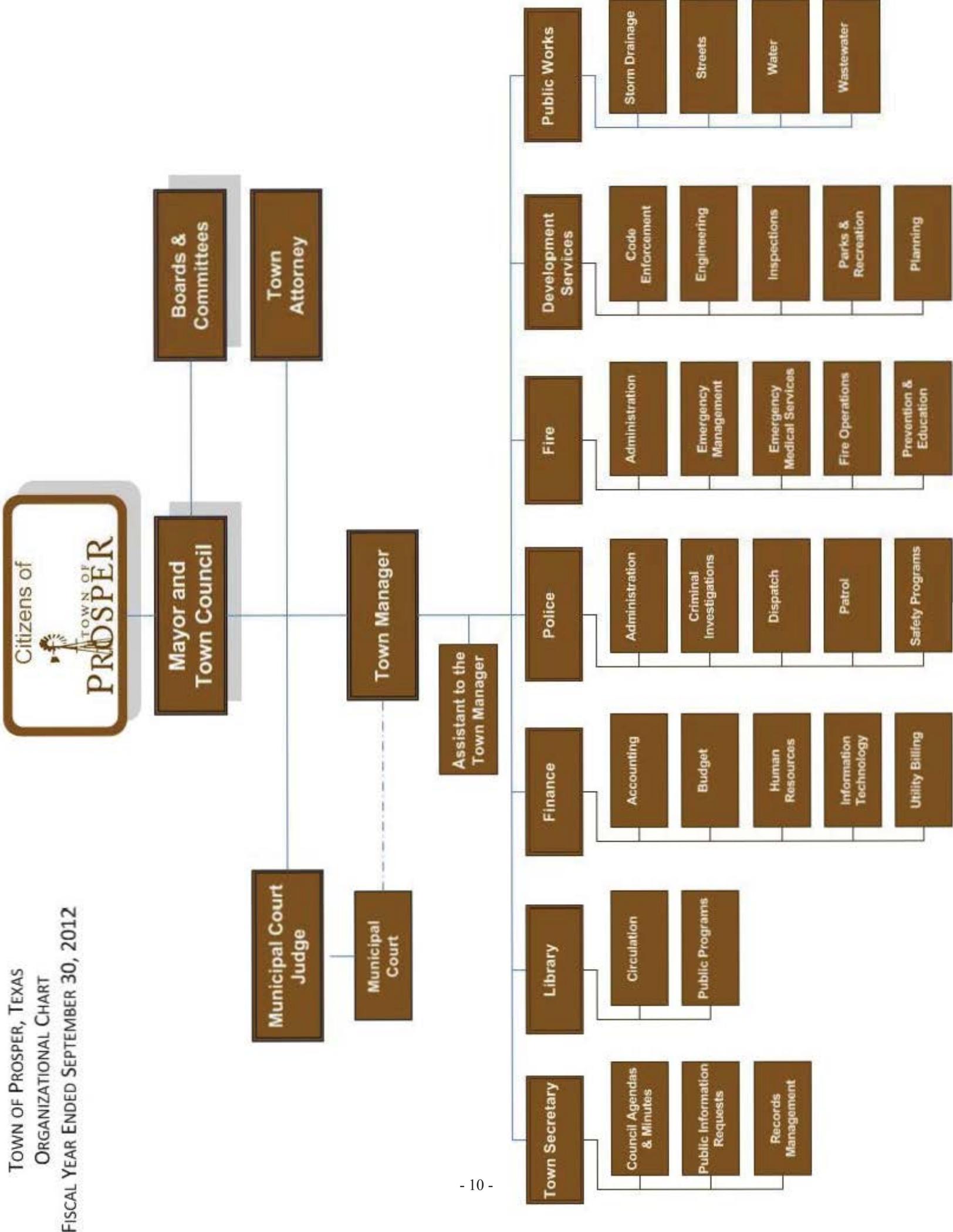


Christopher P. Morill

President

Jeffrey R. Enos

Executive Director



TOWN OF PROSPER, TEXAS
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

TOWN COUNCIL

MAYOR _____ RAY SMITH



Elected in special runoff election on October 20, 2012 to fill a vacancy

COUNCILMEMBER PLACE 1 _____ MIKE KORBULY



COUNCILMEMBER PLACE 2, DEPUTY MAYOR PRO-TEM _____ KENNETH DUGGER



COUNCILMEMBER PLACE 3 _____ CURRY VOGELSANG JR.



COUNCILMEMBER PLACE 4, MAYOR PRO-TEM _____ MEIGS MILLER



COUNCILMEMBER PLACE 5 _____ DANNY WILSON



COUNCILMEMBER PLACE 6 _____ JASON DIXON



APPOINTED OFFICIALS

TOWN MANAGER _____ HARLAN JEFFERSON

Hired on January 21, 2013

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 _____ VACANT



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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, 2012, 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, 2012, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the general and impact fee funds 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 on pages 17 through 26 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.

Davis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
March 20, 2013

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, 2012.

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 \$76,226,752 (net assets). Of this amount, \$17,522,062 (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 \$9,724,573. Most of the increase is due to property taxes, sales taxes, impact and escrow fees and capital grants and contributions.
- As of the close of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balances of \$25,985,170 (made up of \$7,080,344 in general fund, \$7,788,591 in impact fee fund, \$889,632 in debt service fund, \$6,879,716 in capital projects fund and \$3,346,887 in other governmental funds), an increase of \$4,159,963 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, as well as \$4,711,550 in proceeds from issuance of bonds. \$5,355,859 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 \$5,355,859 or 62 percent of total general fund expenditures and is available for spending at the government's discretion.
- The Town's long-term liabilities increased by \$7,896,105 during the year due mainly to issuance of a 2011 General Refunding and Improvement Bonds for \$2,645,000, 2012 General Obligation Bonds for \$3,680,000 and 2012 Certificate of Obligation for \$5,755,000.
- The Town's capital assets increased by \$6,025,672 primarily due to additional capital projects funded by 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 27-28 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 30-39 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 65 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 40-42.

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 43-62 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 \$76,226,752 at the close of the most recent fiscal year.

A portion of the Town of Prosper's net assets (63 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 (23 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)		(Restated)			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 27,641,682	\$ 23,251,619	\$ 15,531,775	\$ 8,192,142	\$ 43,173,457	\$ 31,443,761
Capital assets	60,930,494	55,437,057	18,814,936	18,282,701	79,745,430	73,719,758
Total assets	<u>88,572,176</u>	<u>78,688,676</u>	<u>34,346,711</u>	<u>26,474,843</u>	<u>122,918,887</u>	<u>105,163,519</u>
Long term liabilities	26,330,277	24,018,845	18,801,376	13,216,703	45,131,653	37,235,548
Other liabilities	1,163,149	965,785	397,333	460,007	1,560,482	1,425,792
Total liabilities	<u>27,493,426</u>	<u>24,984,630</u>	<u>19,198,709</u>	<u>13,676,710</u>	<u>46,692,135</u>	<u>38,661,340</u>
Net assets:						
Invested in capital assets, net of related debt	41,798,340	37,366,432	6,058,159	5,103,251	47,856,499	42,469,683
Restricted	10,848,191	9,358,690			10,848,191	9,358,690
Unrestricted	8,432,219	6,978,924	9,089,843	7,694,882	17,522,062	14,673,806
Total net assets	<u>\$ 61,078,750</u>	<u>\$ 53,704,046</u>	<u>\$ 15,148,002</u>	<u>\$ 12,798,133</u>	<u>\$ 76,226,752</u>	<u>\$ 66,502,179</u>

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

	Governmental Activities		Business-type Activities		Total	
	(Restated)		(Restated)			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,304,052	\$ 1,226,483	\$ 8,021,226	\$ 7,238,153	\$ 10,325,278	\$ 8,464,636
Capital grants & contributions	5,355,990	2,907,683			5,355,990	2,907,683
Operating grants & contributions	265,757	349,877			265,757	349,877
General revenues:						
Property taxes	6,391,826	5,986,296			6,391,826	5,986,296
Other taxes	2,446,563	1,745,171			2,446,563	1,745,171
Other income	1,655,052	738,336	155,865	100,509	1,810,917	838,845
Transfers	351,714	434,125	(351,714)	(434,125)	-	-
Total revenues	<u>18,770,954</u>	<u>13,387,971</u>	<u>7,825,377</u>	<u>6,904,537</u>	<u>26,596,331</u>	<u>20,292,508</u>
Expenses:						
General government	1,712,306	1,975,225			1,712,306	1,975,225
Police	1,197,395	1,115,837			1,197,395	1,115,837
Dispatch	656,599	472,774			656,599	472,774
Court	236,652	231,747			236,652	231,747
Fire	2,249,804	2,287,665			2,249,804	2,287,665
Streets	1,616,307	2,369,730			1,616,307	2,369,730
Parks and recreation	1,461,739	658,304			1,461,739	658,304
Library	84,534	69,748			84,534	69,748
Engineering	144,489	158,863			144,489	158,863
Code enforcement	452,491	416,793			452,491	416,793
Inspections	149,468	143,382			149,468	143,382
Planning	326,279	380,712			326,279	380,712
Interest on long-term debt	1,108,187	1,138,952			1,108,187	1,138,952
Utility			5,475,508	5,332,418	5,475,508	5,332,418
Total expenses	<u>11,396,250</u>	<u>11,419,732</u>	<u>5,475,508</u>	<u>5,332,418</u>	<u>16,871,758</u>	<u>16,752,150</u>
Change in net assets	7,374,704	1,968,239	2,349,869	1,572,119	9,724,573	3,540,358
Net assets - beginning of year	<u>53,704,046</u>	<u>51,735,807</u>	<u>12,798,133</u>	<u>11,226,014</u>	<u>66,502,179</u>	<u>62,961,821</u>
Net assets - end of year	<u>\$ 61,078,750</u>	<u>\$ 53,704,046</u>	<u>\$ 15,148,002</u>	<u>\$ 12,798,133</u>	<u>\$ 76,226,752</u>	<u>\$ 66,502,179</u>

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

Revenues for FY 2011-12 increased by \$6,303,823 or 31 percent in comparison to FY 2010-11. The increase is primarily due to the increase in charges for services, increase in property taxes during the year and increase in capital grants and contributions. Charges for services increased \$1,860,642 over prior year. Capital and operating grants and contributions increased \$2,364,187 from prior year. Property taxes increased \$405,530 from prior year. Other taxes increased by \$701,392 and other income increased by \$972,072 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 \$7,374,704.

- Impact and escrow fee collections increased by \$448,747 (28 percent) and \$574,437 (107 percent), respectively 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 decreased by \$23,482 (.2 percent) during the year primarily due to an increase in parks and recreation (\$803,435) and a decrease in streets (\$753,423).

Business-type Activities

Business-type activities increased the Town of Prosper's net assets by \$2,349,869.

