



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2013

**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, 2013

Prepared by the

### Finance Department

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Trish Featherston – 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](http://WWW.PROSPERTX.GOV)

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PROSPER, TX 75078

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PROSPER, TX 75078

**TOWN OF PROSPER, TEXAS**  
 Comprehensive Annual Financial Report  
 Year Ended September 30, 2013

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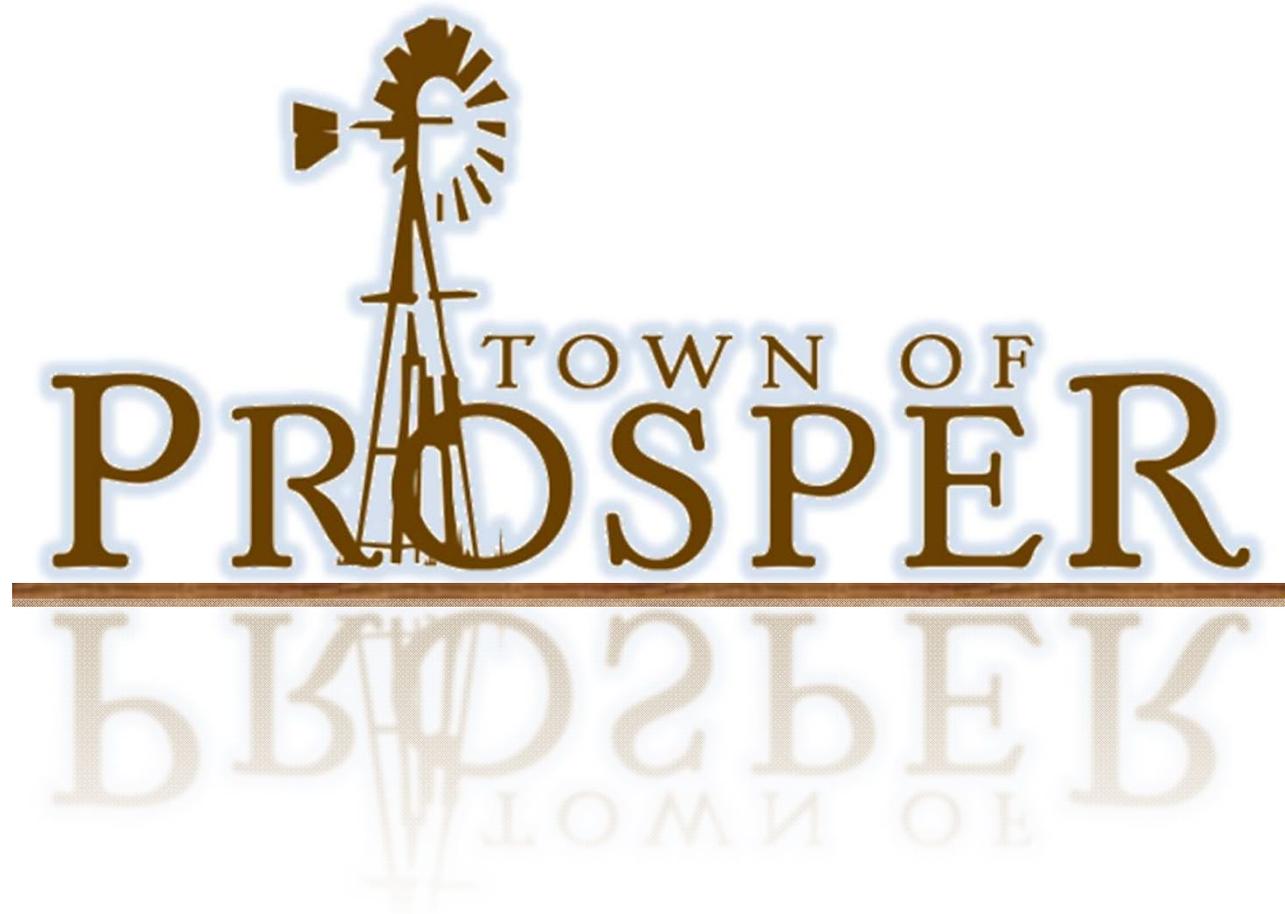
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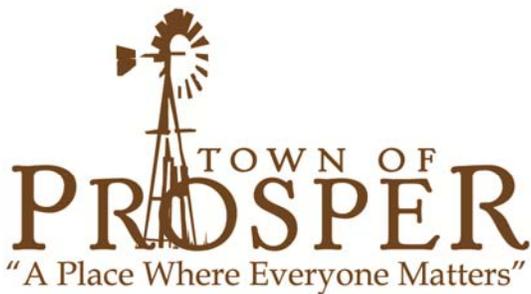
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**INTRODUCTORY  
SECTION**



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

March 10, 2014

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, 2013. 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, 2013, 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, 2013, 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.

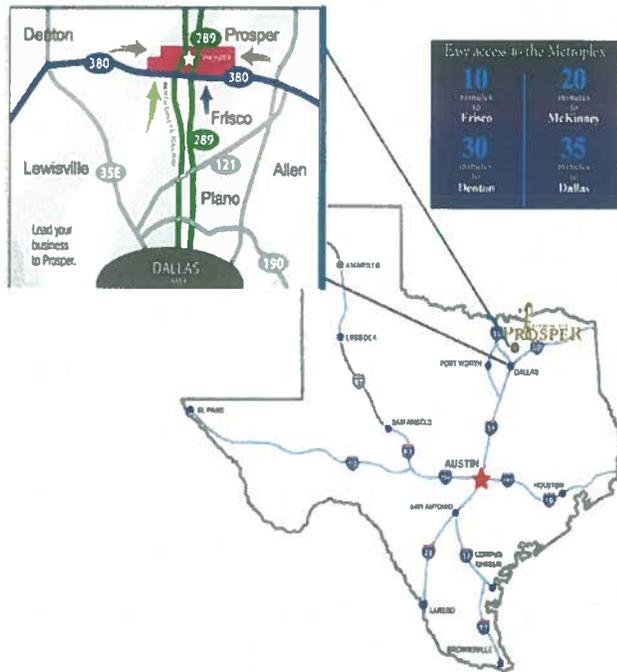
## The Reporting Entity

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.

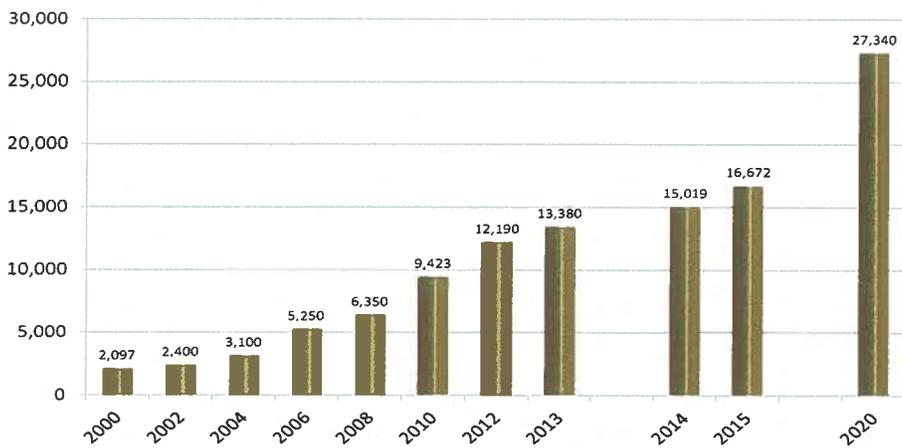
Services the Town provides include: public safety (police, fire protection, dispatch and municipal court), highways and streets, water/wastewater and storm drainage utilities, culture-recreation, code compliance, library, public improvements, planning and zoning, economic development and general administrative 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 home to 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. 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 2014 estimate is 15,019.



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.

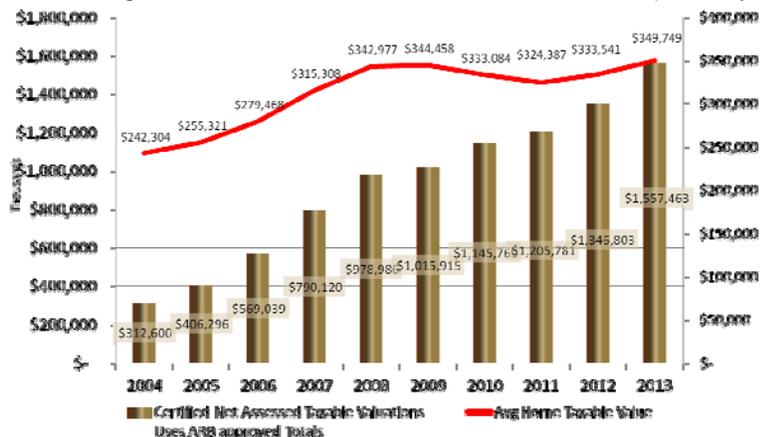
The establishment of the St. Louis & San Francisco Railroad in March of 1902 created the change that forced the communities of Rock Hill and Richland to merge forming the Town of Prosper. For years, Prosper was the central stop for the railroad between Dallas and Sherman. When community officials applied 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. 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 thrived more than 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 2013 averaged \$404,300 in value and 4,741 total square feet. In July of 2010 D Magazine rated Prosper as the 5th Best Suburb in the region.

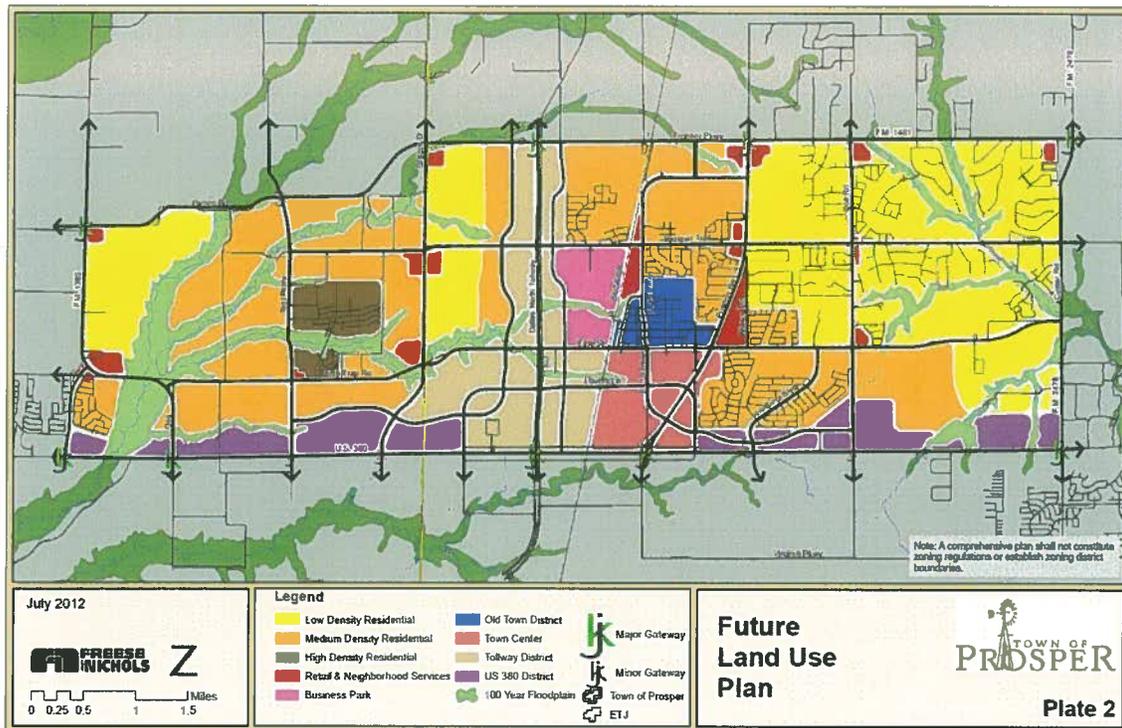


Fortunately, the Town has

Source: Collin CAD and Denton CAD Certified Totals 2004-2013

maintained significant growth. Certified property valuations increased by \$194M (15.5%) for FY 2013-2014. Property values increased from \$1,253.3M to \$1,447.4M. The bulk of the increase came from new construction, accounting for \$118.8M. Most of the Town's current values come from Collin County properties, but the Denton County portion is expected to have 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 and the 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 has continued its implementation of rate recommendations that support the Town Council's adopted Water and Wastewater Utility Comprehensive Business Plan. The Plan 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 rapid 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, 2012. The Town of Prosper, Texas has received a Certificate of Achievement for the last three 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 Cara Hilbrich, 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,



