



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2014

**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, 2014

Prepared by the

### Town of Prosper, Texas Finance Department

Kim Galvin, CGFO – Interim Director of Finance  
Trish Featherston – Accounting Manager

### Town Manager

Harlan Jefferson

### Town Council

Ray Smith, Mayor

Meigs Miller, Mayor Pro-Tem

Kenneth Dugger, Deputy Mayor Pro-Tem

Michael Korbuly, Council Member

Curry Vogelsang, Jr., Council Member

Mike Davis, 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

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

**TOWN OF PROSPER, TEXAS**  
 Comprehensive Annual Financial Report  
 Year Ended September 30, 2014

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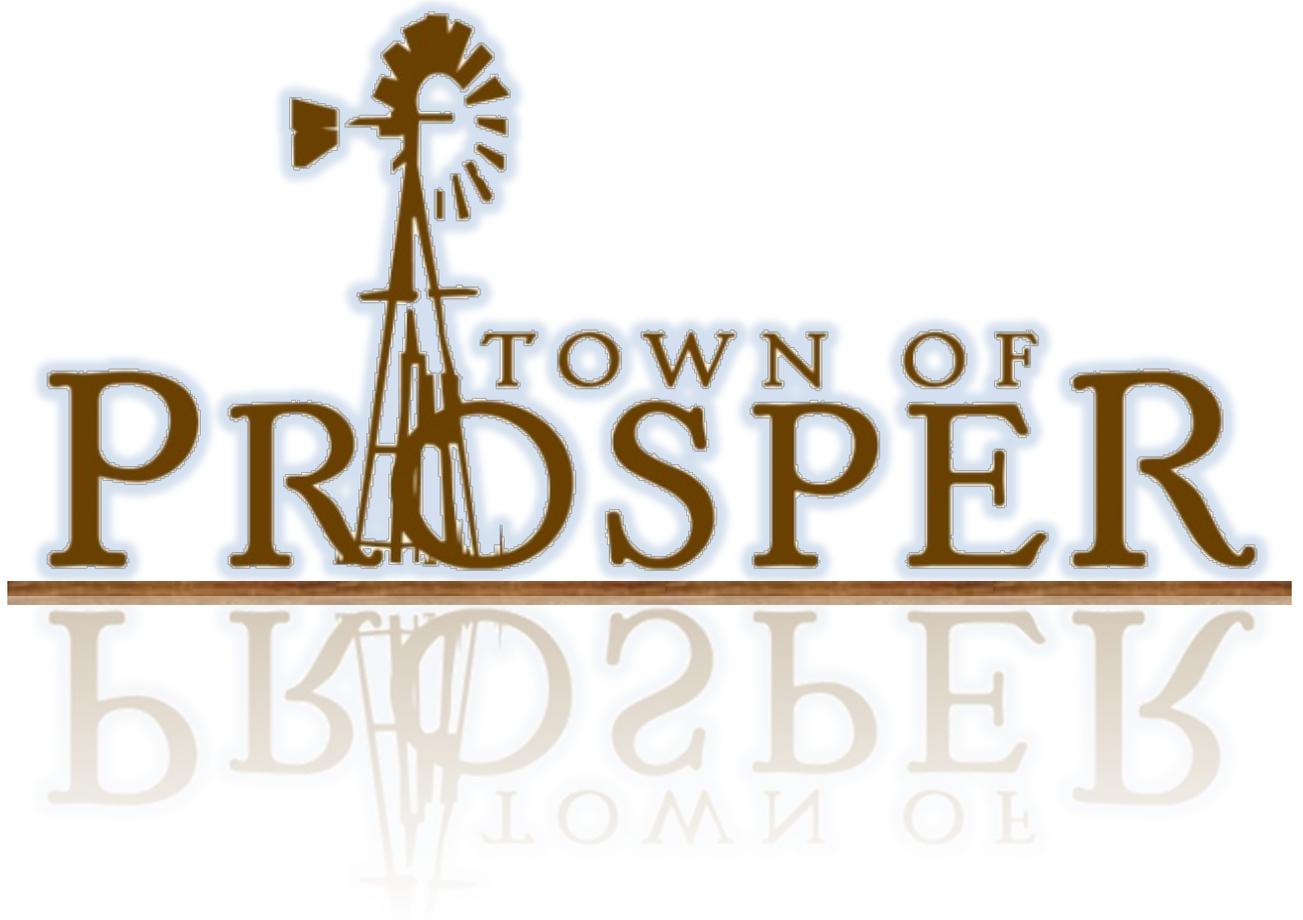
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# INTRODUCTORY SECTION



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March 13, 2015

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, 2014. 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, 2014, are free of any 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, 2014, 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 revised on May 14, 2011. The Town operates with a Town Council comprised of the Mayor and six Council members. The term of office is three years. The Town Manager is the chief executive officer of the Town.

Services the Town provides include: public safety (police, fire protection, and 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.

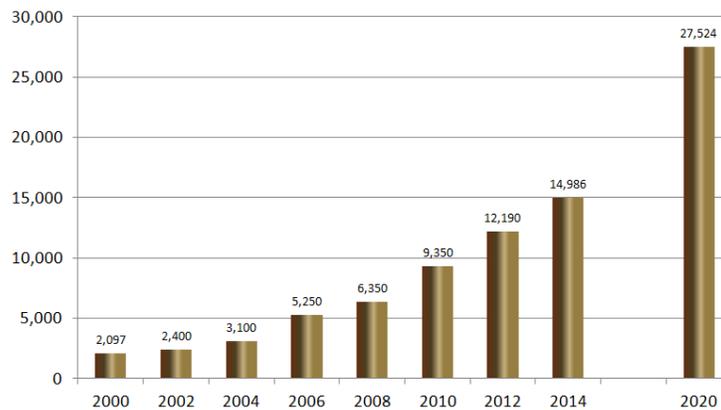
The Town is located in North Central Texas, and covers approximately 27 square miles of the Dallas/Fort Worth Metroplex ("DFW"). Prosper includes areas in both Collin and Denton Counties, with most of the Town's population residing in Collin County. The Town is positioned at the crossroads of Preston 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 has created rapid growth for the Prosper community. This pace is expected to increase sharply over the ensuing years.



The 2000 Census population for the Town was 2,097, and the 2014 estimate is 14,986.



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 thriving cotton crops 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.

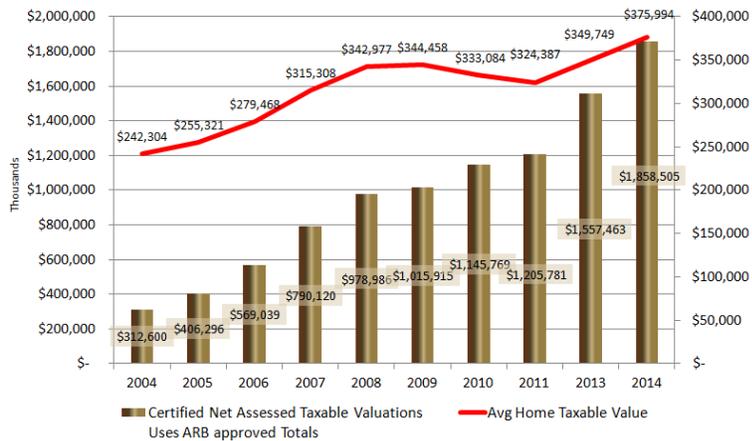
The Town of Prosper was incorporated in 1914 with a commission form of government and a population of 500. U.N. Clary was Mayor and served in that position for the next 49 years. It served for decades as a market center for area farmers and their abundant cotton and corn crops. From the mule drawn wagon 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 May 21, 2014 article by the Dallas Morning News and the US Census Bureau, Prosper was the second fastest growing community in North Texas in 2014. The new homes permitted in 2014 averaged \$442K.