- Operating revenue increased \$838,429 (11 percent) mainly due to increased water sales.
- Operating expenses increased by \$143,090 (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 \$25,985,170, an increase of \$4,159,963 from the prior year. Most of the increase is due to increase in property taxes and proceeds from bond issuance during the year. Of the current combined ending fund balance, \$14,826 is nonspendable due to prepaids, \$17,727,907 is restricted for debt service and capital projects, \$1,715,380 is committed for contingency in accordance with the Town charter, \$1,171,198 is assigned for specific purpose such as impact fees and other specific purposes, and \$5,355,859 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 \$5,355,859. Total unassigned fund balance represents 62 percent of total general fund expenditures. The increase in fund balance of \$1,511,476 is primarily due to increase in sales tax, licenses and permits and fines, fees, warrants and seizures from the prior year.

The impact fee fund has a total fund balance of \$7,788,591, which is restricted for capital projects. The increase in fund balance of \$893,133 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 \$889,632, all of which is restricted for payment of debt service. The increase in fund balance of \$152,373 is primarily due to property tax revenues exceeding bond payments during the year.

The capital projects fund has a total fund balance of \$6,879,716, all of which is restricted for construction. The increase in fund balance of \$1,550,939 is due to the issuance of general obligations in the amount of \$3,680,000 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 \$9,089,843. The total increase in net assets of the Enterprise Fund was \$2,349,869. 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 \$1,630,146 more than budgeted and expenditures were \$306,649 more than budgetary estimates. The excess expenditures were mostly due to capital outlay and general government. The original budget had planned for an increase in fund balance of \$15,905. Amendments made to the general fund budget planned for a decrease to fund balance of \$334,095. Due to improvements over the budgeted amounts for total revenues, proceeds from insurance and transfers in, the net change in fund balance increased to \$1,511,476.

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, 2012, amounts to \$79,745,430 (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 \$7,659,969. 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 \$1,150,953. The majority of this activity was funded from bond proceeds and was for new water and sewer projects.

	Governmental Activities		Business-type Activities		Total	
		(Restated)		(Restated)		
	2012	2011	2012	2011	2012	2011
Government-wide capital assets:						
Non-depreciable assets	\$ 13,892,329	\$ 7,350,372	\$ 1,072,902	\$ 5,000	\$ 14,965,231	\$ 7,355,372
Depreciable assets	55,616,218	54,776,011	21,870,941	21,803,390	77,487,159	76,579,401
Total capital assets	<u>69,508,547</u>	<u>62,126,383</u>	<u>22,943,843</u>	<u>21,808,390</u>	<u>92,452,390</u>	<u>83,934,773</u>
Less accumulated depreciation	<u>8,578,053</u>	<u>6,689,327</u>	<u>4,128,907</u>	<u>3,525,690</u>	<u>12,706,960</u>	<u>10,215,017</u>
Government-wide capital assets, net	<u>\$ 60,930,494</u>	<u>\$ 55,437,056</u>	<u>\$ 18,814,936</u>	<u>\$ 18,282,700</u>	<u>\$ 79,745,430</u>	<u>\$ 73,719,756</u>

Additional information on the Town of Prosper's capital assets can be found in Note 5 on pages 50-51 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Prosper had bonded debt outstanding of \$42,419,300. 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 on June 15, 2012.

Total long-term debt consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Government-wide long-term debt:						
Certificates of obligation	\$ 23,971,950	\$ 21,354,850	\$ 18,447,350	\$ 13,179,450	\$ 42,419,300	\$ 34,534,300
Tax notes payable	1,765,000	2,045,000			1,765,000	2,045,000
Compensated absences payable	348,642	590,241	45,227	37,253	393,869	627,494
Capital leases payable		19,292			-	19,292
Total government-wide long-term debt	\$ <u>26,085,592</u>	\$ <u>24,009,383</u>	\$ <u>18,492,577</u>	\$ <u>13,216,703</u>	\$ <u>44,578,169</u>	\$ <u>37,226,086</u>

Additional information on the Town of Prosper's long-term debt can be found in note 10 on pages 53-57 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town has continued to thrive relative to many markets despite the economic instability and stagnant economic growth both regionally and nationally.

The Fiscal Year 2012-2013 adopted budget accomplishes Town Council goals to expand services and competitively compensate staff while holding the line on the tax rate. The Town's adopted budget attempts to address the current and future growth and infrastructure expansion demands while recognizing the needs of our Citizens.

Revenue Projection Highlights

Despite the Town's current and future growth potential and general optimism, this budget has been prepared with conservative revenue assumptions in mind.

- 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 \$114M (9.4%) for FY 2012-2013. Property values increased from \$1,205.8M to \$1,319.6M. For the first time in a few years, both the total certified property valuations and existing property values increased. The bulk of the increase came from new construction, accounting for \$94.6M. Most of the Town's current values come from Collin County properties, but the Denton County portion is expected to have a few new developments in the near future.
- Growth in new business and a general increase in existing retail sales have resulted in much higher sales tax revenue than anticipated. Recognizing a steady trend over \$1.3M, staff is projecting sales taxes will total \$1.4M in FY 2012-2013 as a conservative measure for unknowns in the economic and political climate.
- Building Permit Revenues increase to \$1,275,000 or 36% when compared to the Fiscal Year 2011-2012 Adopted Budget reflecting steady new residential and some non-residential construction. It is assumed the Town will issue 425 or more new residential permits in the coming year.
- Municipal Court Fines, Licenses and Franchise Fees are projected to rise slightly with population.
- SAFER Grant revenues are scheduled to reduce sharply, with most grant funds already received. This source will be exhausted in FY 2012-2013 with reimbursements estimated at \$15,000. 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.
- Street rental, utility franchise payment and administrative fees from the Town's Water and Sewer Funds are projected to increase to 10% 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 \$7.6M, including an adopted rate structure design change, to cover increasing raw water costs and fund growing utility operations. 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.
- Under the new solid waste agreement approved by Town Council, IESI (now Progressive Waste Solutions) increased rates five percent effective February 2012; under this agreement, IESI will not increase rates for three years. The last rate increase to solid waste rates for Prosper residents was February 2009. Staff is pleased that we can once again offer some multi-year rate stability on this service.
- The adopted budget includes slightly increased Storm Drainage fee revenues for new construction.

Appropriation Budget Highlights

The adopted appropriation budget addresses increased service levels to Town residents in response to continued growth, provides required or money-saving capital investments in infrastructure and other public improvements as well as additional public safety resources.

Program Enhancement and Capital Expenditures included in the adopted appropriations and planned for the 2012-2013 Fiscal Year by Division are as follows:

Administration

The budget includes the cost of recruiting a new Town Manager and also allows for the Interim Town Manager to continue working until a replacement is chosen.

The Administration adopted budget includes funding for consolidating most servers into virtual environments. Several Town servers are beyond their scheduled life or are overloaded to the point of inefficiency. Technology funding is built into this proposal to keep employees working as productively as possible by replacing some end-user computers as well as building redundancy on the servers with the IT goal of high availability. While the project budget and ultimate methodology is not completed, Administration includes funding for the design and possible installation of a Backup Disaster Recovery System. Point to Point wireless networking between Town facilities should be fully functional in FY 2013 allowing several MPLS connections to be terminated.

Also, the Town will begin to accept employment applications electronically, facilitating better compliance with retention requirements and easing part of the hiring manager's selection task. This and a handful of other administrative tasks, such as timekeeping, purchase orders and web reporting are being considered.

Community Library

The increased cost for Librarian Services with the City of Celina is included in the adopted budget. The Town should evaluate staffing requirements for State Library System accreditation to remain eligible for Collin County library funding.

The budget includes additional funding to subscribe to eBooks giving patrons a new means of "checking out" the collection.

Police Operations & Dispatch

Three Police Officers will be added in the 2012-2013 Fiscal Year resulting in each shift to be covered with at least two Officers. This is critical not only to be available for a second call, but also improves Officer safety.

The budget also includes funding for two new police vehicles and related make ready expenses.

Fire, EMS & Fire Marshall

The part-time Fire Chief will become a full-time Town of Prosper Fire Chief during FY 2013.

The Fire Department will receive a Pumper Engine possibly in the Spring of 2013. The Town Council approved a reimbursement resolution allowing for this purchase to be reimbursed with debt proceeds expected to be issued no later than February 2013.

Streets

The Streets department budget includes more street signal repair and electricity increases. It also contains more equipment rental for specialized or heavy equipment needs.

Development Services

A part-time position will be made full-time as a Plumbing Inspector. The Inspections budget includes the hosting service fee for the TRAKiT software program, which supports all of Development Services and eventually may support Public Works.

Planning Department funding includes the addition of a new Development Review Coordinator position.

In Parks and Recreation, the budget increases contract labor and repair and maintenance items to cover additional park land maintenance.

Water/Wastewater Utility

The adopted budget adds one Construction Inspector and two new service trucks in Water.

Funding is included in Wastewater for one Utility Worker, one Utility Crew Leader and a one-ton pickup.

A part-time Utility Clerk will be changing to a full-time position in Utility Billing.

Drainage Utility

Several projects have been identified, and the fund will begin debt service payments on approximately \$1M issued as part of the 2012 Certificates of Obligation.

The following items also have been incorporated into the Adopted Fiscal Year 2012-2013 Budget:

- 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. The adopted FY 2012-2013 budget will be the third year of this three year strategy to bring Prosper compensation in line with the market. Time in position pay adjustments are being implemented, moving more experienced employees further into the pay range. All employees, except those with less than 6 months at Prosper, are scheduled to receive at least a 1.5% increase. The final pay increases and related benefits total approximately \$120,000 in the adopted budget.
- The TMRS rate budgeted for FY 2013 is 11%, which is slightly more than the Annual Required Contribution (ARC) Rate of 10.31% as required by GASB Statement Number 27. It is staff's intent to reduce expected increases to less than 0.05% per year over the next few years assuming the same employees and related plan provisions.
- The Town is offering three health plan options this year - two Medical Expense Reimbursement Plans and a Health Savings Account Plan. Similar to plans from neighboring communities, Town Council approved paying for a portion of the dependent premium. After tabulating employee elections from open enrollment, the total increase to the budget for these changes is only \$5,389 more than a straight renewal. All ancillary benefits are locked in multiple year agreements and are the same as the previous year
- Continued partnerships with other entities have produced multiple saving opportunities for shared services or 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.