Kent R. Austin, CPFO  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

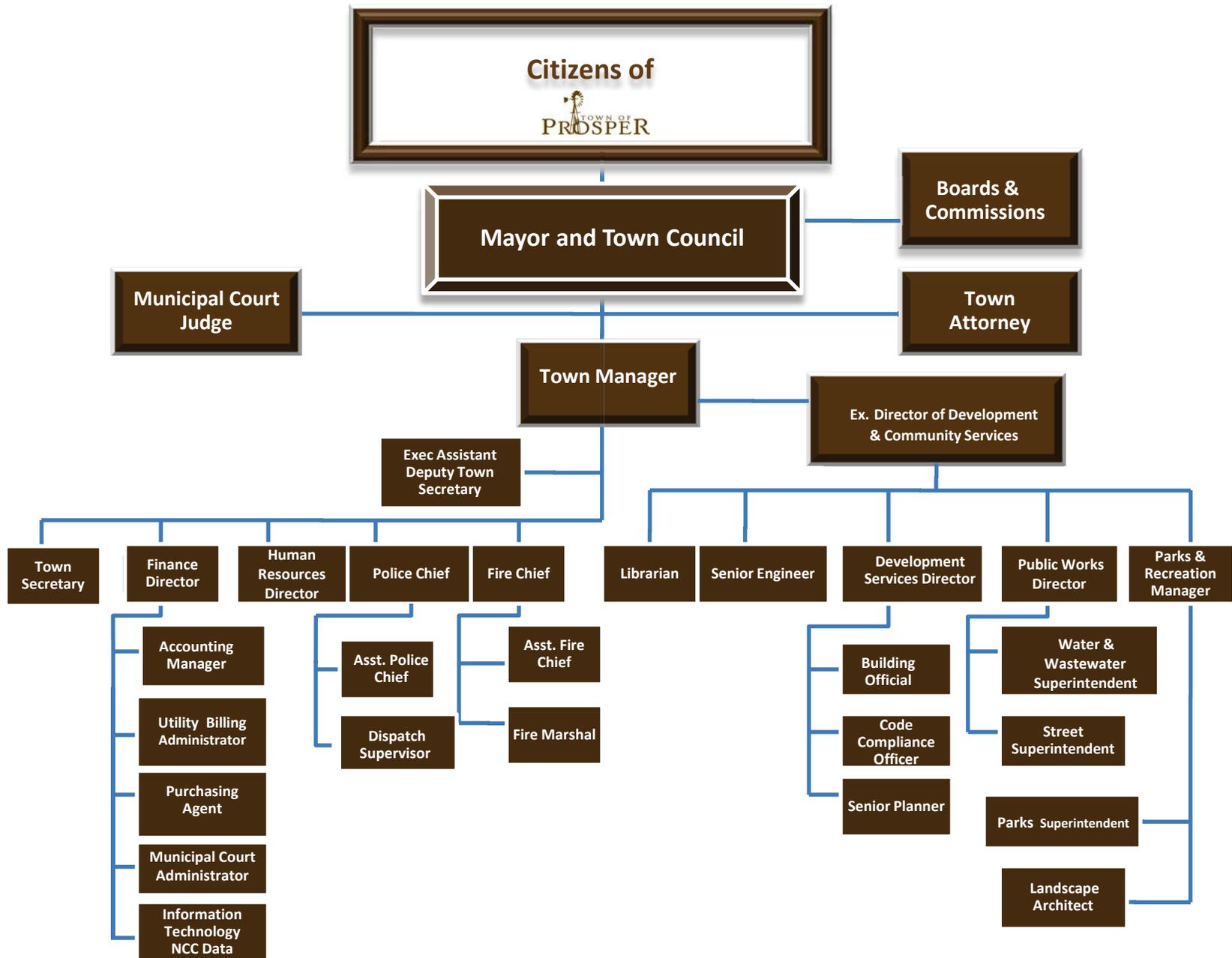
Presented to

**Town of Prosper  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO



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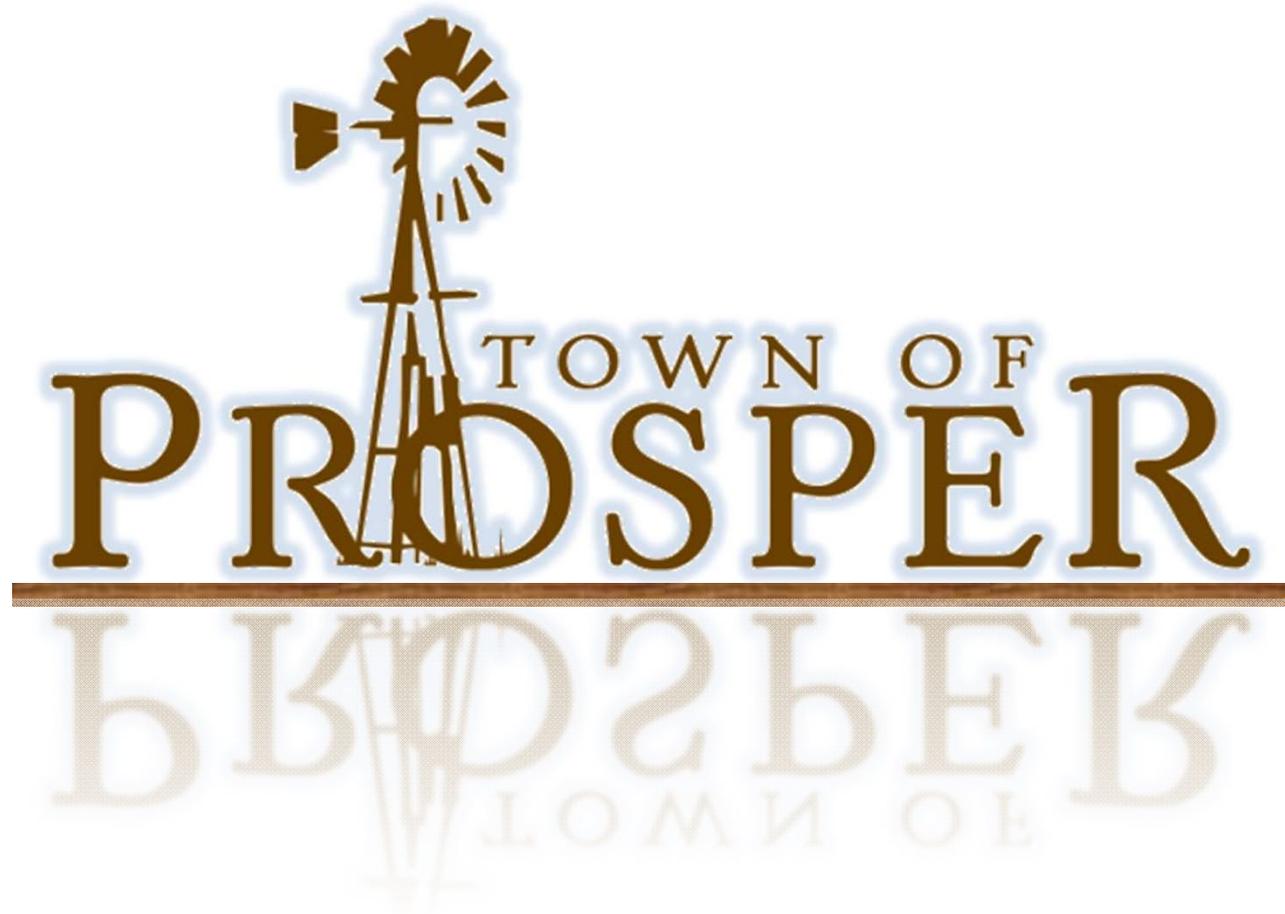
**TOWN OF PROSPER, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

TOWN COUNCIL

MAYOR _____	RAY SMITH	
COUNCIL MEMBER PLACE 4, MAYOR PRO-TEM _____	MEIGS MILLER	
COUNCIL MEMBER PLACE 2, DEPUTY MAYOR PRO-TEM _____	KENNETH DUGGER	
COUNCIL MEMBER PLACE 1 _____	MIKE KORBULY	
COUNCIL MEMBER PLACE 3 _____	CURRY VOGELSANG JR.	
COUNCIL MEMBER PLACE 5 _____	DANNY WILSON	
COUNCIL MEMBER PLACE 6 _____	JASON DIXON	

APPOINTED OFFICIALS

TOWN MANAGER _____	HARLAN JEFFERSON
TOWN SECRETARY _____	ROBYN BATTLE
CHIEF OF POLICE _____	KIRK MCFARLIN
FIRE CHIEF _____	RONNIE TUCKER
EXECUTIVE DIRECTOR OF DEVELOPMENT AND COMMUNITY SERVICES _____	HULON WEBB
DIRECTOR OF FINANCE _____	KENT AUSTIN
DIRECTOR OF DEVELOPMENT SERVICES _____	CHRIS COPPLE
DIRECTOR OF HUMAN RESOURCES _____	BABY RALEY
DIRECTOR OF PUBLIC WORKS _____	FRANK JAROMIN



**FINANCIAL  
SECTION**

## Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council  
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 (the Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general, impact fee and contribution funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
March 7, 2014

**TOWN OF PROSPER, TEXAS**  
Management 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, 2013.

**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 \$84,958,228 (net position). Of this amount, \$15,515,224 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$9,535,072. 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 \$27,546,220 (made up of \$7,082,945 in general fund, \$6,601,570 in impact fee fund, \$1,187,365 in debt service fund, \$9,105,051 in capital projects fund and \$3,569,289 in other governmental funds), an increase of \$1,561,050 in comparison with the prior year. The increase is primarily due to \$7,710,000 in proceeds from issuance of bonds. \$5,201,205 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 \$5,201,205 or 56 percent of total general fund expenditures and is available for spending at the government's discretion.
- The Town's long-term liabilities increased by \$7,070,342 during the year due to issuance of the 2013 General Obligation Refunding Bonds for \$3,830,000 and the 2013 Certificates of Obligation for \$5,235,000.
- The Town's capital assets increased by \$16,519,577 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 Position presents information on all of the Town of Prosper's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 12 – 14 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, capital projects fund and contributions fund, all of which are considered to be major funds.

The Town of Prosper adopts an annual appropriated budget for its general fund, impact fee fund and contributions 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 15 - 25 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 enterprise funds 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. Budgetary comparison statements for the enterprise funds can be found on pages 47 - 48 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 26 - 29.

**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 30 - 46 of this report.

## Government-wide Financial Analysis

As noted earlier, net position 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 \$84,958,228 at the close of the most recent fiscal year.

A portion of the Town of Prosper's net position (70 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 position (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (18 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Town of Prosper's Net Position

#### Government-Wide

(In thousand dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	(Restated)		(Restated)			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 29,615	\$ 27,156	\$ 18,318	\$ 15,214	\$ 47,933	\$ 42,370
Capital assets	68,277	60,930	27,988	18,815	96,265	79,745
<b>Total assets</b>	<b>97,892</b>	<b>88,086</b>	<b>46,306</b>	<b>34,029</b>	<b>144,198</b>	<b>122,115</b>
Deferred charge for debt refunding	10	(10)	28	42	38	32
<b>Total outflows of resources</b>						
Long term liabilities	28,936	26,320	23,299	18,843	52,235	45,163
Other liabilities	1,983	1,163	5,060	398	7,043	1,561
<b>Total liabilities</b>	<b>30,919</b>	<b>27,483</b>	<b>28,359</b>	<b>19,241</b>	<b>59,278</b>	<b>46,724</b>
Net position:						
Invested in capital assets, net of related debt	46,918	41,313	12,643	5,740	59,561	47,053
Restricted	9,882	10,848	-	-	9,882	10,848
Unrestricted	10,183	8,432	5,332	9,090	15,515	17,522
<b>Total net position</b>	<b>\$ 66,983</b>	<b>\$ 60,593</b>	<b>\$ 17,975</b>	<b>\$ 14,830</b>	<b>\$ 84,958</b>	<b>\$ 75,423</b>

**Town of Prosper's Changes in Net Position**  
**Government-wide**  
*(In thousand dollars)*

	Governmental		Business-type		Total	
	Activities		Activities			
	(Restated)		(Restated)			
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,564	\$ 2,304	\$ 9,099	\$ 8,022	\$ 11,663	\$ 10,326
Operating grants & contributions	93	265			93	265
Capital grants & contributions	5,716	5,356			5,716	5,356
General revenues:						
Property taxes	7,314	6,392			7,314	6,392
Other taxes	2,998	2,447			2,998	2,447
Other income	749	1,655	266	156	1,015	1,811
<b>Total revenues</b>	<b>19,434</b>	<b>18,419</b>	<b>9,365</b>	<b>8,178</b>	<b>28,799</b>	<b>26,597</b>
<b>Expenses:</b>						
General government	1,658	1,712			1,658	1,712
Police	1,477	1,197			1,477	1,197
Dispatch	667	657			667	657
Court	307	237			307	237
Fire	2,601	2,250			2,601	2,250
Streets	1,825	1,616			1,825	1,616
Parks and recreation	1,799	1,462			1,799	1,462
Library	87	85			87	85
Engineering	208	144			208	144
Code enforcement	569	453			569	453
Inspections	160	149			160	149
Planning	295	326			295	326
Interest on long-term debt	1,318	1,109			1,318	1,109
Utility			6,293	5,476	6,293	5,476
<b>Total expenses</b>	<b>12,971</b>	<b>11,397</b>	<b>6,293</b>	<b>5,476</b>	<b>19,264</b>	<b>16,873</b>
Transfers	(73)	352	73	(352)	-	-
<b>Change in net position</b>	<b>6,390</b>	<b>7,374</b>	<b>3,145</b>	<b>2,350</b>	<b>9,535</b>	<b>9,724</b>
Net position - beginning of year, restated	60,593	53,219	14,830	12,480	75,423	65,699
Net position - end of year	<u>\$ 66,983</u>	<u>\$ 60,593</u>	<u>\$ 17,975</u>	<u>\$ 14,830</u>	<u>\$ 84,958</u>	<u>\$ 75,423</u>

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

Revenues for FY 2012-13 increased by \$2,202,025 or 9 percent in comparison to FY 2011-12. The increase is primarily due to increases in charges for services and property taxes. Charges for services increased \$1,337,658 over prior year. Property taxes increased \$921,746 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 position by \$6,389,568.