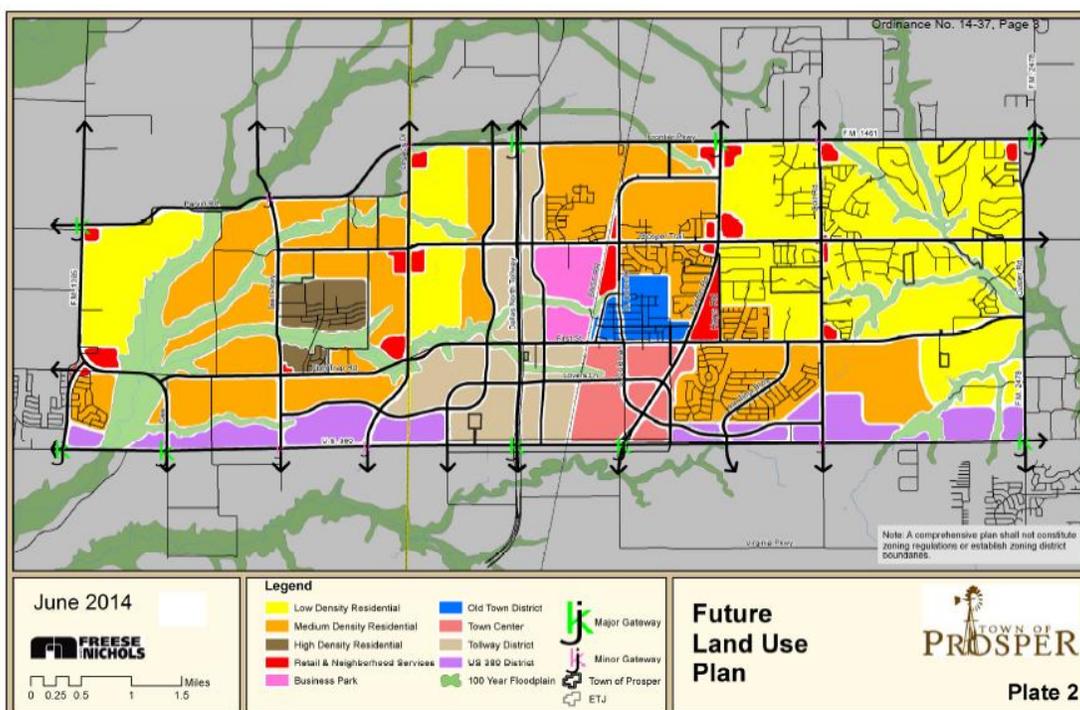
The Town has maintained significant growth. Certified property valuations



Source: Collin CAD and Denton CAD Certified Totals 2004-2014

increased by \$301M (19.3%) for FY 2014-2015, from \$1,557.5M to \$1,858.5M. New construction accounted for \$143M of the increase in value. 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 most greatly be affected by the types of development that occur. The Town Council updated the 2012 Comprehensive Plan in 2014, during the annual plan review. 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), updated in 2014, sets an overall framework for the preferred pattern of development within Prosper.



The Town Council has continued its implementation of rate recommendations that support the 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 Fund – 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 are approved by the Town Council, even though the Town Charter limits are at the fund level.

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 Economic Development 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, 2013. The Town has received a Certificate of Achievement for the last four 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.

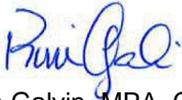
A Certificate of Achievement is valid for a period of one year only. We believe the current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA for consideration.