All these factors were considered in preparing the Town of Prosper's Budget for the 2012-2013 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, 2012

	Primary Government			Component Unit Prosper Economic Development Corporation
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 24,370,544	\$ 10,236,898	\$ 34,607,442	\$ 2,269,922
Investments	2,200,000	4,000,000	6,200,000	
Receivables (net of allowance):				
Utility bills		879,279	879,279	
Delinquent property taxes	56,579		56,579	
Sales tax	416,526		416,526	138,842
Other	88,798		88,798	
Due from component unit	9,288		9,288	
Prepays	14,826	2,050	16,876	4,430
Inventory		65,073	65,073	
Restricted cash and cash equivalents		30,000	30,000	
Bond issuance costs	485,121	318,475	803,596	
Capital assets not being depreciated:				
Land	2,064,797	5,000	2,069,797	
Construction-in-progress	11,827,532	1,067,902	12,895,434	
Capital assets (net of accumulated depreciation):				
Buildings and systems	12,749,592	17,324,785	30,074,377	
Vehicles and equipment	3,226,986	417,249	3,644,235	
Infrastructure	31,061,587		31,061,587	
TOTAL ASSETS	88,572,176	34,346,711	122,918,887	2,413,194
<u>LIABILITIES</u>				
Accounts payable	775,136	209,788	984,924	4,308
Accrued interest	146,578	159,894	306,472	
Escrow payable	239,085		239,085	
Customer deposits		30,000	30,000	
Internal balances	2,349	(2,349)	-	
Due to primary government			-	9,288
Noncurrent liabilities:				
Due within one year	1,588,586	1,020,942	2,609,528	3,113
Due in more than one year	24,741,691	17,780,434	42,522,125	
TOTAL LIABILITIES	27,493,425	19,198,709	46,692,134	16,709
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	41,798,340	6,058,159	47,856,499	
Restricted for:				
Debt service	889,632		889,632	
Capital projects	9,958,559		9,958,559	
Unrestricted	8,432,219	9,089,843	17,522,062	2,396,485
TOTAL NET ASSETS	\$ 61,078,750	\$ 15,148,002	\$ 76,226,752	\$ 2,396,485

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

TOWN OF PROSPER, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,712,306	\$ 173,929	\$ 24,823	\$
Police	1,197,395	22,526	27,624	
Dispatch	656,599			
Court	236,652	247,235	3,467	
Fire	2,249,804	192,233	189,383	
Streets	1,616,307			4,903,919
Parks and recreation	1,461,739			452,071
Library	84,534		20,460	
Engineering	144,489			
Code enforcement	452,491	6,980		
Inspections	149,468	1,620,216		
Planning	326,279	40,933		
Interest and fiscal charges	1,108,187			
Total governmental activities	11,396,250	2,304,052	265,757	5,355,990
Business-type activities:				
Utility billing and sanitation	819,145	834,709		
Water and sewer	4,513,333	6,982,157		
Storm drainage	143,030	204,360		
Total business-type activities	5,475,508	8,021,226	-	-
TOTAL PRIMARY GOVERNMENT	\$ 16,871,758	\$ 10,325,278	\$ 265,757	\$ 5,355,990
COMPONENT UNIT:				
Economic development	187,719			
Total component unit	\$ 187,719			

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.

<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>			<u>COMPONENT</u> <u>UNIT</u>
<u>PRIMARY GOVERNMENT</u>			
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Prosper</u> <u>Economic</u> <u>Development</u> <u>Corporation</u>
\$ (1,513,554)	\$	\$ (1,513,554)	
(1,147,245)		(1,147,245)	
(656,599)		(656,599)	
14,050		14,050	
(1,868,188)		(1,868,188)	
3,287,612		3,287,612	
(1,009,668)		(1,009,668)	
(64,074)		(64,074)	
(144,489)		(144,489)	
(445,511)		(445,511)	
1,470,748		1,470,748	
(285,346)		(285,346)	
(1,108,187)		(1,108,187)	
<u>(3,470,451)</u>	<u>-</u>	<u>(3,470,451)</u>	
	15,564	15,564	
	2,468,824	2,468,824	
	61,330	61,330	
<u>-</u>	<u>2,545,718</u>	<u>2,545,718</u>	
<u>(3,470,451)</u>	<u>2,545,718</u>	<u>(924,733)</u>	
			\$ <u>(187,719)</u>
			<u>(187,719)</u>
6,391,826		6,391,826	
1,941,832		1,941,832	645,973
504,731		504,731	
627,788		627,788	
162,583	95,781	258,364	22,894
864,681	60,084	924,765	6,921
351,714	(351,714)	-	
<u>10,845,155</u>	<u>(195,849)</u>	<u>10,649,306</u>	<u>675,788</u>
7,374,704	2,349,869	9,724,573	488,069
<u>53,704,046</u>	<u>12,798,133</u>	<u>66,502,179</u>	<u>1,908,416</u>
\$ <u>61,078,750</u>	\$ <u>15,148,002</u>	\$ <u>76,226,752</u>	\$ <u>2,396,485</u>

TOWN OF PROSPER, TEXAS

BALANCE SHEET-
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Impact Fee Fund	Debt Service Fund
ASSETS:			
Cash and cash equivalents	\$ 5,012,855	\$ 7,791,736	\$ 689,284
Investments	2,000,000		200,000
Receivables (net of allowance for uncollectibles):			
Property taxes	37,302		19,277
Sales tax	416,526		
Other	68,901		348
Due from other funds	4,042	28,171	
Due from component unit	9,099		
Prepays	9,105		
	<u>7,557,830</u>	<u>7,819,907</u>	<u>908,909</u>
Total Assets	\$ <u>7,557,830</u>	\$ <u>7,819,907</u>	\$ <u>908,909</u>
LIABILITIES:			
Accounts payable	\$ 389,455	\$ 31,316	\$
Escrow payable			
Deferred revenues	37,302		19,277
Due to other funds	50,729		
	<u>477,486</u>	<u>31,316</u>	<u>19,277</u>
Total Liabilities	<u>477,486</u>	<u>31,316</u>	<u>19,277</u>
FUND BALANCES:			
Nonspendable for:			
Prepays	9,105		
Restricted for:			
Debt service			889,632
Capital projects		7,788,591	
Committed for:			
Contingency	1,715,380		
Assigned			
Unassigned	5,355,859		
	<u>7,080,344</u>	<u>7,788,591</u>	<u>889,632</u>
Total Fund Balances	<u>7,080,344</u>	<u>7,788,591</u>	<u>889,632</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,557,830</u>	<u>\$ 7,819,907</u>	<u>\$ 908,909</u>

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

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 7,132,499	\$ 3,648,223	\$ 24,274,597
		2,200,000
		56,579
		416,526
11,419	3,131	83,799
	567	32,780
		9,099
	5,721	14,826
<u>7,143,918</u>	<u>3,657,642</u>	<u>27,088,206</u>
\$ 260,420	\$ 71,670	\$ 752,861
	239,085	239,085
		56,579
3,782		54,511
<u>264,202</u>	<u>310,755</u>	<u>1,103,036</u>
	5,721	14,826
		889,632
6,879,716	2,169,968	16,838,275
		1,715,380
	1,171,198	1,171,198
		5,355,859
<u>6,879,716</u>	<u>3,346,887</u>	<u>25,985,170</u>
<u>\$ 7,143,918</u>	<u>\$ 3,657,642</u>	<u>\$ 27,088,206</u>

TOWN OF PROSPER, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$ 25,985,170
Amounts reported for governmental activities in the statement of net assets (page 27) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	60,930,494
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(25,736,950)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(348,642)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(146,578)
Bond issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	485,121
Premiums (\$234,931) on bond issuances and deferred amount on bond refunding (\$9,754) are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	(244,685)
Receivables from property taxes (\$56,579) are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	56,579
The Town uses an internal service fund to charge the costs of 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.	<u>98,241</u>
Net Assets of Governmental Activities	<u><u>\$ 61,078,750</u></u>

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, 2012

	General Fund	Impact Fee Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property	\$ 3,881,649		\$ 2,521,623
Sales	1,941,832		
Franchise	504,731		
Licenses and permits	1,570,762		
Charges for services	192,213		
Intergovernmental			
Impact fees		2,040,886	
Escrow income			
Grants	198,129		
Investment income	55,198	34,461	24,567
Fines, fees, warrants and seizures	537,670		
Contributions			
Miscellaneous	114,410		
	<u>8,996,594</u>	<u>2,075,347</u>	<u>2,546,190</u>
Total Revenues			
EXPENDITURES:			
Current:			
General government	1,572,159		
Police	1,177,743		
Dispatch	564,756		
Court	235,392		
Fire	2,128,974		
Streets	338,718	172,321	
Parks and recreation	791,024		
Library	84,534		
Engineering	154,829		
Inspection	467,053		
Code enforcement	150,769		
Planning	332,860		
Capital outlay	557,428		
Debt service:			
Principal	19,292		1,299,100
Interest and fiscal charges	1,371		1,077,701
Bond issue costs and fees			10,464
	<u>8,576,902</u>	<u>172,321</u>	<u>2,387,265</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 419,692	\$ 1,903,026	\$ 158,925

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

continued

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
		6,403,272
		1,941,832
		504,731
		1,570,762
		192,213
2,863,033		2,863,033
		2,040,886
	627,788	627,788
		198,129
40,757	4,715	159,698
	3,407	541,077
54,943	464,756	519,699
		114,410
<u>2,958,733</u>	<u>1,100,666</u>	<u>17,677,530</u>
120,668	-	1,692,827
	23,893	1,201,636
		564,756
	3,264	238,656
	9,207	2,138,181
		511,039
	23,745	814,769
		84,534
		154,829
		467,053
		150,769
		332,860
7,097,508	5,032	7,659,968
		1,318,392
		1,079,072
70,625		81,089
<u>7,288,801</u>	<u>65,141</u>	<u>18,490,430</u>
\$ (4,330,068)	\$ 1,035,525	\$ (812,900)

continued

TOWN OF PROSPER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Impact Fee Fund	Debt Service Fund
OTHER FINANCING SOURCES (USES):			
Proceeds from insurance	\$ 215,460	\$	\$
Proceeds from capital related debt issued			1,031,550
Premium on issuance of bonds			25,543
Payments to bond escrow agent			(1,063,645)
Transfer in	893,324		
Transfer out	<u>(17,000)</u>	<u>(1,009,893)</u>	
Total Other Financing Sources (Uses)	<u>1,091,784</u>	<u>(1,009,893)</u>	<u>(6,552)</u>
Net change in fund balances	1,511,476	893,133	152,373
Fund balances, beginning, restated	<u>5,568,868</u>	<u>6,895,458</u>	<u>737,259</u>
Fund balances, ending	<u>\$ 7,080,344</u>	<u>\$ 7,788,591</u>	<u>\$ 889,632</u>

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

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 534,811	\$	\$ 750,271
3,680,000		4,711,550
216,590		242,133
		(1,063,645)
2,516,479	99,225	3,509,028
<u>(1,066,873)</u>	<u>(1,082,708)</u>	<u>(3,176,474)</u>
<u>5,881,007</u>	<u>(983,483)</u>	<u>4,972,863</u>
1,550,939	52,042	4,159,963
<u>5,328,777</u>	<u>3,294,845</u>	<u>21,825,207</u>
<u>\$ 6,879,716</u>	<u>\$ 3,346,887</u>	<u>\$ 25,985,170</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, 2012**