- Impact fee collections increased by \$767,892 (38 percent) and other capital contributions increased by \$609,632 (118 percent), primarily due to planned real estate development. Impact fees are included as part of capital contribution revenues.
- Total governmental activity expenses increased by \$1,574,276 (14 percent) during the year primarily due to an increase in public safety of \$630,674, an increase in parks and recreation of \$337,575, and an increase in streets of \$208,898.

### **Business-type Activities**

Business-type activities increased the Town of Prosper's net position by \$3,145,504.

- Operating revenue increased \$1,092,678 (13 percent) mainly due to increased water sales.
- Operating expenses increased by \$713,303 (15 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 \$27,546,220, an increase of \$1,561,050 from the prior year. Most of the increase is due to increase in property and sales taxes, impact fees and other developer contributions, and proceeds from bond issuance during the year. Of the current combined ending fund balance, \$26,977 is nonspendable due to prepaids, \$18,986,188 is restricted for debt service and capital projects, \$1,855,162 is committed for contingency in accordance with the Town charter, \$1,476,688 is assigned for specific purpose such as impact fees and other specific purposes, and \$5,201,205 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 \$5,201,205. Total unassigned fund balance represents 56 percent of total general fund expenditures. The increase in fund balance of \$2,601 is primarily due to increases in property and sales tax, licenses and permits, and fines, fees, warrants and seizures, offset by transfers out for cash financing of capital projects.

The impact fee fund has a total fund balance of \$6,601,570, which is restricted for capital projects. The decrease in fund balance of \$1,187,021 is due to current year impact fee expenditures and transfers out exceeding impact fee revenues during the year.

The debt service fund has a total fund balance of \$1,187,365, all of which is restricted for payment of debt service. The increase in fund balance of \$297,733 is primarily due to property tax revenues exceeding bond payments during the year.

The capital projects fund has a total fund balance of \$9,105,051, all of which is restricted for construction. The increase in fund balance of \$2,225,335 is primarily due to the issuance of certificates of obligation in the amount of \$3,880,000.

The contributions fund has a total fund balance of \$2,092,061, which is restricted for capital projects. The decrease in fund balance of \$83,088 is due to current year expenditures and transfers out exceeding contribution revenues during the year.

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

Unrestricted net position of the water and sewer fund at the end of the year amounted to \$5,109,484. The total increase in net position of the water and sewer fund was \$3,158,187. 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 \$1,065,211 more than estimated and expenditures were \$576,843 less than budgeted. The majority of the excess revenues were in fines and fees, licenses and permits, and miscellaneous. The majority of expenditure savings was in streets, followed by parks and recreation, fire, court, and capital outlay. The original budget included no change in fund balance for FY 2013. Amendments to the general fund budget, including approximately \$2.2 million for cash financing of capital projects, resulted in a budgeted decrease to fund balance of \$1,665,107. With the variances noted above, the actual increase to fund balance was \$2,601.

**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, 2013 is \$96,265,007 (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 \$9,773,234. 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 \$9,792,786. The majority of this activity was funded from bond proceeds and was for new water and sewer projects.

	Governmental		Business-type		Total	
	Activities		Activities			
	(Restated)		(Restated)			
	2013	2012	2013	2012	2013	2012
Government-wide capital assets:						
Non-depreciable assets	\$ 13,313	\$ 13,892	\$ 10,778	\$ 1,073	\$ 24,091	\$ 14,965
Depreciable assets	65,934	55,616	21,959	21,871	87,893	77,487
Total capital assets	<u>79,247</u>	<u>69,508</u>	<u>32,737</u>	<u>22,944</u>	<u>111,984</u>	<u>92,452</u>
Less accumulated depreciation	<u>(10,970)</u>	<u>(8,578)</u>	<u>(4,749)</u>	<u>(4,129)</u>	<u>(15,719)</u>	<u>(12,707)</u>
Government-wide capital assets, net	<u>\$ 68,277</u>	<u>\$ 60,930</u>	<u>\$ 27,988</u>	<u>\$ 18,815</u>	<u>\$ 96,265</u>	<u>\$ 79,745</u>

Additional information on the Town of Prosper's capital assets can be found in Note 5 on pages 37 - 38 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Prosper had bonded debt outstanding of \$49,449,300. This amount comprises debt backed by the full faith and credit of the government.

The Town of Prosper's bond ratings are AA as assigned by Standard & Poor's on February 6, 2014 and Aa2 as assigned by Moody's on February 10, 2014.

Total long-term debt consisted of the following:

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Government-wide long-term debt:						
Certificates of obligation	\$ 26,746	\$ 23,972	\$ 22,703	\$ 18,447	\$ 49,449	\$ 42,419
Taxnotes payable	1,425	1,765			1,425	1,765
Compensated absences payable	386	349	49	45	435	394
Total government-wide long-term debt	<u>\$ 28,557</u>	<u>\$ 26,086</u>	<u>\$ 22,752</u>	<u>\$ 18,492</u>	<u>\$ 51,309</u>	<u>\$ 44,578</u>

Additional information on the Town of Prosper's long-term debt can be found in note 8 on pages 40 - 42 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 2013-2014 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 \$194,145,639 (15.5%) for FY 2013-2014. Property values increased from \$1,253,320,576 to \$1,447,466,215. Most of the increase came from new construction, accounting for \$118,813,678. Most of the Town's current values come from Collin County properties, but the Denton County portion is expected to have new developments in the near future.
- Sales tax revenue is projected to reach \$2,736,900, compared to FY 2013's actual amount of \$2,478,039. Growth in new business and a general increase in existing retail sales are expected in FY 2014, just as in FY 2013.
- Building Permit Revenues are expected to increase to \$1,554,300 or 22% when compared to the Fiscal Year 2012-2013 Adopted Budget of \$1,275,000. The Town expects to issue 525 or more new residential permits in the coming year.
- Municipal Court Fines, Licenses and Franchise Fees are projected to rise slightly with population.
- Revenues for the Water, Sewer and Solid Waste Fund are expected to increase to \$8,975,450, including an adopted rate structure design change from FY 2013, 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 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 to once again offer some multi-year rate stability on this service.

### Appropriation Budget Highlights

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

Program Enhancement and Capital Expenditures included in the adopted appropriations and planned for the 2013-2014 Fiscal Year by Division are as follows:

#### *Administration*

The Town budgeted money to lease a modular building for Finance and Human Resources staff, allowing the Town Manager's Office to relocate to Town Hall from borrowed space in the Prosper Economic Development Corporation offices. Ultimately the Town plans to select an architect to design a new, larger Town Hall and begin construction in two years.

During FY 2013 the Town formally established a Purchasing function with the hiring of a Purchasing Manager.

#### *Community Library*

The cost for Librarian Services with the City of Celina is included in the adopted budget. During early FY 2014 the Town amended the budget to include a 30-hour per week Library Director. This position meets State Library System accreditation standards and allows the library to remain eligible for Collin County library funding.

#### *Police Operations & Dispatch*

Three replacement vehicles are included in the Police Department budget.

#### *Fire, EMS & Fire Marshall*

The part-time Fire Chief became a full-time Town of Prosper Fire Chief during FY 2013. In November 2013 the Town selected an architectural firm to design the Town's second fire station. Construction is expected to begin in 2014.

#### *Streets*

The Streets department budget includes money for school zone flashers, State Highway 289 (Preston Road) stamp and stain plus irrigation conduits, decorative monument signs, and downtown enhancements.

#### *Development Services*

Updating of the Town subdivision ordinance is included in the budget. In Parks and Recreation, the budget includes updating of the parks master plan, improvements to Frontier Park, and maintenance capital improvements.

#### *Water/Wastewater Utility*

The adopted budget adds funding for a backhoe, skid steer equipment, mower, generator, GIS Work Order System, and modular Public Works building.

The following items also have been incorporated into the Adopted Fiscal Year 2013-2014 Budget:

- FY 2012-2013 was the final year of the multi-year strategy to bring Prosper's compensation in line with the market. Time in position pay adjustments were implemented, moving more experienced employees further into the pay range. All employees, except those with less than six months at Prosper, were scheduled to receive at least a 1.5% increase. The FY 2013-2014 proposed budget contains a merit/pay for performance opportunity for employees. They will be eligible to receive up to a 3% increase to their base salary. The proposal is consistent with the proposed compensation adjustments for many municipalities in the Metroplex. The total financial impact to the Town for the compensation revisions is \$141,183. The Town will need to solidify a new multi-year compensation strategy in preparation for the FY 2014-2015 budget.
- The TMRS rate budgeted for FY 2014 is 10.74%, which is equal to the Annual Required Contribution (ARC) Rate required by GASB Statement Number 27.
- The Town is offering two medical plan options with two methods of payment: PPO Core (Preferred Provider Organization) and HDHP (High Deductible Health Plan). Overall, the Town's medical benefits remain competitive in today's market.
- Design work is underway on the Town's second fire station, Windsong Ranch Fire Station in the western part of Prosper. Staffing, debt service, and operations & maintenance are projected to total \$1,941,862. The Town needs to develop a multi-year strategy to pay for the one-time and recurring costs.
- During FY 2014, the Town refunded \$7,480,000 of its 2004 series bonds and issued \$13,100,000 in certificates of obligation for the Town's share of the upcoming Doe Branch Water Reclamation Plant, to be built and operated by the Upper Trinity Regional Water District. The impact on the tax rate and wastewater rate will be felt in FY 2015.
- 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 renewed 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 2013-2014 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 Position

September 30, 2013

	<u>Primary Government</u>			<b>Component Unit</b>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Prosper Economic Development Corporation</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,240,226	\$ 2,048,811	\$ 7,289,037	\$ 2,113,779
Investments	6,380,241	4,107,097	10,487,338	2,515
Taxes receivable, net	526,303		526,303	154,214
Receivables, net	371,998	921,280	1,293,278	
Due from component unit	194,626		194,626	
Prepaid	26,977	2,300	29,277	2,527
Inventory		49,805	49,805	
Internal balances	661,968	(661,968)	-	
Restricted cash and investments	16,212,470	11,850,395	28,062,865	
Capital assets:				
Land and construction in progress	13,313,110	10,777,414	24,090,524	
Other capital assets, net	54,964,108	17,210,375	72,174,483	
<b>Total assets</b>	<u>97,892,027</u>	<u>46,305,509</u>	<u>144,197,536</u>	<u>2,273,035</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges for refunding	9,874	27,913	37,787	
<b>Total outflows of resources</b>	<u>9,874</u>	<u>27,913</u>	<u>37,787</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	1,808,387	977,944	2,786,331	5,627
Accrued interest	153,790	108,356	262,146	
Customer deposits and escrow payable	20,902	3,973,607	3,994,509	
Due to primary government			-	194,626
Noncurrent liabilities:				
Due within one year	1,770,563	1,221,795	2,992,358	
Due in more than one year	27,165,062	22,076,689	49,241,751	10,699
<b>Total liabilities</b>	<u>30,918,704</u>	<u>28,358,391</u>	<u>59,277,095</u>	<u>210,952</u>
<b>NET POSITION</b>				
Net investment in capital assets	46,918,373	12,643,095	59,561,468	
Restricted for:				
Debt service	1,187,365		1,187,365	
Capital projects	8,694,171		8,694,171	
Unrestricted	10,183,288	5,331,936	15,515,224	2,062,083
<b>Total net position</b>	<u>\$ 66,983,197</u>	<u>\$ 17,975,031</u>	<u>\$ 84,958,228</u>	<u>\$ 2,062,083</u>

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

**TOWN OF PROSPER, TEXAS**  
Statement of Activities  
For the Year Ended September 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government	\$ 1,657,968	\$ 330,513	\$ 9,612	\$ 468,725
Police	1,476,972	30,619	21,119	
Dispatch	666,610			
Court	306,779	151,937	2,416	
Fire	2,600,901	168,945	41,404	
Streets	1,825,205			4,630,376
Parks and recreation	1,799,314	2,490		617,331
Library	87,047		18,087	
Engineering	208,390			
Inspections	569,049	1,784,263		
Code enforcement	159,160	5,650		
Planning	294,749	89,543		
Interest and fiscal charges	1,318,382			
<b>Total governmental activities</b>	<u>12,970,526</u>	<u>2,563,960</u>	<u>92,638</u>	<u>5,716,432</u>
<b>Business-type activities</b>				
Water and sewer	6,094,580	8,875,285		
Storm drainage	198,178	223,691		
<b>Total business-type activities</b>	<u>6,292,758</u>	<u>9,098,976</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 19,263,284</u>	<u>\$ 11,662,936</u>	<u>\$ 92,638</u>	<u>\$ 5,716,432</u>
<b>Component Unit</b>				
Economic development	1,179,702			
<b>Total component unit</b>	<u>\$ 1,179,702</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**General Revenues and Transfers**

Property taxes  
Sales and use taxes  
Franchise taxes  
Unrestricted investment earnings  
Miscellaneous revenue  
Transfers  
Total general revenues and transfers