### **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.

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,



Kim Galvin, MPA, CGFO  
Interim Director of Finance



Government Finance Officers Association

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

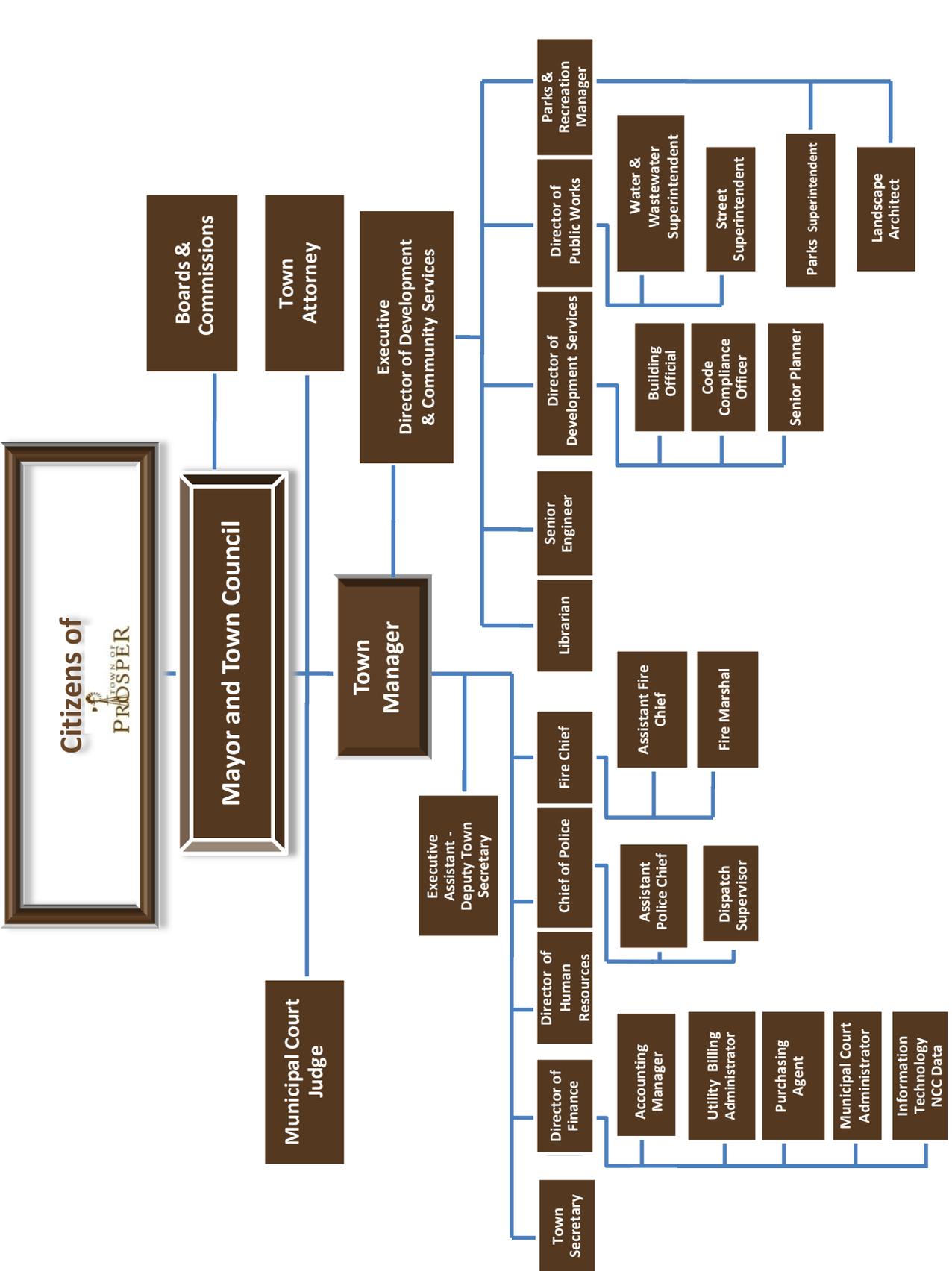
Presented to

**Town of Prosper  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO



TOWN OF PROSPER, TEXAS

LIST OF PRINCIPAL OFFICIALS

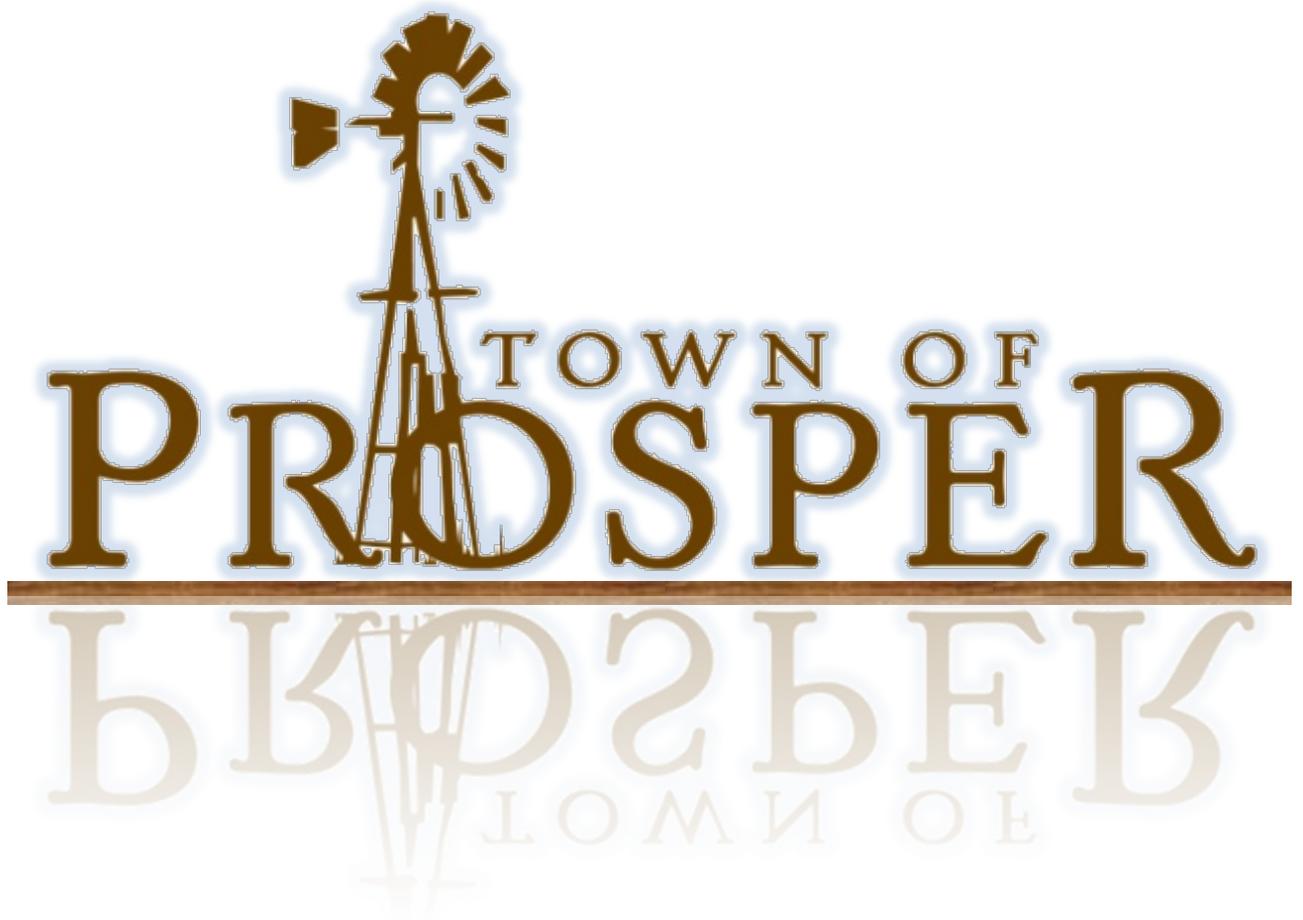
FISCAL YEAR ENDED SEPTEMBER 30, 2014

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 _____	MICHAEL KORBULY	
COUNCIL MEMBER PLACE 3 _____	CURRY VOGELSANG, JR.	
COUNCIL MEMBER PLACE 5 _____	MIKE DAVIS	
COUNCIL MEMBER PLACE 6 _____	JASON DIXON	

APPOINTED OFFICIALS

TOWN MANAGER _____	HARLAN JEFFERSON
TOWN SECRETARY _____	ROBYN BATTLE
CHIEF OF POLICE _____	DOUG KOWALSKI
FIRE CHIEF _____	RONNIE TUCKER
EXECUTIVE DIRECTOR OF DEVELOPMENT AND COMMUNITY SERVICES _____	HULON WEBB
INTERIM DIRECTOR OF FINANCE _____	KIM GALVIN
DIRECTOR OF DEVELOPMENT SERVICES _____	JOHN WEBB
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, 2014, 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, 2014, 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 13, 2015

**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, 2014.

**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 \$92,275,365 (net position). Of this amount, \$13,710,109 (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 \$10,748,218. 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 \$28,816,624 (made up of \$7,587,994 in general fund, \$10,016,129 in impact fee fund, \$1,158,927 in debt service fund, \$5,398,836 in capital projects fund and \$4,654,738 in other governmental funds), an increase of \$1,277,354 in comparison with the prior year. The increase is primarily due to \$3,340,000 in proceeds from issuance of bonds. \$5,429,758 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 \$5,429,758 or 50.46 percent of total general fund expenditures and is available for spending at the government's discretion.
- The Town's long-term liabilities increased by \$11,457,823 during the year due to issuance of the 2014 General Obligation Refunding Bonds for \$7,175,000 and the 2014 Certificates of Obligation for \$12,570,000.
- The Town's capital assets increased by \$6,827,748, 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 \$92,275,365 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 (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (15 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)			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,953	\$ 13,396	\$ 4,293	\$ 6,455	\$ 20,246	\$ 19,851
Intangible assets			15,579		15,579	-
Restricted assets	16,432	16,212	7,287	11,850	23,719	28,062
Capital assets	67,659	64,830	31,987	27,988	99,646	92,818
<b>Total assets</b>	<u>100,044</u>	<u>94,438</u>	<u>59,146</u>	<u>46,293</u>	<u>159,190</u>	<u>140,731</u>
Deferred charge for debt refunding	21	10	45	28	66	38
<b>Total outflows of resources</b>	<u>21</u>	<u>10</u>	<u>45</u>	<u>28</u>	<u>66</u>	<u>38</u>
Long-term liabilities	28,483	28,936	35,210	23,299	63,693	52,235
Other liabilities	2,599	1,983	689	5,060	3,288	7,043
<b>Total liabilities</b>	<u>31,082</u>	<u>30,919</u>	<u>35,899</u>	<u>28,359</u>	<u>66,981</u>	<u>59,278</u>
Net position:						
Net investment in capital assets	45,398	43,471	19,708	12,643	65,106	56,114
Restricted	13,459	9,882			13,459	9,882
Unrestricted	10,126	10,176	3,584	5,319	13,710	15,495
<b>Total net position</b>	<u>\$ 68,983</u>	<u>\$ 63,529</u>	<u>\$ 23,292</u>	<u>\$ 17,962</u>	<u>\$ 92,275</u>	<u>\$ 81,491</u>