Net Change in Fund Balances - Governmental Funds	\$	4,159,963
<p>Amounts reported for governmental activities in the statement of activities (pages 28-29) are different because:</p>		
<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 \$7,659,968, less net book value of asset retirements of \$9,277, is to increase net assets.</p>		7,650,691
<p>Current year long-term debt principal payments and changes in long-term obligations of \$2,393,742 and bond issuance costs of \$70,625 are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. Gain on refunding of \$9,754 decreases net assets. The net effect of including principal payments, increase in bond issuance costs and gain on refunding is to increase net assets.</p>		2,454,613
<p>Current issuance of the 2011 refunding bonds and 2012 general and certificates of obligation and related bond premiums are other financing sources in the governmental fund financial statements because they are not due and payable during the current year. However this will increase the long-term debt in the government-wide financial statements. The issuance and premium amounts of \$4,937,019 decreases net assets.</p>		(4,937,019)
<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 \$2,189,791 is to decrease net assets.</p>		(2,189,791)
<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>		8,872
<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	(11,446)	
Change in accrual for interest payable on long-term debt	(2,778)	
Change in accrual for compensated absences	241,599	
		227,375
Change in Net Assets of Governmental Activities	\$	7,374,704

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, 2012

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Taxes				
Property	\$ 3,940,354	\$ 3,940,354	\$ 3,881,649	\$ (58,705)
Sales	1,133,500	1,133,500	1,941,832	808,332
Franchise	365,550	365,550	504,731	139,181
Licenses and permits	1,026,900	1,026,900	1,570,762	543,862
Charges for services	187,000	187,000	192,213	5,213
Grants	131,289	131,289	198,129	66,840
Investment income	75,500	75,500	55,198	(20,302)
Fines, fees, warrants and seizures	444,405	444,405	537,670	93,265
Miscellaneous	61,950	61,950	114,410	52,460
Total Revenues	<u>7,366,448</u>	<u>7,366,448</u>	<u>8,996,594</u>	<u>1,630,146</u>
EXPENDITURES:				
General government	1,299,460	1,395,460	1,572,159	(176,699)
Police	1,185,645	1,195,645	1,177,743	17,902
Dispatch	612,433	632,433	564,756	67,677
Court	227,090	256,090	235,392	20,698
Fire	2,197,516	2,197,039	2,128,974	68,065
Streets	318,359	334,359	338,718	(4,359)
Parks and recreation	732,256	762,256	791,024	(28,768)
Library	84,060	84,060	84,534	(474)
Inspections	469,805	474,805	467,053	7,752
Code enforcement	162,890	163,390	150,769	12,621
Planning	313,044	318,544	332,860	(14,316)
Engineering	155,995	155,995	154,829	1,166
Debt Service			20,663	(20,663)
Capital outlay	161,700	300,177	557,428	(257,251)
Total Expenditures	<u>7,920,253</u>	<u>8,270,253</u>	<u>8,576,902</u>	<u>(306,649)</u>
Excess of revenues over expenditures	(553,805)	(903,805)	419,692	1,323,497
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance			215,460	215,460
Transfers in	586,710	586,710	893,324	306,614
Transfers out	(17,000)	(17,000)	(17,000)	-
Total other financing sources (uses)	<u>569,710</u>	<u>569,710</u>	<u>1,091,784</u>	<u>522,074</u>
Change in fund balances	15,905	(334,095)	1,511,476	1,845,571
Fund balances, beginning	5,568,868	5,568,868	5,568,868	-
Fund balances, ending	<u>\$ 5,584,773</u>	<u>\$ 5,234,773</u>	<u>\$ 7,080,344</u>	<u>\$ 1,845,571</u>

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

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, 2012

	Impact Fee Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES:				
Impact fees	\$ 1,300,000	\$ 1,300,000	\$ 2,040,886	\$ 740,886
Investment income	10,000	10,000	34,461	24,461
Total revenues	<u>1,310,000</u>	<u>1,310,000</u>	<u>2,075,347</u>	<u>765,347</u>
EXPENDITURES:				
Streets	<u>925,000</u>	<u>925,000</u>	<u>172,321</u>	<u>752,679</u>
Total expenditures	<u>925,000</u>	<u>925,000</u>	<u>172,321</u>	<u>752,679</u>
Excess of revenues over expenditures	385,000	385,000	1,903,026	1,518,026
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,009,893)</u>	<u>(1,009,893)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,009,893)</u>	<u>(1,009,893)</u>
Change in fund balances	385,000	385,000	893,133	508,133
Fund balances, beginning	<u>6,895,458</u>	<u>6,895,458</u>	<u>6,895,458</u>	<u>6,895,458</u>
Fund balances, ending	<u>\$ 7,280,458</u>	<u>\$ 7,280,458</u>	<u>\$ 7,788,591</u>	<u>\$ 508,133</u>

TOWN OF PROSPER, TEXAS

STATEMENT OF NET ASSETS-
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2012

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Utility Fund	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,236,898	\$ 95,947
Investments	4,000,000	
Receivables (net of allowance of uncollectibles)	879,279	5,000
Due from other funds	3,558	19,383
Due from component unit		189
Prepays	2,050	
Inventory	65,073	
Restricted cash and cash equivalents	30,000	
Total Current Assets	15,216,858	120,519
Noncurrent Assets:		
Bond issuance costs	318,475	
Capital assets		
Land	5,000	
Construction in process	1,067,902	
Buildings and systems	21,262,379	
Vehicles	608,561	
Less: accumulated depreciation	(4,128,906)	
Net property, plant and equipment	18,814,936	-
Total Noncurrent Assets	19,133,411	-
Total Assets	34,350,269	120,519
LIABILITIES:		
Current Liabilities:		
Accounts payable	209,788	22,278
Deposits	30,000	
Due to other funds	1,209	
Accrued interest	159,894	
Compensated absences, due in one year	31,659	
Long-term debt, due in one year	989,283	
Total Current Liabilities	1,421,833	22,278
Noncurrent Liabilities:		
Compensated absences	13,568	
Long-term debt	17,766,866	
Total Noncurrent Liabilities	17,780,434	-
Total Liabilities	19,202,267	22,278
NET ASSETS:		
Invested in capital assets, net of related debt	6,058,159	
Unrestricted	9,089,843	98,241
Total Net Assets	\$ 15,148,002	\$ 98,241

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, 2012

	<u>Enterprise Fund</u> Utility Fund	Governmental Activities- Internal Service Fund
OPERATING REVENUE:		
Water and sewer charges	\$ 6,380,871	\$
Sanitation charges	789,324	
Storm drainage utility fees	204,360	
Water and sewer connections	601,286	
Service initiation	45,385	
Insurance charges for services		38,340
Miscellaneous	60,084	
	<u>8,081,310</u>	<u>38,340</u>
Total Operating Revenue		
OPERATING EXPENSES:		
Personnel services	683,426	49,562
Materials and supplies	292,829	
Contractual services	3,088,560	
Storm drainage	143,030	
Depreciation and amortization	638,388	
	<u>4,846,233</u>	<u>49,562</u>
Total Operating Expenses		
Operating Income	<u>3,235,077</u>	<u>(11,222)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	95,781	934
Interest expense	(621,783)	
Gain/(loss) on disposal of assets	(7,492)	
	<u>(533,494)</u>	<u>934</u>
Total Non-operating Revenues (Expenses)		
Income before transfers	2,701,583	(10,288)
Transfers in (out)	(351,714)	19,160
Change in net assets	2,349,869	8,872
Net assets, at beginning of year, restated	12,798,133	89,369
Net assets, at end of year	<u>\$ 15,148,002</u>	<u>\$ 98,241</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, 2012

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Utility</u>	<u>Activities-</u>
	<u>Fund</u>	<u>Internal Service</u>
		<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 7,908,666	\$
Cash contributions for insurance premiums		38,340
Cash payments to suppliers for goods and services	(3,715,233)	
Cash payments for insurance premiums		(41,737)
Cash payments to employees for services	(593,003)	
Net cash provided (used) by operating activities	<u>3,600,430</u>	<u>(3,397)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to/from other funds	(351,714)	19,160
Advances to other funds	31,961	16,624
Net cash provided (used) by noncapital financing activities	<u>(319,753)</u>	<u>35,784</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds from debt issuance	7,368,450	
Payments to escrow agent	(1,224,650)	
Acquisition and construction of capital assets	(1,122,747)	
Issuance costs paid on obligations	154,496	
Principal paid on bonds	(875,900)	
Interest paid on bonds	(649,989)	
Net cash provided by capital and related financing activities	<u>3,649,660</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	500,756	
Interest on deposits and investments	95,781	934
Net cash provided (used) by investing activities	<u>596,537</u>	<u>934</u>
Net increase (decrease) in cash & cash equivalents	7,526,874	33,321
Cash and cash equivalents at beginning of year	2,740,024	62,626
Cash and cash equivalents at end of year	<u>\$ 10,266,898</u>	<u>\$ 95,947</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 3,235,077	\$ (11,222)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	638,388	
(Increase) decrease in accounts receivable	(178,644)	
(Increase) decrease in inventory and prepaids	(7,731)	
Increase (decrease) in accounts payable	(183,083)	7,825
Increase (decrease) in accrued liabilities	82,449	
Increase (decrease) in compensated absences	7,974	
Increase (decrease) in customer deposits	6,000	
Net cash provided (used) by operating activities	<u>\$ 3,600,430</u>	<u>\$ (3,397)</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 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 general and administrative fees, street rental fees 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 16th, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first meeting in September, the budget is legally enacted through the passage of an ordinance.
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 \$306,649. 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, 2012, 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	\$ 1,592,906	\$ 1,592,906	\$ -
TexSTAR investment pool	5,074,454	5,074,454	-
Certificates of deposit	6,200,000	1,000,000	5,200,000
Total	<u>\$ 12,867,360</u>	<u>\$ 7,667,360</u>	<u>\$ 5,200,000</u>
 Prosper Economic Development Corporation			
Investment type:			
Texas Local Government investment pool	\$ 1,324	\$ 1,324	
TexSTAR investment pool	1,189	1,189	
Total	<u>\$ 2,513</u>	<u>\$ 2,513</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, 2012 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Property taxes	\$ 63,683	\$ 37,397	\$	\$	\$	\$	\$ 101,080
Sales tax	416,526						416,526
Utility bills					1,037,462		1,037,462
Interest	6,602	348			13,385		20,335
Other receivables	62,299		11,419	3,131	11,817	5,000	93,666
Gross receivables	549,110	37,745	11,419	3,131	1,062,664	5,000	1,669,069
Less: allowance for uncollectibles	(26,381)	(18,120)			(183,385)		(227,886)
Net receivables	<u>\$ 522,729</u>	<u>\$ 19,625</u>	<u>\$ 11,419</u>	<u>\$ 3,131</u>	<u>\$ 879,279</u>	<u>\$ 5,000</u>	<u>\$ 1,441,183</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, 2012 the EDC had sales tax receivable of \$138,842. No allowance for uncollectible accounts is deemed necessary.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>October 1,</u> <u>2011</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30,</u> <u>2012</u>
Capital assets, not being depreciated:				
Land	\$ 2,064,797	\$	\$	\$ 2,064,797
Construction in progress	5,285,575	7,097,507	(555,550)	11,827,532
Total capital assets, not being depreciated	<u>7,350,372</u>	<u>7,097,507</u>	<u>(555,550)</u>	<u>13,892,329</u>
Capital assets being depreciated:				
Buildings and improvements	13,622,085	560,584		14,182,669
Equipment	4,651,146	557,428	(277,805)	4,930,769
Infrastructure	36,502,780			36,502,780
Total assets being depreciated	<u>54,776,011</u>	<u>1,118,012</u>	<u>(277,805)</u>	<u>55,616,218</u>
Less accumulated depreciation for:				
Buildings and improvements	767,157	665,920		1,433,077
Equipment	1,583,931	388,380	(268,528)	1,703,783
Infrastructure	4,338,239	1,102,954		5,441,193
Total accumulated depreciation	<u>6,689,327</u>	<u>2,157,254</u>	<u>(268,528)</u>	<u>8,578,053</u>
Total capital assets being depreciated, net	<u>48,086,684</u>	<u>(1,039,242)</u>	<u>(9,277)</u>	<u>47,038,165</u>
Governmental activities capital assets, net	<u>\$ 55,437,056</u>	<u>\$ 6,058,265</u>	<u>\$ (564,827)</u>	<u>\$ 60,930,494</u>