**Change in net position**

**Net position - beginning (restated)**

**Net position - ending**

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Prosper Economic Development Corporation
\$ (849,118)	\$	\$ (849,118)	
(1,425,234)		(1,425,234)	
(666,610)		(666,610)	
(152,426)		(152,426)	
(2,390,552)		(2,390,552)	
2,805,171		2,805,171	
(1,179,493)		(1,179,493)	
(68,960)		(68,960)	
(208,390)		(208,390)	
1,215,214		1,215,214	
(153,510)		(153,510)	
(205,206)		(205,206)	
(1,318,382)		(1,318,382)	
(4,597,496)		(4,597,496)	
	2,780,705	2,780,705	
	25,513	25,513	
-	2,806,218	2,806,218	
(4,597,496)	2,806,218	(1,791,278)	
			\$ (1,179,702)
			(1,179,702)
7,313,572		7,313,572	
2,478,039		2,478,039	823,710
519,962		519,962	
166,776	175,062	341,838	21,559
581,802	91,137	672,939	31
(73,087)	73,087	-	
10,987,064	339,286	11,326,350	845,300
6,389,568	3,145,504	9,535,072	(334,402)
60,593,629	14,829,527	75,423,156	2,396,485
\$ 66,983,197	\$ 17,975,031	\$ 84,958,228	\$ 2,062,083

**TOWN OF PROSPER, TEXAS**  
 Balance Sheet - Governmental Funds  
 September 30, 2013

	General Fund	Impact Fee Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,825,540	\$	\$
Investments	5,227,137		
Taxes receivable (net)	507,288		19,015
Accounts receivable (net)	163,452	200,000	348
Due from other funds	110,826	773,835	
Due from component unit		255,900	
Prepaid	26,578		
Restricted cash and investments		6,300,926	1,187,017
<b>Total Assets</b>	<b>\$ 10,860,821</b>	<b>\$ 7,530,661</b>	<b>\$ 1,206,380</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 419,773	\$ 37,891	\$
Escrow payable			
Due to other funds	3,166,911	891,200	
Due to component unit	62,867		
<b>Total Liabilities</b>	<b>3,649,551</b>	<b>929,091</b>	<b>-</b>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Property taxes	44,587		19,015
Fines and fees	83,738		
<b>Total Deferred Inflows of Resources</b>	<b>128,325</b>	<b>-</b>	<b>19,015</b>
 <b>Fund Balance</b>			
Nonspendable for:			
Prepaid	26,578		
Restricted for:			
Debt service			1,187,365
Capital projects		6,601,570	
Committed for:			
Contingency	1,855,162		
Assigned			
Unassigned	5,201,205		
<b>Total Fund Balances</b>	<b>7,082,945</b>	<b>6,601,570</b>	<b>1,187,365</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 10,860,821</b>	<b>\$ 7,530,661</b>	<b>\$ 1,206,380</b>

The accompanying notes are an integral part of these financial statements

Capital Projects Funds	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$	\$	\$	\$
		226,607	5,052,147
		1,153,104	6,380,241
			526,303
	3,198		366,998
2,218,515	1,464,703	112,578	4,680,457
			255,900
	399		26,977
7,913,626	810,901		16,212,470
<u>\$ 10,132,141</u>	<u>\$ 2,279,201</u>	<u>\$ 1,492,289</u>	<u>\$ 33,501,493</u>
\$	\$	\$	\$
1,023,249	165,698	15,601	1,662,212
	20,902		20,902
3,841			4,061,952
			62,867
<u>1,027,090</u>	<u>186,600</u>	<u>15,601</u>	<u>5,807,933</u>
			63,602
			83,738
<u>-</u>	<u>-</u>	<u>-</u>	<u>147,340</u>
	399		26,977
			1,187,365
9,105,051	2,092,202		17,798,823
			1,855,162
		1,476,688	1,476,688
			5,201,205
<u>9,105,051</u>	<u>2,092,601</u>	<u>1,476,688</u>	<u>27,546,220</u>
<u>\$ 10,132,141</u>	<u>\$ 2,279,201</u>	<u>\$ 1,492,289</u>	<u>\$ 33,501,493</u>

**TOWN OF PROSPER, TEXAS**

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
September 30, 2013

Total Fund Balances - Governmental Funds \$ 27,546,220

Amounts reported for governmental activities in the statement of net position (page 12) 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. 68,277,218

Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements. (28,171,300)

Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements. (385,626)

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. (153,790)

Premiums (\$378,699) on bond issuances less deferred losses on bond refunding of (\$9,874) 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. (368,825)

Receivables from property taxes and fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 147,340

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 position. The net effect is to increase net position. 91,960

Net Position of Governmental Activities \$ 66,983,197

The accompanying notes are an integral part of these financial statements

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2013

	General Fund	Impact Fee Fund	Debt Service Fund
<b>REVENUES</b>			
Taxes:			
Property	\$ 4,400,687	\$	\$ 2,822,124
Sales	2,478,039		
Franchise	519,962		
Licenses and permits	1,751,796		
Charges for services	165,195		
Intergovernmental			
Impact fees		2,808,778	
Escrow income			
Grants	49,363		
Investment income	92,129	34,939	21,093
Fines, fees, warrants and seizures	645,500		
Contributions			
Miscellaneous	569,632		
Total Revenues	10,672,303	2,843,717	2,843,217
<b>EXPENDITURES</b>			
Current:			
General government	1,491,595		
Police	1,398,108		
Dispatch	559,486		
Court	116,149		
Fire	2,364,988		
Streets	357,514	166,066	
Parks and recreation	981,245		
Library	87,047		
Engineering	208,390		
Inspection	564,118		
Code enforcement	159,160		
Planning	293,267		
Capital outlay	694,744	22,472	
Debt service:			
Principal			1,395,650
Interest and fiscal charges			1,153,160
Bond issue costs and fees			111,195
Total Expenditures	9,275,811	188,538	2,660,005
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>\$ 1,396,492</b>	<b>\$ 2,655,179</b>	<b>\$ 183,212</b>

The accompanying notes are an integral part of these financial statements

Capital Projects Funds	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$	\$	\$	\$
			7,222,811
			2,478,039
			519,962
			1,751,796
			165,195
1,729,787			1,729,787
			2,808,778
	91,811		91,811
			49,363
14,686	1,213	1,854	165,914
	1,469		646,969
468,725	43,275	617,331	1,129,331
			569,632
<u>2,213,198</u>	<u>137,768</u>	<u>619,185</u>	<u>19,329,388</u>
129,148			1,620,743
	15,835		1,413,943
			559,486
	190,405		306,554
	7,308		2,372,296
			523,580
	7,308	90,933	1,079,486
			87,047
			208,390
			564,118
			159,160
			293,267
8,882,101		173,917	9,773,234
			1,395,650
			1,153,160
46,815			158,010
<u>9,058,064</u>	<u>220,856</u>	<u>264,850</u>	<u>21,668,124</u>
\$ (6,844,866)	\$ (83,088)	\$ 354,335	\$ (2,338,736)

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Debt Service Fund</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from insurance	\$ 11,765	\$	\$
Issuance of debt			3,830,000
Premium on issuance of bonds			168,875
Payments to bond escrow agent			(3,898,607)
Transfer in	827,344		14,253
Transfer out	<u>(2,233,000)</u>	<u>(3,842,200)</u>	
Total Other Financing Sources (Uses)	<u>(1,393,891)</u>	<u>(3,842,200)</u>	<u>114,521</u>
<b>Net change in fund balances</b>	2,601	(1,187,021)	297,733
<b>Fund balances, beginning</b>	<u>7,080,344</u>	<u>7,788,591</u>	<u>889,632</u>
<b>Fund balances, ending</b>	<u>\$ 7,082,945</u>	<u>\$ 6,601,570</u>	<u>\$ 1,187,365</u>

The accompanying notes are an integral part of these financial statements

Capital Projects Funds	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$ 3,880,000	\$	\$	\$ 11,765
			7,710,000
			168,875
5,215,845			(3,898,607)
(25,644)		(48,845)	6,057,442
<u>9,070,201</u>	<u>-</u>	<u>(48,845)</u>	<u>(6,149,689)</u>
			3,899,786
2,225,335	(83,088)	305,490	1,561,050
<u>6,879,716</u>	<u>2,175,689</u>	<u>1,171,198</u>	<u>25,985,170</u>
<u>\$ 9,105,051</u>	<u>\$ 2,092,601</u>	<u>\$ 1,476,688</u>	<u>\$ 27,546,220</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, 2013

Net Change in Fund Balances - Governmental Funds	\$ 1,561,050
Amounts reported for governmental activities in the statement of activities (pages 13 - 14) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$9,773,234) is exceeded by depreciation expense (\$2,426,510).	7,346,724
Principal payments on bonds payable of \$1,395,650 and refunded bonds of \$3,880,000 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	5,275,650
Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements.	(124,140)
Proceeds from issuance of bonds are recorded as other financing sources in the fund financial statements but increases liabilities in the government-wide financial statements.	(7,710,000)
Additions to liabilities for compensated absences are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net position.	(36,984)
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. The increase in interest accrual decreases net position.	(7,212)
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 position of the insurance fund is reported with governmental activities.	(6,281)
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements. The effect of recognizing deferred tax and fines revenue of \$147,340 and removing prior year's deferred tax recognized of \$56,579 is to increase net position.	<u>90,761</u>
Change in Net Position of Governmental Activities	<u><u>\$ 6,389,568</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended September 30, 2013

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES:</b>				
Taxes				
Property	\$ 4,309,802	\$ 4,337,802	\$ 4,400,687	\$ 62,885
Sales	1,404,500	2,487,500	2,478,039	(9,461)
Franchise	434,500	441,000	519,962	78,962
Licenses and permits	1,400,000	1,631,800	1,751,796	119,996
Charges for services	187,000	184,000	165,195	(18,805)
Grants	30,250	49,587	49,363	(224)
Investment income	60,100	60,130	92,129	31,999
Fines, fees, warrants and seizures	500,525	345,300	645,500	300,200
Miscellaneous	34,250	69,973	569,632	499,659
	<u>8,360,927</u>	<u>9,607,092</u>	<u>10,672,303</u>	<u>1,065,211</u>
<b>EXPENDITURES:</b>				
General government	1,535,477	1,521,410	1,491,595	29,815
Police	1,529,755	1,394,821	1,398,108	(3,287)
Dispatch	635,680	549,692	559,486	(9,794)
Court	234,730	202,356	116,149	86,207
Fire	2,487,308	2,454,933	2,364,988	89,945
Streets	387,944	532,497	357,514	174,983
Parks and recreation	833,675	1,075,342	981,245	94,097
Library	94,895	95,925	87,047	8,878
Inspections	582,195	574,816	564,118	10,698
Code enforcement	169,370	164,596	159,160	5,436
Planning	333,823	297,776	293,267	4,509
Engineering	157,575	219,377	208,390	10,987
Capital outlay	163,200	769,113	694,744	74,369
	<u>9,145,627</u>	<u>9,852,654</u>	<u>9,275,811</u>	<u>576,843</u>
Excess of revenues over expenditures	(784,700)	(245,562)	1,396,492	1,642,054
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from insurance		11,755	11,765	10
Transfers in	801,700	801,700	827,344	25,644
Transfers out	(17,000)	(2,233,000)	(2,233,000)	-
	<u>784,700</u>	<u>(1,419,545)</u>	<u>(1,393,891)</u>	<u>25,654</u>
Change in fund balances	-	(1,665,107)	2,601	1,667,708
Fund balances, beginning	<u>7,080,344</u>	<u>7,080,344</u>	<u>7,080,344</u>	<u>-</u>
Fund balances, ending	<u>\$ 7,080,344</u>	<u>\$ 5,415,237</u>	<u>\$ 7,082,945</u>	<u>\$ 1,667,708</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget (GAAP Basis) and Actual - Impact Fee Fund  
For the Year Ended September 30, 2013

	Impact Fee Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Impact fees	\$ 2,600,000	\$ 2,051,997	\$ 2,808,778	\$ 756,781
Investment income	20,000	28,100	34,939	6,839
Total revenues	<u>2,620,000</u>	<u>2,080,097</u>	<u>2,843,717</u>	<u>763,620</u>
<b>EXPENDITURES:</b>				
Streets	1,535,000	329,900	166,066	163,834
Capital outlay	4,628,000	-	22,472	(22,472)
Total expenditures	<u>6,163,000</u>	<u>329,900</u>	<u>188,538</u>	<u>141,362</u>
Excess of revenues over expenditures	(3,543,000)	1,750,197	2,655,179	904,982
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out		(2,951,000)	(3,842,200)	(891,200)
Total other financing sources (uses)	<u>-</u>	<u>(2,951,000)</u>	<u>(3,842,200)</u>	<u>(891,200)</u>
Change in fund balances	(3,543,000)	(1,200,803)	(1,187,021)	13,782
Fund balances, beginning	<u>7,788,591</u>	<u>7,788,591</u>	<u>7,788,591</u>	
Fund balances, ending	<u>\$ 4,245,591</u>	<u>\$ 6,587,788</u>	<u>\$ 6,601,570</u>	<u>\$ 13,782</u>

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

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget (GAAP Basis) and Actual - Contributions Fund  
For the Year Ended September 30, 2013

	Contributions Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Escrow income	\$ -	\$ 4,007,900	\$ 91,811	\$ (3,916,089)
Investment income	-	-	1,213	1,213
Fines, fees, warrants and seizures	500	600	1,469	869
Contributions	51,900	43,000	43,275	275
Total revenues	52,400	4,051,500	137,768	(3,913,732)
<b>EXPENDITURES:</b>				
Police	10,500	17,244	15,835	1,409
Court	30,700	4,961,587	190,405	4,771,182
Fire	8,000	6,850	7,308	(458)
Parks and recreation	10,000	9,000	7,308	1,692
Total expenditures	59,200	4,994,681	220,856	4,773,825
Change in fund balances	(6,800)	(943,181)	(83,088)	860,093
Fund balances, beginning	2,175,689	2,175,689	2,175,689	-
Fund balances, ending	\$ 2,168,889	\$ 1,232,508	\$ 2,092,601	\$ 860,093