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

	Governmental		Business-type		Total	
	Activities		Activities			
		(Restated)		(Restated)		(Restated)
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,176	\$ 2,564	\$ 9,080	\$ 9,099	\$ 12,256	\$ 11,663
Operating grants & contributions	113	93			113	93
Capital grants & contributions	5,277	5,716	3,897		9,174	5,716
General revenues:						
Property taxes	8,411	7,314			8,411	7,314
Other taxes	3,403	2,998			3,403	2,998
Other income	266	749	181	266	447	1,015
<b>Total revenues</b>	<b>20,646</b>	<b>19,434</b>	<b>13,158</b>	<b>9,365</b>	<b>33,804</b>	<b>28,799</b>
<b>Expenses:</b>						
General government	1,984	1,658			1,984	1,658
Police	1,699	1,477			1,699	1,477
Dispatch	712	667			712	667
Court	444	307			444	307
Fire	2,755	2,601			2,755	2,601
Streets	2,667	1,825			2,667	1,825
Parks and recreation	2,362	1,799			2,362	1,799
Library	100	87			100	87
Engineering	459	208			459	208
Code enforcement	690	569			690	569
Inspections	146	160			146	160
Planning	419	295			419	295
Interest on long-term debt	1,119	1,318			1,119	1,318
Utility			7,464	6,293	7,464	6,293
<b>Total expenses</b>	<b>15,556</b>	<b>12,971</b>	<b>7,464</b>	<b>6,293</b>	<b>23,020</b>	<b>19,264</b>
<b>Revenues in Excess of Expenditures</b>	<b>5,090</b>	<b>6,463</b>	<b>5,694</b>	<b>3,072</b>	<b>10,784</b>	<b>9,535</b>
Transfers	364	(73)	(364)	73	-	-
<b>Change in net position</b>	<b>5,454</b>	<b>6,390</b>	<b>5,330</b>	<b>3,145</b>	<b>10,784</b>	<b>9,535</b>
Net position - beginning of year, restated	63,529	57,139	17,962	14,817	81,491	71,956
Net position - end of year	\$ 68,983	\$ 63,529	\$ 23,292	\$ 17,962	\$ 92,275	\$ 81,491

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

Revenues for FY 2013-2014 increased by \$5,005,732 or 17 percent in comparison to FY 2012-2013. The increase is primarily due to increases in miscellaneous revenues and property taxes. Capital grants and contributions increased \$3,458,216 from prior year, due to the recognition of funds held in escrow for the construction of West Side Utilities. Property taxes increased \$1,096,936 from prior year.

### **Governmental Activities**

Governmental activities increased the Town of Prosper's net position by \$5,453,766.

- Impact fee collections increased by \$1,020,686 (36 percent) primarily due to planned real estate development. Impact fees are included as part of capital contribution revenues.
- Total governmental activity expenses increased by \$2,585,015 (20 percent) during the year primarily due to an increase in streets of \$841,732, an increase in parks and recreation of \$562,996, and an increase in general government of \$326,368.

### **Business-type Activities**

Business-type activities increased the Town of Prosper's net position by \$5,330,452.

- Operating revenue was very similar to the prior year.
- Operating expenses increased by \$1,171,571 (19 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 \$28,816,624, an increase of \$1,277,354 from the prior year. Most of the increase is due to increases 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, \$6,145 is nonspendable due to prepaids, \$18,857,571 is restricted for debt service and capital projects, \$2,152,091 is committed for contingency in accordance with the Town charter, \$2,371,059 is assigned for specific purpose such as impact fees and other specific purposes, and \$5,429,758 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 \$5,429,758. Total unassigned fund balance represents 50 percent of total general fund expenditures. The increase in fund balance of \$511,651 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 \$10,016,129, which is restricted for capital projects. The increase in fund balance of \$3,414,559 is due to recognition of income for funds held in escrow for construction of West Side Utilities.

The debt service fund has a total fund balance of \$1,158,927, all of which is restricted for payment of debt service. The decrease in fund balance of \$28,090 is primarily due to bond payments exceeding property tax revenues during the year.

The capital projects fund has a total fund balance of \$5,398,836, all of which is restricted for construction. The decrease in fund balance of \$3,706,215 is primarily due to capital outlay of \$5,481,233.

The contributions fund has a total fund balance of \$2,283,679, which is restricted for capital projects. The increase in fund balance of \$191,078 is due to current year contribution revenues exceeding expenditures and transfers out 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 \$3,359,895. The increase in total net position of the water and sewer fund was \$5,315,901. 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 \$1,067,581 more than estimated and expenditures were \$773,093 less than budgeted. The majority of the excess revenues were in licenses and permits, fines and fees, and franchise taxes. The majority of expenditure savings was in fire, followed by parks and recreation, police, and capital outlay. The positive variances in revenues and expenditures allowed for transfers of \$750,000 for cash financing of capital projects, and \$800,000 as initial investment in the new Vehicle and Equipment Replacement Fund (VERF). Even with the transfers, fund balance increased by \$511,651.

### 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, 2014, is \$99,646,010 (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 \$5,718,704. 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 \$4,634,385. The majority of this activity was funded from bond proceeds and was for new water and sewer projects.

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	(Restated) 2013	2014	(Restated) 2013	2014	2013
Government-wide capital assets:						
Non-depreciable assets	\$ 15,940	\$ 13,281	\$ 8,483	\$ 10,777	\$ 24,423	\$ 24,058
Depreciable assets	68,993	65,934	28,888	21,959	97,881	87,893
Total capital assets	84,933	79,215	37,371	32,736	122,304	111,951
Less accumulated depreciation	(17,274)	(14,384)	(5,384)	(4,749)	(22,658)	(19,133)
Government-wide capital assets, net	\$ 67,659	\$ 64,831	\$ 31,987	\$ 27,987	\$ 99,646	\$ 92,818

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 \$60,920,000. 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			
	2014	2013	2014	2013	2014	2013
Government-wide long-term debt:						
Certificates of obligation and general obligation bonds	\$ 26,213	\$ 26,746	\$ 33,627	\$ 22,703	\$ 59,840	\$ 49,449
Bond Premium on Issuance	636	379	1,506	546		
Tax notes payable	1,080	1,425			1,080	1,425
Compensated absences payable	554	386	76	49	630	435
Total government-wide long-term debt	\$ 28,483	\$ 28,936	\$ 35,209	\$ 23,298	\$ 61,550	\$ 51,309

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 continues to thrive, with residential and commercial development occurring at the highest levels the Town has ever seen. The resulting increase in property values reflects the commitment of the Council and the efforts of the Prosper Economic Development Corporation (PEDC) to attract quality development. The FY 2014-2015 adopted budget addresses the need for increased service levels due to the growth. The budget provides essential capital investments in infrastructure and other public improvements, as well as additional public safety resources.

#### Revenue Projection Highlights

Despite the Town's current and future growth potential and general optimism, the 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 \$301M (19.3%) for FY 2014-2015. Property values increased from \$1,557.5M to \$1,858.5M. Approximately half of the increase was a result of new construction, accounting for \$142,130,743. 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 \$2,933,823, compared to FY 2013-2014's actual amount of \$2,806,815. Growth in new business and a general increase in existing retail sales are expected in FY 2014-2015, just as in FY 2013-2014.
- Building Permit Revenues are expected to increase to \$1,950,000 or 25.5% when compared to the FY 2013-2014 Adopted Budget of \$1,554,300. The Town expects to issue 550 or more new residential permits in the coming year.
- Licenses and Franchise Fees are projected to rise slightly with population. Municipal Court fines are estimated at \$245,000, compared with the FY 2013-2014 budget of \$215,000.
- Revenues for the Water, Sewer, and Solid Waste Fund are expected to increase to \$10,295,293. The adopted business plan for the 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. Even so, the Town is not changing rates for FY 2014-2015, choosing instead to focus on internal savings. In addition, under the solid waste agreement approved by Town Council in FY 2012-2013, the Town's solid waste provider agreed to hold rates steady for three years.

### Appropriated Budget Highlights

The adopted 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 enhancements and capital expenditures included in the adopted appropriations and planned for the FY 2014-2015 by division are as follows:

#### *Administration*

The Town budgeted for a complete website redesign in order to improve customer service by providing additional information, more functionality, and timely updates. Funding is also included for improvements to the electronic records management strategy for multiple departments.