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS – continued

<u>Business-type activities:</u>	<u>Balance</u> <u>October 1,</u> <u>2011</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30,</u> <u>2012</u>
Capital assets, not being depreciated:				
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in process		1,067,902		1,067,902
Total capital assets, not being depreciated	<u>5,000</u>	<u>1,067,902</u>	<u>-</u>	<u>1,072,902</u>
Capital assets being depreciated:				
Buildings and systems	21,255,176			21,255,176
Vehicles and Equipment	548,214	83,051	(15,500)	615,765
Total assets being depreciated	<u>21,803,390</u>	<u>83,051</u>	<u>(15,500)</u>	<u>21,870,941</u>
Less accumulated depreciation for:				
Buildings and systems	3,215,509	553,175		3,768,684
Vehicles and Equipment	310,181	58,050	(8,008)	360,223
Total accumulated depreciation	<u>3,525,690</u>	<u>611,225</u>	<u>(8,008)</u>	<u>4,128,907</u>
Total capital assets being depreciated, net	<u>18,277,700</u>	<u>(528,174)</u>	<u>(7,492)</u>	<u>17,742,034</u>
Business-type activities capital assets, net	<u>\$ 18,282,700</u>	<u>\$ 539,728</u>	<u>\$ (7,492)</u>	<u>\$ 18,814,936</u>

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

Governmental activities:	
General government	\$ 14,323
Police	56,432
Dispatch	104,650
Fire	202,994
Streets	1,109,835
Parks and recreation	666,006
Inspections	3,014
	<u>\$ 2,157,254</u>
Business-type activities:	
Water and Sewer	\$ 611,225
	<u>\$ 611,225</u>

Capital asset activity for the EDC for the year ended September 30, 2012 was as follows:

<u>Component unit:</u>	<u>Balance</u> <u>October 1,</u> <u>2011</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30,</u> <u>2012</u>
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	113,849	-	-	113,849
Total accumulated depreciation	<u>113,849</u>	<u>-</u>	<u>-</u>	<u>113,849</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component unit capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CONSTRUCTION COMMITMENTS

At September 30, 2012 the total estimated costs to complete significant construction projects in progress at year-end totaled approximately \$6,914,402 for the Capital Projects Fund and \$9,413,068 for the Utility Fund.

NOTE 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2012 were as follows:

Due to/from other funds:

Fund	Due From	Due To
General Fund:		
Water and Sewer	\$ 260	\$ 4,344
Impact Fees		28,171
Capital Projects	3,782	
Contributions		500
Internal Service		17,715
Water and Sewer:		
General Fund	4,344	260
Internal Service		1,668
Contributions		67
Internal Service:		
General Fund	17,715	
Water and Sewer	1,668	
Impact Fees:		
General Fund	28,171	
Contributions:		
General Fund	500	
Water and Sewer	67	
Capital Projects:		
General Fund		3,782
Totals	\$ 56,507	\$ 56,507

EDC interfund balances at September 30, 2012 were as follows:

Fund	Due From	Due To
General Fund:		
EDC	\$ 9,099	\$ -
Internal service:		
EDC	189	
EDC:		
General Fund		9,099
Internal service		189
	\$ 9,288	\$ 9,288

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.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – continued

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Water and Sewer	\$ 487,485	\$
Capital Projects	306,614	
Internal Service		17,000
Impact Fees	99,225	
Water and Sewer:		
General Fund		487,485
Internal Service		2,160
Capital Projects		55,567
Contributions	292,723	99,225
Internal Service:		
General Fund	17,000	
Water and Sewer	2,160	
Parks and Rec:		
Capital Projects		789,985
Impact Fees:		
Capital Projects		910,668
General Fund		99,225
Contributions:		
Water and Sewer	99,225	292,723
Capital Projects:		
General Fund		306,614
Parks and Rec	789,985	
Impact Fees	910,668	
Water and Sewer	<u>55,567</u>	
Totals	<u>\$ 3,060,652</u>	<u>\$ 3,060,652</u>

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 entered into a second capital lease agreement for two police vehicles with Ford Motor Credit Company. As of September 30, 2012, the vehicles had a carrying value of \$38,646. Capital lease expenditures for 2012 were \$20,663, which included interest of \$1,371. The effective interest rate is 7.1%.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 8: CAPITAL LEASES - continued

The lease activity for the year ended September 30, 2012 was as follows:

	Balance 10/1/2011	Issued	Retired	Balance 9/30/2012	Due Within One Year
<u>Governmental Activities:</u>					
2010 Crown Victoria Lease	\$ 19,292	\$	\$ 19,292	\$	\$ -
	<u>\$ 19,292</u>	<u>\$</u>	<u>\$ 19,292</u>	<u>\$</u>	<u>\$ -</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, 2012 activity in compensated absences is as follows:

	Balance 10/1/2011	Additions	Retired	Balance 9/30/2012	Due Within One Year
<u>Governmental Activities:</u>					
Compensated absences	\$ 590,241	\$ 12,145	\$ 253,744	\$ 348,642	\$ 174,321
<u>Business-type Activities:</u>					
Compensated absences	37,253	19,490	11,516	45,227	31,659
	<u>\$ 627,494</u>	<u>\$ 31,635</u>	<u>\$ 265,260</u>	<u>\$ 393,869</u>	<u>\$ 205,980</u>

During the year ending September 30, 2012 the following occurred in compensated absences for the EDC:

	Balance 10/1/2011	Additions	Retired	Balance 9/30/2012	Due Within One Year
<u>Component Unit:</u>					
Compensated absences	\$ 1,778	\$ 1,517	\$ 182	\$ 3,113	\$ 3,113

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 in combination with system revenues.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: LONG-TERM DEBT - continued

Long-term debt activity for the year ended September 30, 2012 was as follows:

	<u>Balance</u> <u>10/1/2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>9/30/2012</u>	<u>Amount Due</u> <u>Within one Year</u>
<u>Governmental Activities:</u>					
2001 Certificate of Obligation	\$ 1,075,350	\$	\$ 1,075,350	\$	\$
2004 Certificate of Obligation	3,244,900		193,800	3,051,100	201,400
2006 Certificate of Obligation	4,929,600		242,400	4,687,200	252,000
2008 Certificate of Obligation	12,105,000		423,000	11,682,000	436,500
2010 Series, Tax Note	2,045,000		280,000	1,765,000	340,000
2011 General Obligation Refunding		1,031,550	159,900	871,650	165,750
2012 General Obligation		<u>3,680,000</u>		<u>3,680,000</u>	
Total Governmental	<u>23,399,850</u>	<u>4,711,550</u>	<u>2,374,450</u>	<u>25,736,950</u>	<u>1,395,650</u>
<u>Business-type Activities:</u>					
1996 Certificate of Obligation	315,000		315,000		
1998 Certificate of Obligation	380,000		380,000		
2001 Certificate of Obligation	529,650		529,650		
2004 Certificate of Obligation	5,269,400		316,200	4,953,200	328,600
2006 Certificate of Obligation	5,340,400		262,600	5,077,800	273,000
2008 Certificate of Obligation	1,345,000		47,000	1,298,000	48,500
2011 General Obligation Refunding		1,613,450	250,100	1,363,350	259,250
2012 Certificate of Obligation		<u>5,755,000</u>		<u>5,755,000</u>	<u>70,000</u>
Total Business-type	<u>13,179,450</u>	<u>7,368,450</u>	<u>2,100,550</u>	<u>18,447,350</u>	<u>979,350</u>
Total	<u>\$ 36,579,300</u>	<u>\$ 12,080,000</u>	<u>\$ 4,475,000</u>	<u>\$ 44,184,300</u>	<u>\$ 2,375,000</u>
<u>Governmental Activities:</u>					
Bond Premium on Issuance	<u>\$ 9,462</u>	<u>\$ 242,133</u>	<u>\$ 16,664</u>	<u>\$ 234,931</u>	<u>\$ 16,664</u>
<u>Business-type Activities:</u>					
Bond Premium on Issuance	<u>\$</u>	<u>\$ 374,556</u>	<u>\$ 23,889</u>	<u>\$ 350,667</u>	<u>\$ 23,889</u>
<u>Governmental Activities:</u>					
Gain on Refunding	<u>\$</u>	<u>\$ 11,705</u>	<u>\$ 1,951</u>	<u>\$ 9,754</u>	<u>\$ 1,951</u>
<u>Business-type Activities:</u>					
Loss on Refunding	<u>\$</u>	<u>\$ (55,825)</u>	<u>\$ (13,957)</u>	<u>\$ (41,868)</u>	<u>\$ (13,956)</u>

In October 2011, the Town issued refunding bonds, \$2,645,000 General Obligation Refunding and Improvement Bonds, Series 2011 for the purpose of refunding \$2,300,000 of various bond series of the Town, in order to lower the overall debt service requirements of the Town, to pay costs associated with the issuance of the bonds as well as to provide funding for park equipment. As a result of this refunding, the Town recognized an economic gain of \$294,895 and cash flow savings (difference between debt service requirements of old debt versus the new debt) of \$391,477.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: LONG-TERM DEBT - continued

Certificates of obligation and tax notes at September 30, 2012 are comprised of the following issues for the Debt Service Fund and Water and Sewer Fund:

	Governmental Activities	Business-Type Activities	Total
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%.	\$ 3,051,100	\$ 4,953,200	\$ 8,004,300
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%.	4,687,200	5,077,800	9,765,000
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%.	11,682,000	1,298,000	12,980,000
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%.	1,765,000		1,765,000
2011 General Obligation Refunding and Improvement bonds (39% debt service fund portion and 61% water and sewer portion) issued September 1, 2011 and maturing February 15, 2018. Interest payable February 15 and August 15 at rates ranging from 1.75% to 2.0%.	871,650	1,363,350	2,235,000
2012 General Obligation Bonds (100% debt service fund portion) issued June 15, 2012 and maturing February 15, 2032. Interest payable February 15 and August 15 at rates ranging from 1.38% to 3.25%.	3,680,000		3,680,000
2012 Certificates of Obligation (100% water and sewer portion) issued June 15, 2012 maturing February 15, 2032. Interest payable February 15 and August 15 at rates ranging from .40% to 3.25%		5,755,000	5,755,000
	\$ 25,736,950	\$ 18,447,350	\$ 44,184,300

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, 2012 are as follows:

Year Ended September 30	Governmental Activities		Business-Type Activities		Total Principal	Total Interest	Total Obligation
	Principal	Interest	Principal	Interest			
2013	\$ 1,395,650	\$ 1,140,829	\$ 979,350	\$ 721,412	\$ 2,375,000	\$ 1,862,241	\$ 4,237,241
2014	1,442,750	1,075,958	1,012,250	660,206	2,455,000	1,736,164	4,191,164
2015	1,494,400	1,026,499	1,040,600	625,605	2,535,000	1,652,104	4,187,104
2016	1,686,100	855,301	1,273,900	587,760	2,960,000	1,443,061	4,403,061
2017	1,719,250	912,456	1,275,750	546,025	2,995,000	1,458,481	4,453,481
2018-2022	7,190,100	3,639,085	6,314,900	2,036,558	13,505,000	5,675,643	19,180,643
2023-2027	7,489,200	1,783,301	4,650,100	798,378	12,139,300	2,581,679	14,720,979
2028-2032	3,319,500	231,101	1,900,500	153,070	5,220,000	384,171	5,604,171
Total	\$ 25,736,950	\$ 10,664,530	\$ 18,447,350	\$ 6,129,014	\$ 44,184,300	\$ 16,793,544	\$ 60,977,844

NOTE 11: RESTRICTED ASSETS

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

Customer deposits	\$ 30,000
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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.

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)
2010	\$ 346,903	\$ 368,094	106%	\$ (21,191)
2011	392,523	407,378	104%	(36,046)
2012	436,397	446,794	102%	(46,443)

Annual Required Contribution (ARC)	\$ 436,751
Interest on Net Pension Obligation	(2,523)
Adjustment to the ARC	2,169
Annual Pension Cost (APC)	436,397
Contributions Made	(446,794)
Increase (Decrease) in net pension obligation	(10,397)
Net Pension Obligation / (Asset), Beginning of Year	(36,046)
Net Pension Obligation / (Asset), End of Year	\$ (46,443)

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: TEXAS MUNICIPAL RETIREMENT SYSTEM - continued

The required contribution rates for fiscal year 2012 are determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Actuarial Assumptions

Valuation Date	12/31/2009	12/31/2010	12/31/2011
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method			
	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method			
	23.3 years - Closed Period	22.5 years - Closed Period	21.5 years - Closed Period
Remaining Amortization Period			
	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%	7.0%	7.0%
Investment Rate of Return*			
	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases*			
	3.00%	3.00%	3.00%
*Includes Inflation at			
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

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)
12/31/2009	\$ 2,288,445	\$ 3,343,417	\$ 1,054,972	68.4%	\$ 3,719,393	28.4%
12/31/2010	3,175,249	4,606,199	1,430,950	68.9%	3,828,422	37.4%
12/31/2011	4,072,790	5,493,307	1,420,517	74.1%	4,160,807	34.1%

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, 2012, the Town had \$14,826 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, 2012 the restricted fund balance includes fund balance restricted for debt service of \$889,632 and fund balance restricted for capital projects of \$16,838,275.

Committed fund balance includes amounts that can be used only for the specific purposes determined and approved by passage of a formal resolution 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, 2012 the committed fund balance includes contingency funds of \$1,715,380.

Assigned fund balance includes amounts intended to be used by the government for specific purposes. Pursuant to Ordinance 11-66, the Town Council designated the Town Manager or his/her designee as the official authorized person to assign fund balance. As of March 8, 2012, the Town Manager has not designated another person to make fund balance assignments. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. At September 30, 2012 the Town had assigned fund balances for specific purposes including parks and recreation in the amount of \$1,171,198.

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, 2012 was \$5,355,859.

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 committed, then assigned and lastly unassigned amounts of 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

It was determined that accrued compensated absences had previously not included compensation for accrued sick leave. However, upon further research of the employee handbook, the Town specifies that unused accrued sick leave will be paid upon termination of an employee. Therefore, sick leave should have been included in the total of accrued compensated absences. In order to correct the beginning accrued compensated absences, an adjustment was made to decrease the governmental activities net assets for \$353,201, decrease the utility fund net assets for \$20,802 and to decrease the Economic Development Corporation net assets for \$1,596.

Design fees for the Windmill Park were expensed during the prior year. However, these fees should be capitalized as part of the cost of the construction of the park. In order to reclassify this expense to construction in process, an entry was made to increase the governmental activities net assets for \$19,375.

Per management's review of the capital asset inventory for the Utility Fund, the Town identified that the asset described as sewer expansion project had been inactive and inoperable for several years. An entry was made to decrease capital assets and net assets for \$511,773 at October 1, 2011.

Note 16: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The Town will reassess its accounting and financial reporting for potential component units and interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the Town to assess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012.

TOWN OF PROSPER, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 16: UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the Town to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TMRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The Town will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

TOWN OF PROSPER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue		Total Nonmajor Governmental Funds
	Parks & Recreation	Contributions	
ASSETS:			
Cash and cash equivalents	\$ 1,241,156	\$ 2,407,067	\$ 3,648,223
Receivables		3,131	3,131
Due from other funds		567	567
Prepaid expenses		5,721	5,721
Total Assets	<u>\$ 1,241,156</u>	<u>\$ 2,416,486</u>	<u>\$ 3,657,642</u>
LIABILITIES:			
Accounts payable	\$ 69,957	\$ 1,713	\$ 71,670
Escrow payable		239,085	239,085
Total Liabilities	<u>69,957</u>	<u>240,798</u>	<u>310,755</u>
FUND BALANCES:			
Nonspendable for:			
Prepays		5,721	5,721
Restricted for:			
Capital projects		2,169,968	2,169,968
Assigned	1,171,198		1,171,198
Total Fund Balances	<u>1,171,198</u>	<u>2,175,689</u>	<u>3,346,887</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,241,155</u>	<u>\$ 2,416,487</u>	<u>\$ 3,657,642</u>

TOWN OF PROSPER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue		Total Nonmajor Governmental Funds
	Parks & Recreation	Contributions	
REVENUES:			
Escrow income	\$	\$ 627,788	\$ 627,788
Investment income		4,715	4,715
Fines, warrants and seizures		3,407	3,407
Contributions		397,128	464,756
		<u>67,628</u>	<u>464,756</u>
Total Revenues		<u>401,843</u>	<u>698,823</u>
		<u>698,823</u>	<u>1,100,666</u>
EXPENDITURES:			
Current:			
Police department		23,893	23,893
Court		3,264	3,264
Fire department		9,207	9,207
Parks and recreation		4,500	23,745
Capital outlay		5,032	5,032
		<u>5,032</u>	<u>5,032</u>
Total Expenditures		<u>9,532</u>	<u>65,141</u>
		<u>55,609</u>	<u>65,141</u>
Excess (deficiency) of Revenues over expenditures		<u>392,311</u>	<u>1,035,525</u>
		<u>643,214</u>	<u>1,035,525</u>
OTHER FINANCING SOURCES (USES):			
Transfers in		99,225	99,225
Transfers out		(789,985)	(1,082,708)
		<u>(789,985)</u>	<u>(1,082,708)</u>
Total Other Financing Sources (Uses)		<u>(789,985)</u>	<u>(983,483)</u>
		<u>(193,498)</u>	<u>(983,483)</u>
Net change in fund balances		(397,674)	52,042
		<u>449,716</u>	<u>52,042</u>
Fund balances, beginning, restated		<u>1,568,872</u>	<u>3,294,845</u>
		<u>1,725,973</u>	<u>3,294,845</u>
Fund balances, ending	\$	<u><u>1,171,198</u></u>	\$ <u><u>3,346,887</u></u>
		<u>2,175,689</u>	<u>3,346,887</u>

TOWN OF PROSPER, TEXAS

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL - UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2012

	Utility Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Budget Basis	
OPERATING REVENUES				
Water and sewer charges	\$ 5,479,300	\$ 5,479,300	\$ 6,380,871	\$ 901,571
Sanitation charges	744,000	744,000	789,324	45,324
Storm drainage utility fees	235,000	235,000	204,360	(30,640)
Water and sewer connections	230,000	230,000	601,286	371,286
Service initiation	25,000	25,000	45,385	20,385
Miscellaneous	25,300	25,300	60,084	34,784
Total Operating Revenue	<u>6,738,600</u>	<u>6,738,600</u>	<u>8,081,310</u>	<u>1,342,710</u>
OPERATING EXPENSES				
Personnel services	754,685	754,685	683,426	71,259
Materials and supplies	303,115	348,115	292,829	55,286
Contractual services	3,442,308	3,612,308	3,088,560	523,748
Storm drainage	105,790	185,790	143,030	42,760
Total Operating Expenses	<u>4,605,898</u>	<u>4,900,898</u>	<u>4,207,845</u>	<u>693,053</u>
Operating Income (Loss)	<u>2,132,702</u>	<u>1,837,702</u>	<u>3,873,465</u>	<u>2,035,763</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	41,000	41,000	95,781	54,781
Interest expense and fiscal charges	(1,353,465)	(1,353,465)	(621,783)	731,682
Gain/(loss) on disposal of assets			(7,492)	(7,492)
Total nonoperating revenues (Expenses)	<u>(1,312,465)</u>	<u>(1,312,465)</u>	<u>(533,494)</u>	<u>778,971</u>
INCOME BEFORE TRANSFERS	820,237	525,237	3,339,971	2,814,734
TRANSFERS				
Net transfers in/(out)	(589,110)	(589,110)	(351,714)	237,396
Total Transfers	<u>(589,110)</u>	<u>(589,110)</u>	<u>(351,714)</u>	<u>237,396</u>
Change in net assets	<u>\$ 231,127</u>	<u>\$ (63,873)</u>	2,988,257	<u>\$ 3,052,130</u>
Reconciliation to generally accepted accounting principles (GAAP)				
Depreciation			(611,225)	
Amortization			(27,163)	
Change in net assets (GAAP basis)			2,349,869	
Net assets, beginning, restated			<u>12,798,133</u>	
Net assets, ending			<u>\$ 15,148,002</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.