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

**TOWN OF PROSPER, TEXAS**  
Statement of Net Position - Proprietary Funds  
September 30, 2013

	Enterprise Funds			Governmental
	Water and Sewer Fund	Other Nonmajor Enterprise Fund	Total Enterprise Funds	Activities- Internal Service Fund
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,801,479	\$ 247,332	\$ 2,048,811	\$ 188,079
Investments	4,107,097	-	4,107,097	
Receivables (net)	893,486	27,794	921,280	5,000
Due from other funds	914,896	-	914,896	53,082
Due from component unit	-	-	-	1,593
Prepaid	2,300	-	2,300	
Inventory	49,805	-	49,805	
Restricted cash and cash equivalents	11,850,395	-	11,850,395	
Total Current Assets	<u>19,619,458</u>	<u>275,126</u>	<u>19,894,584</u>	<u>247,754</u>
Noncurrent Assets:				
Capital assets				
Nondepreciable	10,777,414	-	10,777,414	
Depreciable, net	17,187,466	22,909	17,210,375	
Total Noncurrent Assets	<u>27,964,880</u>	<u>22,909</u>	<u>27,987,789</u>	<u>-</u>
Total Assets	<u>47,584,338</u>	<u>298,035</u>	<u>47,882,373</u>	<u>247,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges for refunding	27,913	-	27,913	
Total Outflows of Resources	<u>27,913</u>	<u>-</u>	<u>27,913</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued expenses	928,038	49,906	977,944	146,175
Deposits and funds held in escrow	3,973,607	-	3,973,607	
Due to other funds	1,574,096	2,768	1,576,864	9,619
Accrued interest	108,356	-	108,356	
Current portion of long-term liabilities				
Compensated absences	24,545	-	24,545	
Bonds payable	1,197,250	-	1,197,250	
Total Current Liabilities	<u>7,805,892</u>	<u>52,674</u>	<u>7,858,566</u>	<u>155,794</u>
Noncurrent Liabilities:				
Compensated absences	24,544	-	24,544	
Bonds payable	22,052,145	-	22,052,145	
Total Noncurrent Liabilities	<u>22,076,689</u>	<u>-</u>	<u>22,076,689</u>	<u>-</u>
Total Liabilities	<u>29,882,581</u>	<u>52,674</u>	<u>29,935,255</u>	<u>155,794</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,620,186	22,909	12,643,095	
Unrestricted	5,109,484	222,452	5,331,936	91,960
Total Net Position	<u>\$ 17,729,670</u>	<u>\$ 245,361</u>	<u>\$ 17,975,031</u>	<u>\$ 91,960</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenses and Changes  
In Fund Net Position - Proprietary Funds  
For the Year Ended September 30, 2013

	Enterprise Funds			Governmental
	Water and Sewer Fund	Other Nonmajor Enterprise Fund	Total Enterprise Funds	Activities- Internal Service Fund
<b>OPERATING REVENUE</b>				
Water and sewer charges	\$ 7,371,604	\$ -	\$ 7,371,604	\$ -
Sanitation charges	891,160	-	891,160	-
Storm drainage utility fees	-	223,691	223,691	-
Water and sewer connections	559,186	-	559,186	-
Service initiation	53,335	-	53,335	-
Insurance charges for services	-	-	-	21,810
Miscellaneous	91,137	-	91,137	405
<b>Total Operating Revenue</b>	<b>8,966,422</b>	<b>223,691</b>	<b>9,190,113</b>	<b>22,215</b>
<b>OPERATING EXPENSES</b>				
Personnel services	845,725	28,229	873,954	-
Materials and supplies	245,047	13,377	258,424	-
Contractual services	3,734,035	74,234	3,808,269	48,518
Depreciation	616,513	3,420	619,933	-
<b>Total Operating Expenses</b>	<b>5,441,320</b>	<b>119,260</b>	<b>5,560,580</b>	<b>48,518</b>
<b>Operating Income</b>	<b>3,525,102</b>	<b>104,431</b>	<b>3,629,533</b>	<b>(26,303)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	172,718	2,344	175,062	862
Interest expense	(551,150)	(78,918)	(630,068)	-
Bond issuance cost	(102,110)	-	(102,110)	-
<b>Total Non-operating Revenues (Expenses)</b>	<b>(480,542)</b>	<b>(76,574)</b>	<b>(557,116)</b>	<b>862</b>
<b>Income before transfers</b>	<b>3,044,560</b>	<b>27,857</b>	<b>3,072,417</b>	<b>(25,441)</b>
Transfers in	919,200	-	919,200	19,160
Transfers out	(805,573)	(40,540)	(846,113)	-
<b>Total Transfers</b>	<b>113,627</b>	<b>(40,540)</b>	<b>73,087</b>	<b>19,160</b>
<b>Change in net position</b>	<b>3,158,187</b>	<b>(12,683)</b>	<b>3,145,504</b>	<b>(6,281)</b>
<b>Net position, at beginning of year, restated</b>	<b>14,571,483</b>	<b>258,044</b>	<b>14,829,527</b>	<b>98,241</b>
<b>Net position, at end of year</b>	<b>\$ 17,729,670</b>	<b>\$ 245,361</b>	<b>\$ 17,975,031</b>	<b>\$ 91,960</b>

The accompanying notes are an integral part of these financial statements

**TOWN OF PROSPER, TEXAS**  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2013

	Enterprise Funds	
	Water and Sewer Fund	Other Nonmajor Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 8,945,723	\$ 221,336
Cash contributions for insurance premiums		
Cash payments to suppliers for goods and services	(3,234,959)	(48,560)
Cash payments for insurance premiums		
Cash payments to employees for services	(841,408)	(28,685)
Net cash provided by operating activities	4,869,356	144,091
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to/from other funds	113,627	(40,540)
Advances to other funds	660,869	3,448
Net cash provided (used) by noncapital financing activities	774,496	(37,092)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Proceeds from the issuance of debt	5,235,000	-
Premiums received on long-term debt	231,175	
Bond issuance cost paid on long-term debt	(102,110)	
Principal paid on bonds	(979,350)	-
Acquisition and construction of capital assets	(9,768,176)	(6,295)
Interest paid on bonds	(642,494)	(78,918)
Increase in escrow funds for capital acquisitions	3,924,660	
Net cash (used) by capital and related financing activities	(2,101,295)	(85,213)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer of funds to investments	(102,389)	-
Interest on deposits and investments	172,718	2,344
Net cash provided by investing activities	70,329	2,344
Net increase in cash & cash equivalents	3,612,886	24,130
Cash and cash equivalents at beginning of year	10,038,988	223,202
Cash and cash equivalents at end of year	\$ 13,651,874	\$ 247,332
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 3,525,102	\$ 104,431
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	616,513	3,420
(Increase) decrease in accounts receivable	(39,646)	(2,355)
(Increase) decrease in inventory and prepaid	15,019	-
Increase (decrease) in accounts payable	729,104	39,051
Increase (decrease) in compensated absences	4,317	(456)
Increase (decrease) in customer deposits	18,947	
Net cash provided (used) by operating activities	\$ 4,869,356	\$ 144,091

The accompanying notes are an integral part of these financial statements

Total Enterprise Funds	Governmental Activities- Internal Service Fund
\$ 9,167,059	\$
-	20,811
(3,283,519)	
-	75,379
(870,093)	
<u>5,013,447</u>	<u>96,190</u>
73,087	19,160
664,317	(24,080)
<u>737,404</u>	<u>(4,920)</u>
5,235,000	
231,175	
(102,110)	
(979,350)	
(9,774,471)	
(721,412)	
3,924,660	
<u>(2,186,508)</u>	<u>-</u>
(102,389)	
175,062	862
<u>72,673</u>	<u>862</u>
3,637,016	92,132
<u>10,262,190</u>	<u>95,947</u>
\$ <u>13,899,206</u>	\$ <u>188,079</u>
\$ 3,629,533	\$ (26,303)
619,933	
(42,001)	(1,404)
15,019	
768,155	123,897
3,861	
<u>18,947</u>	<u></u>
\$ <u>5,013,447</u>	\$ <u>96,190</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**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 position 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 the Financial Statements  
For the Year Ended September 30, 2013

**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 *contribution fund*, a special revenue fund, accounts for contributions made to the Town which are restricted for various purposes.

The government reports the following major proprietary fund:

The *water and sewer fund*, an 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 water and sewer fund is to account for water, sewer and sanitation 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.

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.

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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 1: Summary of Significant Accounting Policies – continued**

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

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 proprietary funds are charges to customers for sales and services. The proprietary funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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. Also included in restricted assets are capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; and assets set aside for construction of future debt funded capital improvements. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This account is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and EMS accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 1: Summary of Significant Accounting Policies – continued**

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 value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
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 position. Bond premiums and discounts 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 expensed as incurred.

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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 1: Summary of Significant Accounting Policies – continued**

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.

**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, contributions fund and water and sewer fund. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for all capital project funds.

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

1. Prior to August 16<sup>th</sup>, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first meeting in September, the budget is legally enacted through the passage of an ordinance.
4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters total expenditures of any fund must be approved by the Town Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund, Impact Fee Fund and Contributions Fund. Supplemental appropriations were made during the fiscal year for the General Fund.
6. The budget approved for the Water and Sewer Fund and Storm Drainage 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.

**Note 3: Deposits and Investments**

Deposits

At September 30, 2013, 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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 3: Deposits and Investments – continued**

Deposits – continued

*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 and 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.

*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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 3: Deposits and Investments – continued**

Investments – continued

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	\$ 6,505,707	\$ 6,505,707	\$ -
TexSTAR investment pool	8,536,481	8,536,481	-
Certificates of deposit	6,356,603	6,254,727	101,876
Total	<u>\$ 21,398,791</u>	<u>\$ 21,296,915</u>	<u>\$ 101,876</u>
 Prosper Economic Development Corporation			
Investment type:			
Texas Local Government investment pool	\$ 1,325	\$ 1,325	
TexSTAR investment pool	1,190	1,190	
Total	<u>\$ 2,515</u>	<u>\$ 2,515</u>	

**Note 4: Receivables**

Receivables at September 30, 2013 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Impact Fee</u>	<u>Contributions</u>	<u>Water and Sewer</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Property taxes	\$ 102,204	\$ 62,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,286
Sales tax	462,701							462,701
Utility bills					1,063,138	27,794		1,090,932
Interest	6,602	348			13,385			20,335
Other receivables	156,850		200,000	3,198			5,000	365,048
Gross receivables	728,357	62,430	200,000	3,198	1,076,523	27,794	5,000	2,103,302
Less: allowance for uncollectibles	(57,617)	(43,067)			(183,037)	-		(283,721)
Net receivables	<u>\$ 670,740</u>	<u>\$ 19,363</u>	<u>\$ 200,000</u>	<u>\$ 3,198</u>	<u>\$ 893,486</u>	<u>\$ 27,794</u>	<u>\$ 5,000</u>	<u>\$ 1,819,581</u>

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

At September 30, 2013 the EDC had sales tax receivable of \$154,214. No allowance for uncollectible accounts is deemed necessary.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 5: Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2013
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,064,797	\$ 3,825,796	\$	\$ 5,890,593
Construction in progress	11,827,532	5,252,695	(9,657,710)	7,422,517
Total capital assets, not being depreciated	<u>13,892,329</u>	<u>9,078,491</u>	<u>(9,657,710)</u>	<u>13,313,110</u>
Capital assets being depreciated:				
Buildings and improvements	14,182,669			14,182,669
Equipment	4,930,769	694,743	(34,704)	5,590,808
Infrastructure	36,502,780	9,657,710		46,160,490
Total assets being depreciated	<u>55,616,218</u>	<u>10,352,453</u>	<u>(34,704)</u>	<u>65,933,967</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,433,077)	(695,634)		(2,128,711)
Equipment	(1,703,783)	(412,324)	34,704	(2,081,403)
Infrastructure	(5,441,193)	(1,318,552)		(6,759,745)
Total accumulated depreciation	<u>(8,578,053)</u>	<u>(2,426,510)</u>	<u>34,704</u>	<u>(10,969,859)</u>
Total capital assets being depreciated, net	<u>47,038,165</u>	<u>7,925,943</u>	<u>-</u>	<u>54,964,108</u>
Governmental activities capital assets, net	<u>\$ 60,930,494</u>	<u>\$ 17,004,434</u>	<u>\$ (9,657,710)</u>	<u>\$ 68,277,218</u>
 <u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	1,067,902	9,704,512		10,772,414
Total capital assets, not being depreciated	<u>1,072,902</u>	<u>9,704,512</u>	<u>-</u>	<u>10,777,414</u>
Capital assets being depreciated:				
Buildings and systems	21,255,176			21,255,176
Vehicles and Equipment	615,765	88,274		704,039
Total assets being depreciated	<u>21,870,941</u>	<u>88,274</u>	<u>-</u>	<u>21,959,215</u>
Less accumulated depreciation for:				
Buildings and systems	(3,768,684)	(553,175)		(4,321,859)
Vehicles and Equipment	(360,223)	(66,758)		(426,981)
Total accumulated depreciation	<u>(4,128,907)</u>	<u>(619,933)</u>	<u>-</u>	<u>(4,748,840)</u>
Total capital assets being depreciated, net	<u>17,742,034</u>	<u>(531,659)</u>	<u>-</u>	<u>17,210,375</u>
Business-type activities capital assets, net	<u>\$ 18,814,936</u>	<u>\$ 9,172,853</u>	<u>\$ -</u>	<u>\$ 27,987,789</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 5: Capital Assets – continued**