#### *Community Library*

The FY 2014-2015 budget includes funding for the Community Library to obtain its own integrated library system (ILS). The Town's library, located inside the Reynolds Middle School library, currently shares the Prosper ISD's ILS, which is a computerized system designed specifically for schools. With the new, permanent Library Director now in place, the library is in a position to focus on the organization, analysis, and control of its collection as utilization of the library continues to grow.

#### *Police Operations & Dispatch*

Three additional Patrol Officers and one Sergeant are included in the Police Department budget.

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

Twelve Firefighter/Paramedics will be phased in during FY 2014-2015, in preparation for staffing the new Windsong Ranch Fire Station. Also, funding is included in the FY 2014-2015 budget for increased collection fees associated with expanding ambulance service. During FY 2013-2014, the Town implemented an EMS contract with a new vendor who will provide not only collection services, but updated technology to help keep pace with the ever changing healthcare environment.

#### *Streets*

The Streets Department budget includes money for downtown enhancements, partial street lighting along Preston Road, gravel road maintenance, and a new crack sealing program. This program will initially seal ten percent (10%) of the Town's streets.

#### *Development Services*

In the Parks and Recreation Department, the budget includes funding for one Senior Administrative Assistant. Also included are funds to increase promotion of recreation programs, additional monies for the annual Christmas festival, and funding for a number of repair and maintenance projects. These improvements include rye grass for sports fields and wood fiber for playground safety. Other major items include southwest corner Frontier Park lighting, and central control irrigation, which will allow remote monitoring, staff time savings, and water conservation.

The FY 2014-2015 budget also includes funding for an IVR solution for inspections workflow management and the addition of capital projects management software. Staffing additions include one Administrative Assistant for the Inspections Division, one Plumbing Inspector, and one Planner.

### *Water/Wastewater Utility*

Funding for FY 2014-2015 includes one Utility Crew Leader, one Heavy Equipment Operator, and a Stormwater Utility Administrator. Equipment purchases will include a vac trailer/jetter and a backhoe.

### *VERF*

A new fund was established beginning with FY 2014-2015 for the replacement of vehicles, heavy equipment, and IT equipment. The Vehicle and Equipment Replacement Fund (VERF) is funded by an initial investment of \$800,000 from the General Fund in both FY 2013-2014 and in FY 2014-2015, with scheduled replacements beginning in FY 2014-2015. The Town's operating funds will make contributions based on the expected lives of the existing equipment, providing funding for future replacements.

The following items also have been incorporated into the Adopted FY 2014-2015 Budget:

- The adopted budget includes two requests intended to make the Town more competitive as an employer. First is a request that would move employees up to at least the minimum pay range for their position. A compensation survey of 37 benchmark jobs in spring 2014 found that 24 positions were being paid below the minimum of the survey group. Adjusting the pay for these positions would cost \$20,510. Next, the compensation survey found that some employees were being paid above the minimum but should be raised further within their pay range. Aligning pay with the market and the Town's pay for performance philosophy would cost \$217,554.
- The TMRS rate budgeted for FY 2014-2015 is 11.87%, which is equal to the Annual Required Contribution (ARC) Rate required by GASB Statement Number 27.
- Effective August 1, 2014, the Town's benefit provider contracts were updated. Providers include Blue Cross/Blue Shield for medical insurance, Delta Dental for dental insurance, and Mutual of Omaha for life, long-term disability, and AD&D insurance. The two medical plan options initiated in FY 2012-2013 will continue in FY 2014-2015: the PPO (Preferred Provider Organization) plan and the HDHP (High Deductible Health Plan) with an HSA (Health Savings Account).
- Continued partnerships with local 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, with Collin County for animal control and sheltering service. The Town has several agreements with Frisco, including the use of the Frisco GIS.

All these factors were considered in preparing the Town of Prosper's Budget for the FY 2014-2015.

### **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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Prosper Economic Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,814,921	\$ 1,962,175	\$ 7,777,096	\$ 2,586,296
Investments	6,387,496	4,126,304	10,513,800	2,515
Taxes receivable, net	560,476		560,476	172,395
Receivables, net	258,496	796,951	1,055,447	
Due from component unit	255,988		255,988	
Prepaid	6,145	2,050	8,195	2,500
Inventory		73,160	73,160	
Internal balances	2,668,612	(2,668,612)	-	
Net pension asset	38,071	5,561	43,632	
Restricted cash and investments	16,394,206	7,281,119	23,675,325	
Intangible assets		15,578,922	15,578,922	
Capital assets:				
Land and construction in progress	15,939,840	8,482,675	24,422,515	
Other capital assets, net	51,719,233	23,504,262	75,223,495	
<b>Total assets</b>	<u>100,043,484</u>	<u>59,144,567</u>	<u>159,188,051</u>	<u>2,763,706</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges for refunding	21,300	45,297	66,597	
<b>Total outflows of resources</b>	<u>21,300</u>	<u>45,297</u>	<u>66,597</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	1,894,065	472,004	2,366,069	12,135
Accrued interest	154,121	165,547	319,668	
Customer deposits and escrow payable	550,614	51,000	601,614	
Due to primary government			-	255,988
Noncurrent liabilities:				
Due within one year	1,767,017	1,989,094	3,756,111	
Due in more than one year	26,715,699	33,220,122	59,935,821	23,303
<b>Total liabilities</b>	<u>31,081,516</u>	<u>35,897,767</u>	<u>66,979,283</u>	<u>291,426</u>
<b>NET POSITION</b>				
Net investment in capital assets	45,398,209	19,708,312	65,106,521	
Restricted for:				
Debt service	1,158,927		1,158,927	
Capital projects	12,299,808		12,299,808	
Unrestricted	10,126,324	3,583,785	13,710,109	2,472,280
<b>Total net position</b>	<u>\$ 68,983,268</u>	<u>\$ 23,292,097</u>	<u>\$ 92,275,365</u>	<u>\$ 2,472,280</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, 2014

	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government	\$ 1,984,336	\$ 353,005	\$ 41,591	\$ 105,000
Police	1,698,626	38,891	27,079	
Dispatch	711,863			
Court	444,223	336,515	5,456	
Fire	2,754,823	209,243	20,087	
Streets	2,666,937			4,145,822
Parks and recreation	2,362,310	4,050		1,026,585
Library	99,811		18,771	
Engineering	458,845			
Inspections	690,429	2,117,969		
Code enforcement	145,742	12,550		
Planning	419,095	103,505		
Interest and fiscal charges	1,118,501			
<b>Total governmental activities</b>	<u>15,555,541</u>	<u>3,175,728</u>	<u>112,984</u>	<u>5,277,407</u>
<b>Business-type activities</b>				
Water and sewer	7,271,836	8,832,596		3,897,241
Storm drainage	192,493	247,660		
<b>Total business-type activities</b>	<u>7,464,329</u>	<u>9,080,256</u>	<u>-</u>	<u>3,897,241</u>
<b>Total Primary Government</b>	<u>\$ 23,019,870</u>	<u>\$ 12,255,984</u>	<u>\$ 112,984</u>	<u>\$ 9,174,648</u>
<b>Component Unit</b>				
Economic development	545,329			
<b>Total component unit</b>	<u>\$ 545,329</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
\$ (1,484,740)	\$	\$ (1,484,740)	
(1,632,656)		(1,632,656)	
(711,863)		(711,863)	
(102,252)		(102,252)	
(2,525,493)		(2,525,493)	
1,478,885		1,478,885	
(1,331,675)		(1,331,675)	
(81,040)		(81,040)	
(458,845)		(458,845)	
1,427,540		1,427,540	
(133,192)		(133,192)	
(315,590)		(315,590)	
<u>(1,118,501)</u>		<u>(1,118,501)</u>	
<u>(6,989,422)</u>	<u>-</u>	<u>(6,989,422)</u>	
	5,458,001	5,458,001	
	55,167	55,167	
<u>-</u>	<u>5,513,168</u>	<u>5,513,168</u>	
<u>(6,989,422)</u>	<u>5,513,168</u>	<u>(1,476,254)</u>	
			\$ <u>(545,329)</u>
			<u>(545,329)</u>
8,410,508		8,410,508	
2,806,815		2,806,815	931,796
596,421		596,421	
114,698	104,872	219,570	18,996
150,590	76,568	227,158	4,734
364,156	(364,156)	-	
<u>12,443,188</u>	<u>(182,716)</u>	<u>12,260,472</u>	<u>955,526</u>
5,453,766	5,330,452	10,784,218	410,197
<u>63,529,502</u>	<u>17,961,645</u>	<u>81,491,147</u>	<u>2,062,083</u>
<u>\$ 68,983,268</u>	<u>\$ 23,292,097</u>	<u>\$ 92,275,365</u>	<u>\$ 2,472,280</u>