Contents	Page
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.	70
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	80
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.	86
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.	92
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.	94

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 Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

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

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>	<u>2012</u>
\$ 33,422	\$ 33,919	\$ 37,271	\$ 37,366	\$ 41,798
9,809	8,440	5,952	9,359	10,849
4,693	3,704	8,410	6,979	8,432
<u>\$ 47,924</u>	<u>\$ 46,063</u>	<u>\$ 51,633</u>	<u>\$ 53,704</u>	<u>\$ 61,079</u>
\$ 3,321	\$ 6,804	\$ 5,704	\$ 5,615	\$ 6,058
42	44	-	-	-
6,338	5,929	6,034	7,695	9,090
<u>\$ 9,701</u>	<u>\$ 12,777</u>	<u>\$ 11,738</u>	<u>\$ 13,310</u>	<u>\$ 15,148</u>
\$ 36,743	\$ 40,723	\$ 42,975	\$ 42,981	\$ 47,856
9,851	8,484	5,952	9,359	10,849
11,031	9,633	14,444	14,674	17,522
<u>\$ 57,625</u>	<u>\$ 58,840</u>	<u>\$ 63,371</u>	<u>\$ 67,014</u>	<u>\$ 76,227</u>

Town of Prosper, Texas
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
General government	\$ 638	\$ 934	\$ 1,229	\$ 1,492
Public Safety	1,285	1,601	1,805	2,089
Transportation	414	230	236	417
Culture and Recreation	17	49	244	125
Interest on long-term debt	195	276	252	516
Total governmental activities expenses	<u>2,549</u>	<u>3,090</u>	<u>3,766</u>	<u>4,639</u>
Business-type activities:				
Water, Sewer and sanitation	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>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	802	1,318	1,852	2,363
Public Safety	348	348	304	159
Transportation	293	221	412	1,047
Culture and Recreation	21	115	98	680
Operating grants and contributions	123	559	266	547
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>1,587</u>	<u>2,561</u>	<u>2,932</u>	<u>4,796</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	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>
Net (expense) revenue				
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>

	2008	2009	2010	2011	2012
\$	2,063	\$ 2,764	\$ 2,193	\$ 3,075	\$ 2,785
	2,485	3,329	3,869	4,108	4,341
	1,444	1,356	1,609	2,370	1,616
	130	444	917	728	1,546
	459	1,276	895	1,139	1,108
	<u>6,581</u>	<u>9,169</u>	<u>9,483</u>	<u>11,420</u>	<u>11,396</u>
	<u>4,076</u>	<u>4,460</u>	<u>5,140</u>	<u>5,332</u>	<u>5,476</u>
	<u>4,076</u>	<u>4,460</u>	<u>5,140</u>	<u>5,332</u>	<u>5,476</u>
	<u>10,657</u>	<u>13,629</u>	<u>14,623</u>	<u>16,752</u>	<u>16,872</u>
	1,440	561	672	826	1,992
	162	360	397	400	312
	485	-	-	-	-
	418	-	-	-	-
	452	1,397	2,224	350	266
	-	-	-	2,908	5,356
	<u>2,957</u>	<u>2,318</u>	<u>3,293</u>	<u>4,484</u>	<u>7,926</u>
	<u>4,507</u>	<u>4,720</u>	<u>5,393</u>	<u>7,238</u>	<u>8,021</u>
	<u>4,507</u>	<u>4,720</u>	<u>5,393</u>	<u>7,238</u>	<u>8,021</u>
	<u>7,464</u>	<u>7,038</u>	<u>8,686</u>	<u>11,722</u>	<u>15,947</u>
	(3,624)	(6,851)	(6,190)	(6,936)	(3,470)
	431	260	253	1,906	2,545
\$	<u>(3,193)</u>	<u>(6,591)</u>	<u>(5,937)</u>	<u>(5,030)</u>	<u>(925)</u>

Town of Prosper, Texas
Changes in Net Assets
Last Nine 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	1,857	3,128	2,781	4,160
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	308	429	1,705	1,718
 Total primary government	 2,165	 3,557	 4,486	 5,878
 Change in Net Assets				
Governmental activities	895	2,599	1,947	4,317
Business-type activities	296	291	2,656	1,273
Total primary government	\$ 1,191	\$ 2,890	\$ 4,603	\$ 5,590

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>	<u>2012</u>
\$	4,429	\$ 5,296	\$ 5,505	\$ 5,986	\$ 6,392
	1,288	1,077	1,309	1,321	1,942
	341	428	399	425	505
	1,828	367	2,688	53	628
	596	456	338	155	162
	114	74	116	530	864
	-	-	-	-	-
	(1,237)	(2,708)	15	434	352
	<u>7,359</u>	<u>4,990</u>	<u>10,370</u>	<u>8,904</u>	<u>10,845</u>
	109	65	74	53	96
	33	43	39	47	60
	-	-	-	-	-
	1,237	2,708	(15)	(434)	(352)
	<u>1,379</u>	<u>2,816</u>	<u>98</u>	<u>(334)</u>	<u>(196)</u>
	<u>8,738</u>	<u>7,806</u>	<u>10,468</u>	<u>8,570</u>	<u>10,649</u>
	3,735	(1,861)	4,180	1,968	7,375
	1,810	3,076	351	1,572	2,349
\$	<u>5,545</u>	<u>\$ 1,215</u>	<u>\$ 4,531</u>	<u>\$ 3,540</u>	<u>\$ 9,724</u>

Town of Prosper, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 1,468	\$ -	\$ -	\$ 74	\$ 59	\$ 18
Unreserved	580	1,181	1,821	2,855	3,034	3,989
Total general fund	\$ 2,048	\$ 1,181	\$ 1,821	\$ 2,929	\$ 3,093	\$ 4,007
All other governmental funds						
Reserved	\$ 79	\$ 131	\$ 223	\$ 315	\$ 581	\$ 622
Unreserved, reported in:						
Capital Project funds	-	3,604	3,819	10,011	3,160	2,233
Impact Fee Funds	-	478	1,624	1,826	4,290	6,936
Special revenue funds	-	-	-	-	-	-
Total all other governmental funds	\$ 79	\$ 4,213	\$ 5,666	\$ 12,152	\$ 8,031	\$ 9,791

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ -	\$ 3	\$ 1	\$ 9
4,398	4,968	5,568	7,071
<u>\$ 4,398</u>	<u>\$ 4,971</u>	<u>\$ 5,569</u>	<u>\$ 7,080</u>
\$ 2,557	\$ 577	\$ 737	\$ 890
16,920	5,337	5,348	6,880
5,883	6,239	6,895	7,788
-	3,968	3,276	3,347
<u>\$ 25,360</u>	<u>\$ 16,121</u>	<u>\$ 16,256</u>	<u>\$ 18,905</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					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 1,455	\$ 2,005	\$ 3,186	\$ 3,383	\$ 4,500	\$ 6,034
Licenses and permits	295	1,124	1,876	2,429	3,964	3,925
Intergovernmental	393	111	276	33	500	452
Charges for services	-	243	245	304	156	161
Fines and forfeitures	-	98	93	106	131	247
Investment Earnings	30	79	289	574	1,107	596
Contributions	-	12	72	61	45	50
Miscellaneous	7	59	63	376	79	64
Grants	-	-	-	-	-	-
Total Revenues	<u>2,180</u>	<u>3,731</u>	<u>6,100</u>	<u>7,266</u>	<u>10,482</u>	<u>11,529</u>
Expenditures						
General government	588	624	819	1,178	1,466	2,003
Public safety	859	1,099	1,342	1,594	1,871	2,194
Transportation	168	176	165	210	177	352
Culture and recreation	48	7	26	29	92	97
Capital outlay	425	1,942	770	378	8,338	2,108
Debt service						
Principal	80	181	189	221	386	399
Interest	88	184	336	257	493	481
Other charges	-	-	-	-	-	-
Total Expenditures	<u>2,256</u>	<u>4,213</u>	<u>3,647</u>	<u>3,867</u>	<u>12,823</u>	<u>7,634</u>
Excess of revenues over (under) expenditures	(76)	(482)	2,453	3,399	(2,341)	3,895
Other financing sources (uses)						
Transfer in	-	292	250	-	-	-
Transfer out	(256)	(576)	(656)	(1,565)	(1,553)	(1,237)
Proceeds from insurance	-	-	-	-	-	-
Proceeds from debt issuance	325	4,003	-	5,760	-	-
Premium (discount) on debt issuance						
Payments to Bond Escrow Agent						
Capital Leases	56	30	45	-	48	14
Net other financing sources (uses)	<u>125</u>	<u>3,749</u>	<u>(361)</u>	<u>4,195</u>	<u>(1,505)</u>	<u>(1,223)</u>
Net change in fund balances	<u>\$ 49</u>	<u>\$ 3,267</u>	<u>\$ 2,092</u>	<u>\$ 7,594</u>	<u>\$ (3,846)</u>	<u>\$ 2,672</u>
Debt service as a percentage of noncapital expenditures	<u>9.2%</u>	<u>16.1%</u>	<u>18.2%</u>	<u>13.7%</u>	<u>19.6%</u>	<u>15.9%</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	6,738	\$ 7,264	\$ 7,758	\$ 8,850
	550	672	670	1,571
	584	1,109	1,109	2,863
	976	2,858	1,809	2,861
	239	227	393	541
	456	339	154	160
	59	45	272	348
	74	116	115	286
	278	1,070	285	198
	<u>9,954</u>	<u>13,700</u>	<u>12,565</u>	<u>17,678</u>
	2,225	2,173	2,750	2,798
	3,007	3,648	3,879	4,144
	257	503	1,269	511
	379	814	653	899
	2,943	13,174	4,112	7,660
	484	527	936	1,318
	893	1,600	1,101	1,079
	-	-	59	81
	<u>10,188</u>	<u>22,439</u>	<u>14,759</u>	<u>18,490</u>
	(234)	(8,739)	(2,194)	(812)
	232	2,460	1,066	3,509
	(2,940)	(2,445)	(667)	(3,177)
	-	-	426	750
	13,900	-	2,045	4,712
			11	242
				(1,064)
	41	58		
	<u>11,233</u>	<u>73</u>	<u>2,881</u>	<u>4,972</u>
\$	<u>10,999</u>	\$ <u>(8,666)</u>	\$ <u>687</u>	\$ <u>4,160</u>
	<u>19.0%</u>	<u>23.0%</u>	<u>19.1%</u>	<u>22.1%</u>

Town of Prosper, Texas
General Governmental Tax Revenues By Source
Last Nine Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
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
2012	6,403	1,942	505	8,850

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)