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

Governmental activities:	
General government	\$ 8,208
Police	54,191
Dispatch	105,489
Fire	213,973
Streets	1,325,051
Parks and recreation	716,365
Inspections	3,233
	\$ 2,426,510
Business-type activities:	
Water and Sewer	\$ 616,513
Nonmajor enterprise fund	3,420
	\$ 619,933

Capital asset activity for the EDC for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2013
Component unit:				
Capital assets being depreciated:				
Leasehold improvements	\$ 113,849	\$ -	\$ -	\$ 113,849
Total assets being depreciated	113,849	-	-	113,849
Less accumulated depreciation for:				
Leasehold improvements	(113,849)	-	-	(113,849)
Total accumulated depreciation	(113,849)	-	-	(113,849)
Total capital assets being depreciated, net	-	-	-	-
Component unit capital assets, net	\$ -	\$ -	\$ -	\$ -

**Note 6: Construction Commitments**

At September 30, 2013 the total estimated costs to complete significant construction projects in progress at year-end totaled approximately \$2,012,541 for the Capital Projects Fund and \$6,531,154 for the Utility Fund.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 7: Interfund Receivables, Payables and Transfers**

Interfund balances at September 30, 2013 were as follows:

Due to/from other funds:

Due To Fund	Due From Fund	Amount	Purpose
Capital Projects	General Fund	\$ 2,216,952	Short term loans
Capital Projects	Water and Sewer	1,563	Short term loans
General Fund	Water and Sewer	2,104	Short term loans
General Fund	Storm Drainage	1,352	Short term loans
General Fund	Water and Sewer	93,910	Short term loans
General Fund	Capital Projects	3,841	Short term loans
General Fund	Internal Service	9,619	Short term loans
Impact Fees	General Fund	773,835	Short term loans
Internal Service	General Fund	35,226	Short term loans
Internal Service	Water and Sewer	16,440	Short term loans
Internal Service	Storm Drainage	1,416	Short term loans
Nonmajor governmental	General Fund	112,578	Short term loans
Contributions Fund	General Fund	4,624	Short term loans
Contributions Fund	Water and Sewer	1,460,079	Short term loans
Water and Sewer	Impact Fee Fund	891,200	Short term loans
Water and Sewer	General Fund	23,696	Short term loans
		<u>\$ 5,648,435</u>	

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

Interfund transfers:

Transfer From	Transfer To	Amount	Purpose
General Fund	Internal Service Fund	\$ 17,000	Administrative
General Fund	Capital Projects	2,216,000	Capital outlay
Impact Fee	Capital Projects	2,951,000	Capital outlay
Impact Fee	Water and Sewer	891,200	Capital outlay
Capital Projects	General Fund	25,644	Capital expenditures
Nonmajor Governmental	Capital Projects	48,845	Capital outlay
Water and Sewer	Internal Service Fund	2,160	Administrative
Water and Sewer	Debt Service	14,253	Debt service
Water and Sewer	General Fund	789,160	Administrative
Nonmajor Enterprise	Water and Sewer	28,000	Debt service
Nonmajor Enterprise	General Fund	12,540	Administrative
		<u>\$6,995,802</u>	

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 8: 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.

Long-term debt activity for the year ended September 30, 2013 was as follows:

	Balance			Balance	Amount Due
	10/1/2012	Issued	Retired	9/30/2013	Within one Year
<u>Governmental Activities:</u>					
Compensated absences	\$ 348,642	\$ 211,305	\$ (174,321)	\$ 385,626	\$ 192,813
Bonds	25,736,950	7,710,000	(5,275,650)	28,171,300	1,577,750
Bond Premium on Issuance	234,931	168,875	(25,107)	378,699	
Total Governmental	<u>26,320,523</u>	<u>8,090,180</u>	<u>(5,475,078)</u>	<u>28,935,625</u>	<u>1,770,563</u>
<u>Business-type Activities:</u>					
Compensated absences	45,227	35,521	(31,659)	49,089	24,545
Bonds	18,447,350	5,235,000	(979,350)	22,703,000	1,197,250
Bond Premium on Issuance	350,667	231,176	(35,448)	546,395	
Total Business-type	<u>18,843,244</u>	<u>5,501,697</u>	<u>(1,046,457)</u>	<u>23,298,484</u>	<u>1,221,795</u>
Total Primary Government	<u>\$ 45,163,767</u>	<u>\$ 13,591,877</u>	<u>\$ (6,521,535)</u>	<u>\$ 52,234,109</u>	<u>\$ 2,992,358</u>
<u>Component Unit</u>					
Compensated absences	<u>\$ 3,113</u>	<u>\$ 10,699</u>	<u>\$ (3,113)</u>	<u>\$ 10,699</u>	

In June 2013, the Town issued refunding bonds, \$3,830,000 General Obligation, Series 2013 for the purpose of refunding \$3,880,000 of taxable general obligation bonds of the Town, in order to lower the overall debt service requirements of the Town and to pay costs associated with the issuance of the bonds. There was no cash flow savings or economic gain from the refunding since the refunding was primarily to refinance a short-term taxable issue to long-term financing.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 8: Long-term Debt – continued**

Bonds, certificates of obligation and tax notes at September 30, 2013 are comprised of the following issues for the Debt Service Fund and Water and Sewer Fund:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
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%.	\$ 2,849,700	\$ 4,624,600	\$7,474,300
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%.	4,435,200	4,804,800	9,240,000
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%.	11,245,500	1,249,500	12,495,000
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%.	1,425,000		1,425,000
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%.	705,900	1,104,100	1,810,000
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%.		5,685,000	5,685,000
2013 General Obligation Refunding Bonds (100% debt service fund portion) issued June 15, 2013 maturing August 15, 2029. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.	3,830,000		3,830,000
2013 Certificates of Obligation (100% water and sewer portion) issued June 15, 2013 maturing August 15, 2029. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.		5,235,000	5,235,000
	<u>\$ 28,171,300</u>	<u>\$ 22,703,000</u>	<u>\$ 50,874,300</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 8: 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, 2013 are as follows:

Year Ended September 30	Governmental Activities		Business-Type Activities		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Obligation
2014	\$ 1,577,750	\$ 1,223,630	\$ 1,197,250	\$ 862,134	\$ 2,775,000	\$ 2,085,764	\$ 4,860,764
2015	1,644,400	1,836,100	1,240,600	813,205	2,885,000	2,649,305	5,534,305
2016	1,836,100	1,874,250	1,478,900	771,360	3,315,000	2,645,610	5,960,610
2017	1,874,250	1,043,656	1,485,750	725,525	3,360,000	1,769,181	5,129,181
2018	1,559,700	981,341	1,530,300	677,112	3,090,000	1,658,453	4,748,453
2019-2023	8,259,500	3,880,239	7,415,500	2,579,321	15,675,000	6,459,560	22,134,560
2024-2028	8,090,600	1,815,336	5,193,700	1,175,717	13,284,300	2,991,053	16,275,353
2029-2032	<u>3,329,000</u>	<u>289,621</u>	<u>3,161,000</u>	<u>351,456</u>	<u>6,490,000</u>	<u>641,077</u>	<u>7,131,077</u>
Total	<u>\$ 28,171,300</u>	<u>\$ 12,944,173</u>	<u>\$ 22,703,000</u>	<u>\$ 7,955,830</u>	<u>\$ 50,874,300</u>	<u>\$ 20,900,003</u>	<u>\$ 71,774,303</u>

**Note 9: Restricted Assets**

The balances of the restricted asset accounts are as follows:

Governmental Activities			
Impact Fee Fund	Impact fees - capital projects	\$	6,300,926
Debt Service	Sinking fund		1,187,017
Capital Projects	Unspent bond proceeds / other restricted funds		7,913,626
Contribution Fund	Contributions / escrow		810,901
		\$	<u>16,212,470</u>
Business-type Activities			
Water and Sewer Fund	Customer Deposits / Escrow	\$	3,973,607
Water and Sewer Fund	Capital Projects (Unspent Bond Proceeds)		7,876,788
		\$	<u>11,850,395</u>

**Note 10: Risk Management**

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

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 11: 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.

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:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	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. The annual pension cost and net asset are as follows:

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percent of APC Contributed	Net Pension Obligation (NPO)
2011	\$ 392,523	\$ 407,378	104%	\$ (36,046)
2012	436,397	446,794	102%	(46,443)
2013	549,899	543,431	99%	(39,975)

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 11: Texas Municipal Retirement System – continued**

Annual Required Contribution (ARC)	\$	556,517
Interest on Net Pension Obligation		(3,251)
Adjustment to the ARC		(3,367)
Annual Pension Cost (APC)		549,899
Contributions Made		(543,431)
Increase (Decrease) in net pension obligation		6,468
Net Pension Obligation / (Asset), Beginning of Year		(46,443)
Net Pension Obligation / (Asset), End of Year	\$	(39,975)

The net pension asset has not been recorded in the Town’s financial statements due to its immateriality.

The required contribution rates for fiscal year 2013 are determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

**Actuarial Assumptions**

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	22.5 years - Closed Period	21.5 years - Closed Period	20.5 years - Closed Period
Amortization Period for New Gains/Losses	25 Years	25 Years	25 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 11: Texas Municipal Retirement System – continued**

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)
12/31/2010	\$ 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%
12/31/2012	5,094,120	6,472,843	1,378,723	78.7%	4,590,015	30.0%

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.

**Note 12: 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.

*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.

*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.

*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. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. At September 30, 2013 the Town had assigned fund balances for specific purposes including parks and recreation in the amount of \$1,476,688.

*Unassigned* fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications.

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 unrestricted fund balance when expenditures are made.

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

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note 13: Prior Period Adjustments**

The Town decided to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013. Prior to implementation, the Town capitalized bond and other debt issuance costs in the government wide and proprietary fund financial statements when incurred and subsequently amortized the resulting asset over the life of the bonds. The Statement requires that such items now be expensed as incurred, including writing off balances previously capitalized. The following table illustrates the effect of the prior period adjustments at September 30, 2013.

	Governmental Activities	Water and Sewer Fund	Business-type Activities
As previously stated September 30, 2012	\$ 61,078,750	\$ 14,889,958	\$ 15,148,002
Expensing of bond issuance costs in accordance with GASB 65	(485,121)	(318,475)	(318,475)
Beginning fund balance October 1, 2012 as restated	\$ 60,593,629	\$ 14,571,483	\$ 14,829,527

**Note 14: Upcoming Accounting Pronouncements**

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 this new Statement prior to the effective date for the Statement listed above.