**TOWN OF PROSPER, TEXAS**  
Balance Sheet - Governmental Funds  
September 30, 2014

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,196,318	\$	
Investments	5,233,990		
Taxes receivable (net)	545,901		14,575
Accounts receivable (net)	250,309		
Due from other funds	3,489,039	4,120,483	10,160
Due from component unit	88	255,900	
Prepaid	6,145		
Restricted cash and investments		7,211,491	1,148,767
<b>Total Assets</b>	<u>\$ 13,721,790</u>	<u>\$ 11,587,874</u>	<u>\$ 1,173,502</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 694,154	\$ 23,405	\$
Escrow payable			
Due to other funds	5,269,461	1,548,340	
Due to component unit			
Total Liabilities	<u>5,963,615</u>	<u>1,571,745</u>	<u>-</u>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Property taxes	28,657		14,575
Fines and fees	141,524		
Total Deferred Inflows of Resources	<u>170,181</u>	<u>-</u>	<u>14,575</u>
 <b>Fund Balance</b>			
Nonspendable for:			
Prepaid	6,145		
Restricted for:			
Debt service			1,158,927
Capital projects		10,016,129	
Committed for:			
Contingency	2,152,091		
Assigned			
Unassigned	5,429,758		
Total Fund Balances	<u>7,587,994</u>	<u>10,016,129</u>	<u>1,158,927</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 13,721,790</u>	<u>\$ 11,587,874</u>	<u>\$ 1,173,502</u>

The accompanying notes are an integral part of these financial statements

Capital Projects Fund	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$	\$	\$ 742,098	\$ 4,938,416
		1,153,506	6,387,496
	3,187		560,476
2,619	1,547,045	605,407	253,496
			9,774,753
			255,988
			6,145
6,529,608	1,504,340		16,394,206
<u>\$ 6,532,227</u>	<u>\$ 3,054,572</u>	<u>\$ 2,501,011</u>	<u>\$ 38,570,976</u>
\$ 982,075	\$ 166,662	\$	\$ 1,866,296
	550,614		550,614
151,316	53,617	129,952	7,152,686
			-
<u>1,133,391</u>	<u>770,893</u>	<u>129,952</u>	<u>9,569,596</u>
			43,232
			141,524
<u>-</u>	<u>-</u>	<u>-</u>	<u>184,756</u>
			6,145
			1,158,927
5,398,836	2,283,679		17,698,644
			2,152,091
		2,371,059	2,371,059
			5,429,758
<u>5,398,836</u>	<u>2,283,679</u>	<u>2,371,059</u>	<u>28,816,624</u>
<u>\$ 6,532,227</u>	<u>\$ 3,054,572</u>	<u>\$ 2,501,011</u>	<u>\$ 38,570,976</u>

**TOWN OF PROSPER, TEXAS**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 September 30, 2014

Total Fund Balances - Governmental Funds	\$	28,816,624
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.		67,659,073
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(27,292,850)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(553,565)
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.		(154,121)
Premiums (\$636,301) on bond issuances less deferred losses on bond refunding of (\$21,300) 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.		(615,001)
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.		184,756
Non-current assets for the overpayment of current year pension obligations is not available soon enough to pay for the current period's expenditures, and are therefore not reported as assets in the funds.		38,071
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.		900,281
Net Position of Governmental Activities	\$	68,983,268

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, 2014

	General Fund	Impact Fee Fund	Debt Service Fund
<b>REVENUES</b>			
Taxes:			
Property	\$ 5,284,325		\$ 3,146,553
Sales	2,806,815		
Franchise	596,421		
Licenses and permits	2,102,183		
Charges for services	206,802		
Impact fees		3,829,464	
Escrow income			
Grants	28,332		
Investment income	47,575	12,864	18,124
Fines, fees, warrants and seizures	805,706		
Contributions			
Miscellaneous	149,039		
Total Revenues	12,027,198	3,842,328	3,164,677
<b>EXPENDITURES</b>			
Current:			
General government	1,884,930		
Police	1,600,830		
Dispatch	597,132		
Court	245,606		
Fire	2,484,883		
Streets	504,244	408,199	
Parks and recreation	1,446,238		
Library	99,544		
Engineering	444,644		
Inspection	676,990		
Code enforcement	145,133		
Planning	415,879		
Capital outlay	214,401	19,570	
Debt service:			
Principal			1,638,246
Interest and fiscal charges			1,163,134
Bond issue costs and fees			5,507
Total Expenditures	10,760,454	427,769	2,806,887
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>\$ 1,266,744</b>	<b>\$ 3,414,559</b>	<b>\$ 357,790</b>

The accompanying notes are an integral part of these financial statements

Capital Projects Fund	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$	\$	\$	\$
			8,430,878
			2,806,815
			596,421
			2,102,183
			206,802
			3,829,464
	316,358		316,358
			28,332
28,180	4,086	3,290	114,119
	3,250		808,956
105,000	84,652	1,026,586	1,216,238
	1,551		150,590
<u>133,180</u>	<u>409,897</u>	<u>1,029,876</u>	<u>20,607,156</u>
117,574			2,002,504
	5,315		1,606,145
			597,132
	198,617		444,223
	4,806		2,489,689
			912,443
	10,081	132,005	1,588,324
			99,544
			444,644
			676,990
			145,133
			415,879
5,481,233		3,500	5,718,704
			1,638,246
			1,163,134
4,001			9,508
<u>5,602,808</u>	<u>218,819</u>	<u>135,505</u>	<u>19,952,242</u>
\$ (5,469,628)	\$ 191,078	\$ 894,371	\$ 654,914

**TOWN OF PROSPER, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Debt Service Fund</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	\$	\$	\$
Issuance of refunding debt			2,355,000
Premium on issuance of bonds			277,810
Payments to bond escrow agent			(2,591,766)
Transfer in	801,700		12,780
Transfer out	<u>(1,556,793)</u>	<u>-</u>	<u>(439,704)</u>
Total Other Financing Sources (Uses)	<u>(755,093)</u>	<u>-</u>	<u>(385,880)</u>
<b>Net change in fund balances</b>	511,651	3,414,559	(28,090)
<b>Fund balances, beginning - restated</b>	<u>7,076,343</u>	<u>6,601,570</u>	<u>1,187,017</u>
<b>Fund balances, ending</b>	<u>\$ 7,587,994</u>	<u>\$ 10,016,129</u>	<u>\$ 1,158,927</u>