Fiscal Year Ended	Total Estimated Market Value as Assessed	Estimated Market Value Real Property	Estimated Market Value Personal Property	Less: Tax Exempt Real Property	Total Taxable¹ Assessed Value	Total Direct Tax Rate	Taxable Assessed Value as a % of Estimated Market Value
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%
2012	1,753,522	1,719,190	34,332	522,150	1,231,372	0.52000	70.22%

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

¹Taxable Assessed 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 Rates¹
Direct and Overlapping² 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
2003	0.218440	0.105660	0.324100	1.819900	0.250000	0.091932	0.247170
2004	0.188440	0.291260	0.479700	1.951500	0.250000	0.090646	0.254800
2005	0.184549	0.220836	0.405385	1.975310	0.250000	0.089422	0.246480
2006	0.184549	0.314268	0.498817	1.800000	0.245000	0.087683	0.231920
2007	0.275075	0.244925	0.520000	1.670000	0.245000	0.086984	0.235890
2008	0.305011	0.214989	0.520000	1.670000	0.242500	0.086493	0.235770
2009	0.314084	0.205916	0.520000	1.640000	0.242500	0.086300	0.249800
2010	0.334742	0.185258	0.520000	1.630000	0.240000	0.086300	0.273900
2011	0.316937	0.203063	0.520000	1.670000	0.240000	0.086300	0.277357
2012	0.316914	0.203086	0.520000	1.670000	0.240000	0.086299	0.282867

Source: Collin County and Denton County Appraisal Districts

¹Tax rate is per \$100 of taxable assessed value

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

Total Direct & Overlapping Rates Collin County	Total Direct & Overlapping Rates Denton County
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
2.516299	2.472867

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
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%	18,519	1,662,243	99.9%
2007	2,920,145	2,871,131	98.32%	49,014	2,920,145	100.0%
2008	4,345,264	4,279,374	98.48%	65,890	4,345,264	100.0%
2009	5,218,951	5,149,015	98.66%	65,859	5,214,874	99.9%
2010	5,404,368	5,338,109	98.77%	48,413	5,386,522	99.7%
2011	5,932,358	5,898,857	99.44%	21,788	5,920,645	99.8%
2012	6,380,037	6,323,502	99.11%	-	6,323,502	99.1%

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

Town of Prosper, Texas
Principal Property Taxpayers
Fiscal Year End 2012 and 2003

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Western Rim Investors	\$ 43,186,691	1	3.51%			
Prosper Land Company	8,795,126	2	0.71%	\$ 11,818,458	1	5.38%
Saddle Creek Investments LTD	6,755,986	3	0.55%			
Five SAC Self-Storage Corp.	6,529,887	4	0.53%			
CC Joint Ventures	6,435,078	5	0.52%			
Quail Landing Phase I	6,250,270	6	0.51%			
Preston Development LTD	5,438,247	7	0.44%			
Beazer Homes	5,374,764	8	0.44%			
Deion Sanders	5,364,323	9	0.44%	9,543,350	2	4.34%
Da' Hood Trust	4,595,277	10	0.37%			
Lattimore Materials				2,277,735	3	1.04%
Hope Lumber & Supply Company LP				2,119,225	4	0.96%
Southwestern Bell Telephone				2,079,110	5	0.95%
Carmen Investments				1,849,530	6	0.84%
Lennar Homes				1,832,353	7	0.83%
Mahard Grain Company				1,794,131	8	0.82%
Hanson Aggregates				1,457,408	9	0.66%
Hope Lumber & Supply Co.				1,342,484	10	0.61%
Totals	<u>\$ 98,725,649</u>		<u>8.02%</u>	<u>\$ 36,113,784</u>		<u>16.43%</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
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	-
2012	4,552	19,420	1,765	-	18,447	-

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

¹ 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

	Total Primary Government	Percentage of Personal Income¹		Per Capita¹
\$	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	7.7%		3,844
	36,600	6.3%		3,280
	44,184	N/A		3,625

Town of Prosper, Texas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Notes or Obligations	Total	Percentage of Actual Taxable Value of Property¹	Per Capita²
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%	2,099
2012	4,552	19,420	1,765	25,737	2.09%	2,111

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

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² 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, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Prosper Independent School District	\$ 232,042,890	65.91%	\$ 152,939,469
Collin County	379,573,287	1.95%	7,401,679
Collin College	39,724,842	1.95%	774,634
Denton County	550,321,150	0.24%	1,320,771
Subtotal - overlapping debt	<u>1,201,662,169</u>		<u>162,436,553</u>
Town of Prosper direct debt	\$ 25,736,950	100%	25,736,950
Total direct and overlapping debt			<u><u>\$ 188,173,503</u></u>

Source: Outstanding data for other entities from Municipal Advisory Council of Texas estimate on 10/2012 report.
 Actual amounts of overlapping debt vary based on entity payment schedules and any new issuances.

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.

¹The 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)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.50
Total Tax Rate	0.3241	0.4797	0.4054	0.4988	0.5200	0.5200
Available Tax Rate	<u>\$ 1.1759</u>	<u>\$ 1.0203</u>	<u>\$ 1.0946</u>	<u>\$ 1.0012</u>	<u>\$ 0.9800</u>	<u>\$ 1.9800</u>

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>
<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

Fiscal Year	Population¹	Personal Income² (expressed in thousands)	Per Capita Personal Income²	School Enrollment³	Unemployment Rate⁴
2003	2,700	\$ 110,419	\$ 40,896	962	5.9%
2004	3,100	130,721	42,168	1,300	4.8%
2005	4,100	183,942	44,864	1,475	4.6%
2006	5,250	241,064	45,917	1,825	4.2%
2007	6,050	289,704	47,885	2,100	3.9%
2008	6,350	313,963	49,443	2,800	4.8%
2009	7,100	325,776	45,884	3,220	7.6%
2010	9,423	467,654	49,629	3,575	7.1%
2011	11,160	584,996	52,419	3,627	7.1%
2012	12,190	N/A	N/A	5,353	5.7%

¹Population data estimates from the North Central Texas Council of Governments

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

³Enrollment data comes from Prosper ISD

⁴Annual Unemployment Rate updated to Collin County data 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>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Prosper ISD	680	1	55.78%
Mahard Egg Farm	100	2	8.20%
Town of Prosper	84	3	6.89%
Gentle Creek	50	4	4.10%
Dairy Manufacturers, Inc.	35	5	2.87%
ProBuild	30	6	2.46%
CVS	25	7	2.05%
Crossland Construction	20	8	1.64%
Lattimore Materials	20	9	1.64%
Prosper Bank	20	10	1.64%
Total	1,064		87.28%

Source: Prosper EDC, Self-reported by Employers & Staff Estimate

N/A: Data not available for 2003 at the time of this publication

Town of Prosper, TX
 Operating Indicators by Function/Program
 Last Ten Fiscal Years
 (dollar amounts below expressed in thousands)

Function/Program	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Government						
Building Inspection Permits						
Commercial Construction						
Number of Units	N/A	N/A	N/A	15	14	23
Total dollar value of permits issued	N/A	N/A	N/A	\$ 5,630	\$ 14,410	\$ 6,195
Average Value	N/A	N/A	N/A	\$ 375	\$ 1,029	\$ 269
Residential Construction						
Number of Units	N/A	177	310	340	338	227
Total dollar value of permits issued	N/A	N/A	N/A	\$ 125,180	\$ 109,141	\$ 99,110
Average Value	N/A	N/A	N/A	\$ 368	\$ 323	\$ 437
Public Safety						
Police						
Physical Arrests	18	32	47	48	64	90
Traffic Collisions	69	95	115	128	99	72
Fire						
Total Incidents/Calls for Service	N/A	613	784	901	576	646
Fire	N/A	28	43	66	34	56
Overpressure/Explosion	N/A	-	-	-	1	1
Rescue & EMS	N/A	484	544	613	292	334
Hazardous Condition	N/A	21	25	24	53	38
Service Call	N/A	23	60	57	91	104
Good Intent Call	N/A	21	49	66	55	59
False Alarm & False Call	N/A	27	42	46	45	52
Severe Weather & Natural Disaster	N/A	-	3	-	2	2
Special Incident	N/A	9	18	29	3	-
Fire Marshal						
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
Municipal Court						
Number of cases filed	N/A	882	887	1,059	1,123	1,762
Number of cases closed	N/A	796	678	825	979	1,707
Public Works						
Water & Sewer						
Water Customers	1,044	1,277	1,656	2,013	2,380	2,664
Wastewater Customers	733	867	1,173	1,493	1,842	2,007

Source: Town of Prosper Department Staff
 N/A: Data not available at the time of this publication.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	14	8	12	10
\$	4,721	\$ 3,150	\$ 36,359	\$ 3,354
\$	337	\$ 394	\$ 3,030	\$ 335
	204	299	346	445
\$	62,870	\$ 79,232	\$ 128,987	\$ 176,082
\$	308	\$ 265	\$ 373	\$ 396
	88	150	109	111
	92	138	151	174
	747	776	1,046	1,122
	45	42	63	67
	-	-	1	11
	379	399	441	585
	36	30	38	34
	116	147	234	193
	80	61	85	100
	87	95	107	132
	3	2	64	-
	1	-	13	-
	94	112	659	402
	37	42	20	23
	1,743	2,050	2,025	1,645
	1,592	1,504	1,833	1,688
	2,883	3,080	3,431	3,853
	2,137	2,333	2,672	3,084

Town of Prosper, Texas
 Full-time Equivalent Town Government Employees by Function
 Last Ten Fiscal Years

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL FUND										
Administration	3	3	4	4	5	5	5	5.5	5.5	6.5
Code Compliance	-	-	1	1	1	1	1	1	1	1
Court	1	1	1	1	1	1	1	1	1	1
Dispatch	-	-	-	-	-	-	1	6	7	7
Engineering	-	-	-	-	1	1	1	1	1	1
Fire	4.5	5.5	8.5	8.5	8.5	12.5	18.5	18.5	18.5	19.5
Fire Marshal	-	-	-	-	1	1	1	1	1	1
Inspections	1	2	3	4	6	7	8	6	6	7
Library	-	-	-	-	1	1	1	1	1	1
Parks	-	-	-	1	1	2	2	4	4	8
Planning	-	-	1	1	1	2	3	3	2	2
Police	6	6	6	7	9	8	11	10	11	12
Streets	1	1	2	2	2	2	2	2	2	2
Total General Fund	17	19	27	30	38	44	56	60	61	69
ENTERPRISE FUNDS										
Storm Drainage	-	-	-	-	-	-	-	-	1	1
Utility Billing	-	-	-	1	1	2	2	2	2	2.5
Wastewater	1	1	2	3	2	2	2	2	2	3
Water	1	1	2	4	5	5	5	5	5	7
Total General Fund	2	2	4	8	8	9	9	9	10	14
CAPITAL PROJECTS FUND										
	-	-	-	-	-	-	1	1	1	1
	19	21	31	38	46	53	66	70	72	84

Source: Town of Prosper Annual Budget