**TOWN OF PROSPER, TEXAS**

Schedule of Revenues, Expenses and Changes in Fund Net Position

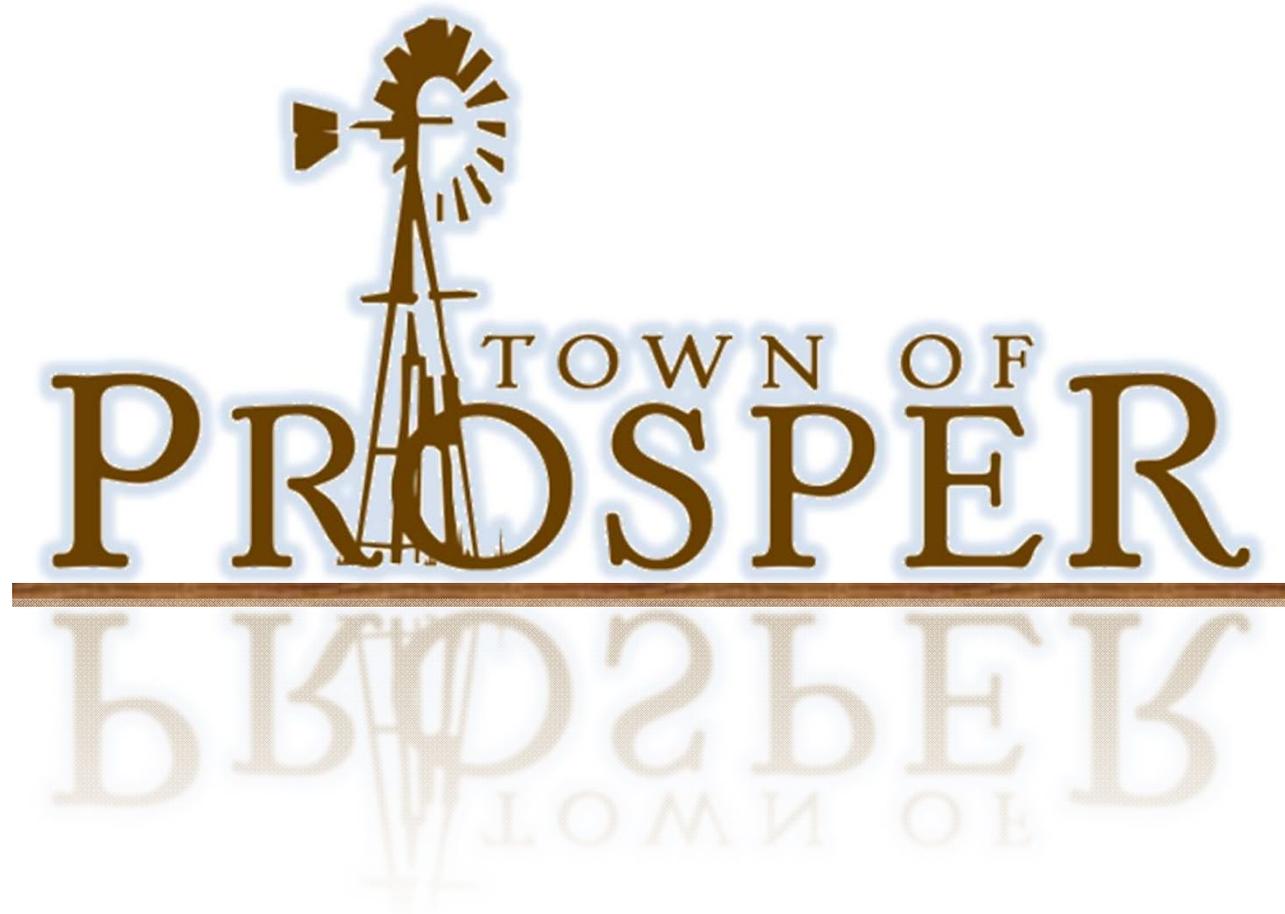
Budget and Actual - Water and Sewer

For the Year Ended September 30, 2013

	Water and Sewer Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Budget Basis	
<b>OPERATING REVENUES</b>				
Water and sewer charges	\$ 6,743,500	\$ 6,934,276	\$ 7,371,604	\$ 437,328
Sanitation charges	770,000	774,000	891,160	117,160
Water and sewer connections	300,000	484,449	559,186	74,737
Service initiation	32,002	42,002	53,337	11,335
Miscellaneous	25,500	73,100	91,135	18,035
Total Operating Revenue	7,871,002	8,307,827	8,966,422	658,595
<b>OPERATING EXPENSES</b>				
Personnel services	949,891	823,367	845,725	(22,358)
Materials and supplies	393,500	355,700	245,047	110,653
Contractual services	3,756,958	3,867,135	3,734,035	133,100
Total Operating Expenses	5,100,349	5,046,202	4,824,807	221,395
Operating Income (Loss)	2,770,653	3,261,625	4,141,615	879,990
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	30,000	137,745	172,718	34,973
Interest expense and fiscal charges	(1,596,847)	(1,596,847)	(551,150)	1,045,697
Bond issuance cost	-	-	(102,110)	(102,110)
Total nonoperating revenues (Expenses)	(1,566,847)	(1,459,102)	(480,542)	978,560
<b>INCOME BEFORE TRANSFERS</b>	1,203,806	1,802,523	3,661,073	1,858,550
<b>TRANSFERS</b>				
Net transfers in/(out)	(791,320)	(791,320)	113,627	904,947
Total Transfers	(791,320)	(791,320)	113,627	904,947
Change in net position	\$ 412,486	\$ 1,011,203	3,774,700	\$ 2,763,497
Reconciliation to generally accepted accounting principles (GAAP)				
Depreciation			(616,513)	
Change in net position (GAAP basis)			3,158,187	
Net position, beginning, restated			14,571,483	
Net position, ending			\$ 17,729,670	

**TOWN OF PROSPER, TEXAS**  
Schedule of Revenues, Expenses and Changes in Fund Net Position  
Budget and Actual - Storm Drainage  
For the Year Ended September 30, 2013

	Storm Drainage Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Budget Basis	
<b>OPERATING REVENUES</b>				
Storm drainage utility fees	\$ 208,000	\$ 208,000	\$ 223,691	\$ 15,691
Total Operating Revenue	<u>208,000</u>	<u>208,000</u>	<u>223,691</u>	<u>15,691</u>
<b>OPERATING EXPENSES</b>				
Personnel services	42,715	27,512	28,229	(717)
Materials and supplies	34,450	34,450	13,377	21,073
Contractual services	51,450	51,450	74,234	(22,784)
Total Operating Expenses	<u>128,615</u>	<u>113,412</u>	<u>115,840</u>	<u>(2,428)</u>
Operating Income (Loss)	<u>79,385</u>	<u>94,588</u>	<u>107,851</u>	<u>13,263</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	1,000	2,000	2,344	344
Interest expense and fiscal charges	(106,918)	(106,918)	(78,918)	28,000
Total nonoperating revenues (Expenses)	<u>(105,918)</u>	<u>(104,918)</u>	<u>(76,574)</u>	<u>28,344</u>
INCOME BEFORE TRANSFERS	(26,533)	(10,330)	31,277	41,607
<b>TRANSFERS</b>				
Net transfers in/(out)	(12,780)	(12,780)	(40,540)	(27,760)
Total Transfers	<u>(12,780)</u>	<u>(12,780)</u>	<u>(40,540)</u>	<u>(27,760)</u>
Change in net position	\$ <u>(39,313)</u>	\$ <u>(23,110)</u>	(9,263)	\$ <u>13,847</u>
<b>Reconciliation to generally accepted accounting principles (GAAP)</b>				
Depreciation			(3,420)	
Change in net position (GAAP basis)			(12,683)	
Net position, beginning, restated			<u>258,044</u>	
Net position, ending			<u>\$ 245,361</u>	



STATISTICAL  
SECTION

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	49
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	59
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.	65
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.	71
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.	73

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 Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	<b>Fiscal Year</b>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 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 position	<u>\$ 1,964</u>	<u>\$ 4,563</u>	<u>\$ 6,510</u>	<u>\$ 10,717</u>
Business-type activities				
Net investment in capital assets	\$ 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 position	<u>\$ 3,706</u>	<u>\$ 3,996</u>	<u>\$ 6,652</u>	<u>\$ 7,890</u>
Primary government				
Net investment in capital assets	\$ 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 position	<u>\$ 5,670</u>	<u>\$ 8,559</u>	<u>\$ 13,162</u>	<u>\$ 18,607</u>

Source: Town financial statements

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 33,422	\$ 33,919	\$ 37,271	\$ 37,366	\$ 41,798	\$ 46,918
9,809	8,440	5,952	9,359	10,849	9,882
4,693	3,704	8,410	6,979	8,432	10,183
<u>\$ 47,924</u>	<u>\$ 46,063</u>	<u>\$ 51,633</u>	<u>\$ 53,704</u>	<u>\$ 61,079</u>	<u>\$ 66,983</u>
\$ 3,321	\$ 6,804	\$ 5,704	\$ 5,615	\$ 6,058	\$ 12,643
42	44	-	-	-	-
6,338	5,929	6,034	7,695	9,090	5,332
<u>\$ 9,701</u>	<u>\$ 12,777</u>	<u>\$ 11,738</u>	<u>\$ 13,310</u>	<u>\$ 15,148</u>	<u>\$ 17,975</u>
\$ 36,743	\$ 40,723	\$ 42,975	\$ 42,981	\$ 47,856	\$ 59,561
9,851	8,484	5,952	9,359	10,849	9,882
11,031	9,633	14,444	14,674	17,522	15,515
<u>\$ 57,625</u>	<u>\$ 58,840</u>	<u>\$ 63,371</u>	<u>\$ 67,014</u>	<u>\$ 76,227</u>	<u>\$ 84,958</u>

**Town of Prosper, Texas**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

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

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 2,063	\$ 2,764	\$ 2,193	\$ 3,075	\$ 2,785	\$ 2,890
2,485	3,329	3,869	4,108	4,341	5,052
1,444	1,356	1,609	2,370	1,616	1,825
130	444	917	728	1,546	1,886
459	1,276	895	1,139	1,108	1,318
<u>6,581</u>	<u>9,169</u>	<u>9,483</u>	<u>11,420</u>	<u>11,396</u>	<u>12,971</u>
4,076	4,460	5,140	5,332	5,476	6,293
<u>4,076</u>	<u>4,460</u>	<u>5,140</u>	<u>5,332</u>	<u>5,476</u>	<u>6,293</u>
10,657	13,629	14,623	16,752	16,872	19,264
<u>10,657</u>	<u>13,629</u>	<u>14,623</u>	<u>16,752</u>	<u>16,872</u>	<u>19,264</u>
1,440	561	672	826	1,992	2,210
162	360	397	400	312	352
485	-	-	-	-	-
418	-	-	-	-	2
452	1,397	2,224	350	266	93
-	-	-	2,908	5,356	5,716
<u>2,957</u>	<u>2,318</u>	<u>3,293</u>	<u>4,484</u>	<u>7,926</u>	<u>8,373</u>
4,507	4,720	5,393	7,238	8,021	9,099
<u>4,507</u>	<u>4,720</u>	<u>5,393</u>	<u>7,238</u>	<u>8,021</u>	<u>9,099</u>
7,464	7,038	8,686	11,722	15,947	17,472
<u>7,464</u>	<u>7,038</u>	<u>8,686</u>	<u>11,722</u>	<u>15,947</u>	<u>17,472</u>
(3,624)	(6,851)	(6,190)	(6,936)	(3,470)	(4,598)
431	260	253	1,906	2,545	2,806
<u>\$ (3,193)</u>	<u>\$ (6,591)</u>	<u>\$ (5,937)</u>	<u>\$ (5,030)</u>	<u>\$ (925)</u>	<u>\$ (1,792)</u>

**Town of Prosper, Texas**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

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

Source: Town financial statements

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	4,429	\$ 5,296	\$ 5,505	\$ 5,986	\$ 6,392	\$ 7,314
	1,288	1,077	1,309	1,321	1,942	2,478
	341	428	399	425	505	520
	1,828	367	2,688	53	628	-
	596	456	338	155	162	167
	114	74	116	530	864	582
	-	-	-	-	-	-
	<u>(1,237)</u>	<u>(2,708)</u>	<u>15</u>	<u>434</u>	<u>352</u>	<u>(73)</u>
	<u>7,359</u>	<u>4,990</u>	<u>10,370</u>	<u>8,904</u>	<u>10,845</u>	<u>10,988</u>
	109	65	74	53	96	175
	33	43	39	47	60	91
	-	-	-	-	-	-
	<u>1,237</u>	<u>2,708</u>	<u>(15)</u>	<u>(434)</u>	<u>(352)</u>	<u>73</u>
	<u>1,379</u>	<u>2,816</u>	<u>98</u>	<u>(334)</u>	<u>(196)</u>	<u>339</u>
	<u>8,738</u>	<u>7,806</u>	<u>10,468</u>	<u>8,570</u>	<u>10,649</u>	<u>11,327</u>
	3,735	(1,861)	4,180	1,968	7,375	6,389
	1,810	3,076	351	1,572	2,349	3,145
\$	<u>5,545</u>	<u>\$ 1,215</u>	<u>\$ 4,531</u>	<u>\$ 3,540</u>	<u>\$ 9,724</u>	<u>\$ 9,534</u>

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

	<b>Fiscal Year</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ 74	\$ 59	\$ 18
Unreserved	1,181	1,821	2,855	3,034	3,989
Nonspendable					
Committed					
Unassigned					
Total general fund	<u>\$ 1,181</u>	<u>\$ 1,821</u>	<u>\$ 2,929</u>	<u>\$ 3,093</u>	<u>\$ 4,007</u>
 <b>All other governmental funds</b>					
Reserved	\$ 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	-	-	-	-	-
Nonspendable					
Restricted					
Debt Service					
Capital Projects					
Assigned					
Special revenue funds					
Total all other governmental funds	<u>\$ 4,213</u>	<u>\$ 5,666</u>	<u>\$ 12,152</u>	<u>\$ 8,031</u>	<u>\$ 9,791</u>

Source: Balance Sheets--Governmental Funds in Town CAFRs.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ 3	\$ 1	\$ -	\$ -
4,398	4,968	5,568		
			9	27
			1,715	1,855
			5,356	5,201
<u>\$ 4,398</u>	<u>\$ 4,971</u>	<u>\$ 5,569</u>	<u>\$ 7,080</u>	<u>\$ 7,083</u>
\$ 2,557	\$ 577	\$ 737	\$ -	\$ -
16,920	5,337	5,348		
5,883	6,239	6,895		
-	3,968	3,276		
			5	
			890	1,187
			16,838	17,799
			1,172	1,477
<u>\$ 25,360</u>	<u>\$ 16,121</u>	<u>\$ 16,256</u>	<u>\$ 18,905</u>	<u>\$ 20,463</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)