The accompanying notes are an integral part of these financial statements

Capital Projects Fund	Contributions Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$ 985,000	\$	\$	\$ 985,000
34,400			2,355,000
756,793			312,210
(12,780)			(2,591,766)
<u>1,763,413</u>	<u>-</u>	<u>-</u>	<u>1,571,273</u>
			<u>(2,009,277)</u>
			<u>622,440</u>
(3,706,215)	191,078	894,371	1,277,354
<u>9,105,051</u>	<u>2,092,601</u>	<u>1,476,688</u>	<u>27,539,270</u>
<u>\$ 5,398,836</u>	<u>\$ 2,283,679</u>	<u>\$ 2,371,059</u>	<u>\$ 28,816,624</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, 2014

Net Change in Fund Balances - Governmental Funds	\$ 1,277,354
<p>Amounts reported for governmental activities in the statement of activities (pages 13 - 14) are different because:</p>	
<p>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 (\$5,718,704) is exceeded by depreciation expense (\$2,890,104).</p>	2,828,600
<p>Principal payments on bonds payable of \$1,368,750 and refunded bonds of \$2,849,700 are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.</p>	4,218,450
<p>Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements. This is the current year amortization.</p>	54,472
<p>Proceeds from bond premiums of \$312,210 are recorded as other financing sources in the fund financial statements, but increases liabilities in the government-wide financial statements. Deferred losses on refunding of \$11,562 are recorded as expense on the fund financial statements, but increase assets in the government-wide financial statements. The net effect is a decrease in net position.</p>	(300,648)
<p>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.</p>	(3,340,000)
<p>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.</p>	(167,939)
<p>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.</p>	(331)
<p>The Town uses an internal service fund to charge the costs of the medical reimbursement program to the appropriate departments in other funds. The change in net position of the insurance fund is reported with governmental activities.</p>	808,321
<p>Non-current assets due to the overpayment of current year pension obligations are accrued in the government-wide financial statements, but are not reported in the funds.</p>	38,071
<p>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 \$184,756 and removing prior year's deferred tax recognized of \$147,340 is to increase net position.</p>	<u>37,416</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,453,766</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, 2014

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES:</b>				
Taxes				
Property	\$ 5,241,475	\$ 5,241,475	\$ 5,284,325	\$ 42,850
Sales	2,736,900	2,736,900	2,806,815	69,915
Franchise	473,000	473,000	596,421	123,421
Licenses and permits	1,679,300	1,679,300	2,102,183	422,883
Charges for services	184,000	184,000	206,802	22,802
Grants	18,087	18,087	28,332	10,245
Investment income	60,130	60,130	47,575	(12,555)
Fines, fees, warrants and seizures	511,350	511,350	805,706	294,356
Miscellaneous	55,375	55,375	149,039	93,664
<b>Total Revenues</b>	<b>10,959,617</b>	<b>10,959,617</b>	<b>12,027,198</b>	<b>1,067,581</b>
<b>EXPENDITURES:</b>				
General government	1,827,468	1,889,468	1,884,930	4,538
Police	1,699,258	1,712,198	1,600,830	111,368
Dispatch	644,690	644,690	597,132	47,558
Court	257,028	243,728	245,606	(1,878)
Fire	2,689,833	2,680,306	2,484,883	195,423
Streets	1,291,305	541,305	504,244	37,061
Parks and recreation	1,726,550	1,611,003	1,446,238	164,765
Library	98,041	114,136	99,544	14,592
Inspections	746,782	690,782	676,990	13,792
Code enforcement	164,151	164,151	145,133	19,018
Planning	495,505	441,872	415,879	25,993
Engineering	467,149	460,649	444,644	16,005
Capital outlay	333,000	337,259	214,401	122,858
<b>Total Expenditures</b>	<b>12,440,760</b>	<b>11,531,547</b>	<b>10,760,454</b>	<b>771,093</b>
Excess of revenues over expenditures	(1,481,143)	(571,930)	1,266,744	1,838,674
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	801,700	801,700	801,700	-
Transfers out	(17,000)	(750,000)	(1,556,793)	(806,793)
<b>Total Other Financing Sources (Uses)</b>	<b>784,700</b>	<b>51,700</b>	<b>(755,093)</b>	<b>(806,793)</b>
Change in fund balances	(696,443)	(520,230)	511,651	1,031,881
Fund balances, beginning - restated	7,076,343	7,076,343	7,076,343	-
Fund balances, ending	<u>\$ 6,379,900</u>	<u>\$ 6,556,113</u>	<u>\$ 7,587,994</u>	<u>\$ 1,031,881</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, 2014

	Impact Fee Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Impact fees	\$ 2,600,000	\$ 2,600,000	\$ 3,829,464	\$ 1,229,464
Investment income	20,000	20,000	12,864	(7,136)
Total Revenues	2,620,000	2,620,000	3,842,328	1,222,328
<b>EXPENDITURES:</b>				
Streets	1,535,000	1,529,238	408,199	1,121,039
Capital outlay	-	-	19,570	(19,570)
Total Expenditures	1,535,000	1,529,238	427,769	1,101,469
Excess of revenues over expenditures	1,085,000	1,090,762	3,414,559	2,323,797
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(300,000)	(300,000)	-	300,000
Total Other Financing Sources (Uses)	(300,000)	(300,000)	-	300,000
Change in fund balances	785,000	790,762	3,414,559	2,623,797
Fund balances, beginning	6,601,570	6,601,570	6,601,570	-
Fund balances, ending	\$ 7,386,570	\$ 7,392,332	\$ 10,016,129	\$ 2,623,797

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, 2014

	Contributions Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Escrow income	\$	\$	\$ 316,358	\$ 316,358
Investment income			4,086	4,086
Fines, fees, warrants and seizures	500	500	3,250	2,750
Contributions	55,900	55,900	84,652	28,752
Miscellaneous	-	-	1,551	1,551
Total Revenues	56,400	56,400	409,897	353,497
<b>EXPENDITURES:</b>				
Police	10,500	10,500	5,315	5,185
Court	30,700	30,700	198,617	(167,917)
Fire	8,000	8,000	4,806	3,194
Parks and recreation	10,000	10,000	10,081	(81)
Total Expenditures	59,200	59,200	218,819	(159,619)
Change in fund balances	(2,800)	(2,800)	191,078	193,878
Fund balances, beginning	2,092,601	2,092,601	2,092,601	-
Fund balances, ending	\$ 2,089,801	\$ 2,089,801	\$ 2,283,679	\$ 193,878

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

**TOWN OF PROSPER, TEXAS**  
Statement of Net Position - Proprietary Funds  
September 30, 2014

	Enterprise Funds			Governmental
	Water and Sewer Fund	Other Nonmajor Enterprise Fund	Total Enterprise Funds	Activities- Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,763,220	\$ 198,955	\$ 1,962,175	\$ 876,505
Investments	4,126,304		4,126,304	
Receivables, net	767,095	29,856	796,951	5,000
Due from other funds	1,841,641		1,841,641	46,545
Prepaid	2,050		2,050	
Inventory	73,160		73,160	
Restricted cash and cash equivalents	7,281,119		7,281,119	
<b>Total Current Assets</b>	<b>15,854,589</b>	<b>228,811</b>	<b>16,083,400</b>	<b>928,050</b>
Noncurrent Assets:				
Net pension asset	5,561		5,561	
Intangible assets	15,578,922		15,578,922	
Capital assets				
Nondepreciable	8,482,675		8,482,675	
Depreciable, net	23,468,240	36,022	23,504,262	
<b>Total Noncurrent Assets</b>	<b>47,535,398</b>	<b>36,022</b>	<b>47,571,420</b>	<b>-</b>
<b>Total Assets</b>	<b>63,389,987</b>	<b>264,833</b>	<b>63,654,820</b>	<b>928,050</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges for refunding	45,297		45,297	
<b>Total Outflows of Resources</b>	<b>45,297</b>	<b>-</b>	<b>45,297</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued expenses	471,325	679	472,004	27,769
Deposits and funds held in escrow	51,000		51,000	
Due to other funds	4,508,288	1,965	4,510,253	
Accrued interest	165,547		165,547	
Current portion of long-term liabilities				
Compensated absences	18,494		18,494	
Bonds payable	1,970,600		1,970,600	
<b>Total Current Liabilities</b>	<b>7,185,254</b>	<b>2,644</b>	<b>7,187,898</b>	<b>27,769</b>
Noncurrent Liabilities:				
Compensated absences	55,482	2,277	57,759	
Bonds payable	33,162,363		33,162,363	
<b>Total Noncurrent Liabilities</b>	<b>33,217,845</b>	<b>2,277</b>	<b>33,220,122</b>	<b>-</b>
<b>Total Liabilities</b>	<b>40,403,099</b>	<b>4,921</b>	<b>40,408,020</b>	<b>27,769</b>
<b>NET POSITION</b>				
Net investment in capital assets	19,672,290	36,022	19,708,312	
Unrestricted	3,359,895	223,890	3,583,785	900,281
<b>Total Net Position</b>	<b>\$ 23,032,185</b>	<b>\$ 259,912</b>	<b>\$ 23,292,097</b>	<b>\$ 900,281</b>