	<b>Fiscal Year</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Revenues</b>					
Taxes	\$ 2,005	\$ 3,186	\$ 3,383	\$ 4,500	\$ 6,034
Licenses and permits	1,124	1,876	2,429	3,964	3,925
Intergovernmental	111	276	33	500	452
Charges for services	243	245	304	156	161
Fines and forfeitures	98	93	106	131	247
Investment Earnings	79	289	574	1,107	596
Contributions	12	72	61	45	50
Miscellaneous	59	63	376	79	64
Grants	-	-	-	-	-
Total Revenues	<u>3,731</u>	<u>6,100</u>	<u>7,266</u>	<u>10,482</u>	<u>11,529</u>
<b>Expenditures</b>					
General government	624	819	1,178	1,466	2,003
Public safety	1,099	1,342	1,594	1,871	2,194
Transportation	176	165	210	177	352
Culture and recreation	7	26	29	92	97
Capital outlay	1,942	770	378	8,338	2,108
Debt service					
Principal	181	189	221	386	399
Interest	184	336	257	493	481
Other charges	-	-	-	-	-
Total Expenditures	<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	(482)	2,453	3,399	(2,341)	3,895
<b>Other financing sources (uses)</b>					
Transfer in	292	250	-	-	-
Transfer out	(576)	(656)	(1,565)	(1,553)	(1,237)
Proceeds from insurance	-	-	-	-	-
Proceeds from debt issuance	4,003	-	5,760	-	-
Premium (discount) on debt issuance					
Payments to Bond Escrow Agent					
Capital Leases	30	45	-	48	14
Net other financing sources (uses)	<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>\$ 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>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>	<u>2013</u>
\$	6,738	\$ 7,264	\$ 7,758	\$ 8,850	\$ 10,220
	550	672	670	1,571	1,752
	584	1,109	1,109	2,863	1,730
	976	2,858	1,809	2,861	3,066
	239	227	393	541	647
	456	339	154	160	166
	59	45	272	348	1,129
	74	116	115	286	570
	278	1,070	285	198	49
	<u>9,954</u>	<u>13,700</u>	<u>12,565</u>	<u>17,678</u>	<u>19,329</u>
	2,225	2,173	2,750	2,798	2,846
	3,007	3,648	3,879	4,144	4,652
	257	503	1,269	511	523
	379	814	653	899	1,167
	2,943	13,174	4,112	7,660	9,773
	484	527	936	1,318	1,396
	893	1,600	1,101	1,079	1,153
	-	-	59	81	158
	<u>10,188</u>	<u>22,439</u>	<u>14,759</u>	<u>18,490</u>	<u>21,668</u>
	(234)	(8,739)	(2,194)	(812)	(2,339)
	232	2,460	1,066	3,509	6,057
	(2,940)	(2,445)	(667)	(3,177)	(6,150)
	-	-	426	750	12
	13,900	-	2,045	4,712	7,710
	-	-	11	242	169
	-	-	-	(1,064)	(3,899)
	41	58	-	-	-
	<u>11,233</u>	<u>73</u>	<u>2,881</u>	<u>4,972</u>	<u>3,899</u>
\$	<u>10,999</u>	<u>(8,666)</u>	<u>687</u>	<u>4,160</u>	<u>1,560</u>
	<u>19.0%</u>	<u>23.0%</u>	<u>19.1%</u>	<u>22.1%</u>	<u>21.4%</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2004	\$ 870	\$ 971	\$ 162	\$ 2,003
2005	1,574	1,407	206	3,187
2006	1,686	1,507	201	3,394
2007	3,015	1,208	304	4,527
2008	4,429	1,288	341	6,058
2009	5,296	1,077	428	6,801
2010	5,504	1,309	399	7,212
2011	6,012	1,321	424	7,757
2012	6,403	1,942	505	8,850
2013	7,223	2,478	520	10,221

Source: Town CAFRs and detailed financial records

**Town of Prosper, Texas**  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

<b>Fiscal Year Ended</b>	<b>Total Estimated Market Value as Assessed</b>	<b>Estimated Market Value Real Property</b>	<b>Estimated Market Value Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable<sup>1</sup> Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Taxable Assesed Value as a % of Estimated Market Value</b>
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%
2013	1,905,100	1,865,370	39,730	557,691	1,347,409	0.52000	70.73%

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

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

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

Fiscal Year	Town of Prosper Tax Rate			Overlapping Tax Rates			
	General Government	Debt Service	Total	Prosper ISD	Collin County	Collin College	Denton County
2004	0.188440	0.291260	<b>0.479700</b>	1.951500	0.250000	0.090646	0.254800
2005	0.184549	0.220836	<b>0.405385</b>	1.975310	0.250000	0.089422	0.246480
2006	0.184549	0.314268	<b>0.498817</b>	1.800000	0.245000	0.087683	0.231920
2007	0.275075	0.244925	<b>0.520000</b>	1.670000	0.245000	0.086984	0.235890
2008	0.305011	0.214989	<b>0.520000</b>	1.670000	0.242500	0.086493	0.235770
2009	0.314084	0.205916	<b>0.520000</b>	1.640000	0.242500	0.086300	0.249800
2010	0.334742	0.185258	<b>0.520000</b>	1.630000	0.240000	0.086300	0.273900
2011	0.316937	0.203063	<b>0.520000</b>	1.670000	0.240000	0.086300	0.277357
2012	0.316914	0.203086	<b>0.520000</b>	1.670000	0.240000	0.086299	0.282867
2013	0.326191	0.193809	<b>0.520000</b>	1.670000	0.237500	0.083643	0.284914

Source: Collin County and Denton County Appraisal Districts

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

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

<b>Total Direct &amp; Overlapping Rates Collin County</b>	<b>Total Direct &amp; Overlapping Rates Denton County</b>
2.771846	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
2.511143	2.474914

**Town of Prosper, Texas**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collections within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2004	\$ 860,692	\$ 846,098	98.30%	\$ 13,679	\$ 859,777	99.9%
2005	1,561,979	1,550,274	99.25%	9,259	1,559,533	99.8%
2006	1,664,728	1,643,724	98.74%	18,581	1,662,305	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%	69,936	5,218,951	100.0%
2010	5,404,368	5,338,109	98.77%	66,259	5,404,368	100.0%
2011	5,932,358	5,898,857	99.44%	33,501	5,932,358	100.0%
2012	6,380,037	6,323,502	99.11%	56,535	6,380,037	100.0%
2013	7,036,147	6,982,787	99.24%	-	6,982,787	99.2%

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

**Town of Prosper, Texas**  
Principal Property Taxpayers  
Fiscal Year End 2013 and 2004

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Western Rim Investors	\$ 44,617,791	1	3.31%			
First Texas Homes Inc.	7,487,638	2	0.56%			
Five SAC Self-Storage Corp.	6,940,417	3	0.52%			
Rosebriar Prosper Plaza LP	6,917,151	4	0.51%			
Saddle Creek Investments LTD	6,068,371	5	0.45%			
Prosper Land Company LTD	5,897,633	6	0.44%	\$ 10,372,563	1	4.05%
Preston Development LTD	5,417,242	7	0.40%			
Deion Sanders	5,364,522	8	0.40%	\$ 9,756,881	2	3.81%
Da' Hood Trust	4,594,217	9	0.34%			
CC Joint Ventures LTD	4,443,353	10	0.33%			
PDC 380 Prosper LTD				2,654,819	3	1.04%
Lennar Homes				2,563,437	4	1.00%
2002 Tuscany Partners LP				2,337,427	5	0.91%
Hope Lumber & Supply Co.				2,334,202	6	0.91%
Hope Lumber & Supply Co. LP				2,271,478	7	0.89%
Southern Star Concrete Inc.				2,060,976	8	0.80%
Lattimore Materials Co.				1,909,946	9	0.75%
Mahard Grain Co.				1,794,131	10	0.70%
Totals	\$ 97,748,335		7.25%	\$ 38,055,860		14.85%

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
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	19,655	1,765	-	18,798	-
2013	8,216	18,909	1,425	-	23,249	-

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

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

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

	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>1</sup></b>		<b>Per Capita<sup>1</sup></b>
\$	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
	44,770	6.5%		3,673
	51,799	N/A		3,871

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Other Notes or Obligations</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property<sup>1</sup></b>	<b>Per Capita<sup>2</sup></b>
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	19,655	1,765	25,972	2.11%	2,131
2013	8,216	18,909	1,425	28,550	2.12%	2,134

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

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

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

**Town of Prosper, Texas**  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Prosper Independent School District	\$ 233,531,557	65.91%	\$ 153,920,649
Collin County	393,350,000	1.95%	7,670,325
Collin College	37,694,245	1.95%	735,038
Denton County	596,245,000	0.24%	1,430,988
Subtotal - overlapping debt	<u>1,260,820,802</u>		<u>163,757,000</u>
Town of Prosper direct debt	\$ 28,549,999	100%	28,549,999
Total direct and overlapping debt			<u><u>\$ 192,306,999</u></u>

Source: Outstanding data for other entities from Municipal Advisory Council of Texas estimate on 10/2013 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.

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

**Town of Prosper, Texas**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(rates rounded to 4 places)**

	<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	\$ 2.50
Total Tax Rate	<u>0.4797</u>	<u>0.4054</u>	<u>0.4988</u>	<u>0.5200</u>	<u>0.5200</u>
Available Tax Rate	<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.

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
0.5200	0.5200	0.5200	0.5200	0.5200
\$ 1.9800	\$ 1.9800	\$ 1.9800	\$ 1.9800	\$ 1.9800

**Town of Prosper, Texas**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>2</sup></u> (expressed in thousands)	<u>Per Capita Personal Income<sup>2</sup></u>	<u>School Enrollment<sup>3</sup></u>	<u>Unemployment Rate<sup>4</sup></u>
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	684,066	56,117	5,353	5.7%
2013	13,380	N/A	N/A	6,402	5.1%

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

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

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

<sup>4</sup>Annual Unemployment Rate 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

	<b>2013</b>		
<u><b>Employer</b></u>	<u><b>Employees</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total Town Employment</b></u>
Prosper ISD	766	1	57.25%
Town of Prosper	122	2	9.12%
Gentle Creek	52	3	3.89%
Dairy Manufacturers, Inc.	35	4	2.62%
Mahard Egg Farm	31	5	2.32%
ProBuild	30	6	2.24%
Lattimore Materials	26	7	1.94%
CVS	25	8	1.87%
Crossland Construction	20	9	1.49%
Prosper Bank	12	10	0.90%
<b>Total</b>	<b>1,119</b>		<b>83.63%</b>

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

N/A: Data not available for 2004 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)

<u>Function/Program</u>	<u>Fiscal Year</u>					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government						
Building Inspection Permits						
Commercial Construction						
Number of Units	N/A	N/A	15	14	23	14
Total dollar value of permits issued	N/A	N/A	\$ 5,630	\$ 14,410	\$ 6,195	\$ 4,721
Average Value	N/A	N/A	\$ 375	\$ 1,029	\$ 269	\$ 337
Residential Construction						
Number of Units	177	310	340	338	227	204
Total dollar value of permits issued	N/A	N/A	\$ 125,180	\$ 109,141	\$ 99,110	\$ 62,870
Average Value	N/A	N/A	\$ 368	\$ 323	\$ 437	\$ 308
Public Safety						
Police						
Physical Arrests	32	47	48	64	90	88
Traffic Collisions	95	115	128	99	72	92
Fire						
Total Incidents/Calls for Service	613	784	901	576	646	747
Fire	28	43	66	34	56	45
Overpressure/Explosion	-	-	-	1	1	-
Rescue & EMS	484	544	613	292	334	379
Hazardous Condition	21	25	24	53	38	36
Service Call	23	60	57	91	104	116
Good Intent Call	21	49	66	55	59	80
False Alarm & False Call	27	42	46	45	52	87
Severe Weather & Natural Disaster	-	3	-	2	2	3
Special Incident	9	18	29	3	-	1
Fire Marshal						
Fire Inspections	N/A	N/A	N/A	N/A	N/A	94
Fire Safety Programs	N/A	N/A	N/A	N/A	N/A	37
Municipal Court						
Number of cases filed	882	887	1,059	1,123	1,762	1,743
Number of cases closed	796	678	825	979	1,707	1,592
Public Works						
Water & Sewer						
Water Customers	1,277	1,656	2,013	2,380	2,664	2,883
Wastewater Customers	867	1,173	1,493	1,842	2,007	2,137

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	8	13	21	21
\$	3,150	\$ 14,341	\$ 28,385	\$ 4,219
\$	394	\$ 1,103	\$ 1,352	\$ 201
	299	347	445	483
\$	79,232	\$ 100,084	\$ 172,757	\$ 195,257
\$	265	\$ 288	\$ 388	\$ 404
	150	109	111	99
	138	151	174	129
	776	1,046	1,122	1,063
	42	63	67	45
	-	1	11	6
	399	441	585	597
	30	38	34	20
	147	234	193	196
	61	85	100	94
	95	107	132	96
	2	64	-	3
	-	13	-	6
	112	659	402	278
	42	20	23	14
	2,050	2,025	1,645	2,118
	1,504	1,833	1,688	1,872
	3,080	3,431	3,853	4,418
	2,333	2,672	3,084	3,568

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

	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>GENERAL FUND</b>										
Administration	3	4	4	5	5	5	5.5	5.5	6.5	6.5
Code Compliance	-	1	1	1	1	1	1	1	1	1
Court	1	1	1	1	1	1	1	1	1	1
Dispatch	-	-	-	-	-	1	6	7	7	7
Engineering	-	-	-	1	1	1	1	1	1	1
Fire	5.5	8.5	8.5	8.5	12.5	18.5	18.5	18.5	19	20
Fire Marshal	-	-	-	1	1	1	1	1	1	1
Inspections	2	3	4	6	7	8	6	6	6	7
Library	-	-	-	1	1	1	1	1	1	1.5
Parks	-	-	1	1	2	2	4	4	8	8
Planning	-	1	1	1	2	3	3	2	2	3
Police	6	6	7	9	8	11	10	11	12	15
Streets	1	2	2	2	2	2	2	2	2	2
<b>Total General Fund</b>	19	27	30	38	44	56	60	61	68	74
<b>ENTERPRISE FUNDS</b>										
Storm Drainage	-	-	-	-	-	-	-	1	1	1
Utility Billing	-	-	1	1	2	2	2	2	1.5	2.5
Wastewater	1	2	3	2	2	2	2	2	3	5
Water	1	2	4	5	5	5	5	5	7	8
<b>Total General Fund</b>	2	4	8	8	9	9	9	10	13	16.5
<b>CAPITAL PROJECTS FUND</b>										
	-	-	-	-	-	1	1	1	1	1
	21	31	38	46	53	66	70	72	81	91.5

Source: Town of Prosper Annual Budget