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, 2014

	Enterprise Funds			Governmental Activities-
	Water and Sewer Fund	Other Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Water and sewer charges	\$ 7,071,126	\$	\$ 7,071,126	\$
Sanitation charges	983,037		983,037	
Storm drainage utility fees		247,660	247,660	
Water and sewer connections	725,848		725,848	
Service initiation	52,585		52,585	
Insurance charges for services			-	27,360
Miscellaneous	76,568		76,568	
<b>Total Operating Revenues</b>	<b>8,909,164</b>	<b>247,660</b>	<b>9,156,824</b>	<b>27,360</b>
<b>OPERATING EXPENSES</b>				
Personnel services	1,101,277	44,764	1,146,041	
Materials and supplies	285,771	17,589	303,360	
Contractual services	4,363,760	55,986	4,419,746	21,778
Depreciation	628,523	6,714	635,237	
<b>Total Operating Expenses</b>	<b>6,379,331</b>	<b>125,053</b>	<b>6,504,384</b>	<b>21,778</b>
<b>Operating Income</b>	<b>2,529,833</b>	<b>122,607</b>	<b>2,652,440</b>	<b>5,582</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	102,948	1,924	104,872	579
Interest expense	(643,140)	(67,440)	(710,580)	
Bond issuance cost	(249,365)		(249,365)	
Contributions for capital projects	3,897,241		3,897,241	
<b>Total Non-operating Revenues (Expenses)</b>	<b>3,107,684</b>	<b>(65,516)</b>	<b>3,042,168</b>	<b>579</b>
<b>Income before transfers</b>	<b>5,637,517</b>	<b>57,091</b>	<b>5,694,608</b>	<b>6,161</b>
Transfers in	469,704		469,704	802,160
Transfers out	(791,320)	(42,540)	(833,860)	
<b>Total Transfers</b>	<b>(321,616)</b>	<b>(42,540)</b>	<b>(364,156)</b>	<b>802,160</b>
<b>Change in net position</b>	<b>5,315,901</b>	<b>14,551</b>	<b>5,330,452</b>	<b>808,321</b>
<b>Net position, at beginning of year, restated</b>	<b>17,716,284</b>	<b>245,361</b>	<b>17,961,645</b>	<b>91,960</b>
<b>Net position, at end of year</b>	<b>\$ 23,032,185</b>	<b>\$ 259,912</b>	<b>\$ 23,292,097</b>	<b>\$ 900,281</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, 2014

	Enterprise Funds	
	Water and Sewer Fund	Other Nonmajor Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 8,996,803	\$ 245,598
Cash contributions for insurance premiums		
Cash payments to suppliers for goods and services	(5,129,349)	(122,802)
Cash payments for insurance premiums		
Cash payments to employees for services	(1,081,951)	(42,487)
Net cash provided (used) by operating activities	2,785,503	80,309
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to/from other funds	(321,616)	(42,540)
Advances to other funds	2,007,447	(803)
Net cash provided (used) by noncapital financing activities	1,685,831	(43,343)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Proceeds from the issuance of debt	16,405,000	
Premiums received on long-term debt	1,071,038	
Bond issuance cost paid on long-term debt	(249,365)	
Principal paid on bonds	(5,480,850)	
Acquisition and construction of capital assets	(4,413,619)	(19,827)
Interest paid on bonds	(915,892)	(67,440)
Intangible assets purchased	(15,578,922)	
Net cash used by capital and related financing activities	(9,162,610)	(87,267)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(19,207)	
Interest on deposits and investments	102,948	1,924
Net cash provided by investing activities	83,741	1,924
Net (decrease) increase in cash and cash equivalents	(4,607,535)	(48,377)
Cash and cash equivalents at beginning of year	13,651,874	247,332
Cash and cash equivalents at end of year	\$ 9,044,339	\$ 198,955
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 2,529,833	\$ 122,607
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	628,523	6,714
(Increase) decrease in accounts receivable	113,005	(2,062)
(Increase) decrease in inventory and prepaid	(23,105)	
(Increase) in net pension asset	(5,561)	
Increase (decrease) in accounts payable	(456,713)	(49,227)
Increase (decrease) in compensated absences	24,887	2,277
Increase (decrease) in customer deposits	(25,366)	
Net cash provided (used) by operating activities	\$ 2,785,503	\$ 80,309

The accompanying notes are an integral part of these financial statements

Total Enterprise Funds	Governmental Activities- Internal Service Fund
\$ 9,242,401	\$
-	28,953
(5,252,151)	
-	(140,184)
<u>(1,124,438)</u>	
<u>2,865,812</u>	<u>(111,231)</u>
(364,156)	802,160
<u>2,006,644</u>	<u>(3,082)</u>
<u>1,642,488</u>	<u>799,078</u>
16,405,000	
1,071,038	
(249,365)	
(5,480,850)	
(4,433,446)	
(983,332)	
<u>(15,578,922)</u>	
<u>(9,249,877)</u>	<u>-</u>
(19,207)	
<u>104,872</u>	<u>579</u>
<u>85,665</u>	<u>579</u>
(4,655,912)	688,426
<u>13,899,206</u>	<u>188,079</u>
\$ <u>9,243,294</u>	\$ <u>876,505</u>
\$ 2,652,440	\$ 5,582
635,237	
110,943	1,593
(23,105)	
(5,561)	
(505,940)	(118,406)
27,164	
<u>(25,366)</u>	
\$ <u>2,865,812</u>	\$ <u>(111,231)</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**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, 2014

**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 as well as to facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. 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, 2014

**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, 2014

**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	4 - 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, 2014

**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, 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, 2014, 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, 2014

**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.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office. The reported value of the pool is the same as the fair value of the pool shares.

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. TexSTAR invests in treasury and agency securities and repurchase agreements fully collateralized by government securities. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective. The reported value of the pool is the same as the fair value of the pool shares.

*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 five years and two years for debt service funds. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

Investments – continued

*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 (5%) 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 (5%) disclosure requirement. The government is not exposed to concentration of credit risk.

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

	<u>Fair Value</u>	<u>Maturity Less than One Year</u>	<u>Maturity Greater than One Year</u>
Primary Government			
Investment type:			
Texas Local Government investment pool	\$ 6,507,755	\$ 6,507,755	\$ -
TexSTAR investment pool	8,539,455	8,539,455	-
Certificates of deposit	6,387,738	6,387,738	-
Total	<u>\$ 21,434,948</u>	<u>\$ 21,434,948</u>	<u>\$ -</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>	<u>\$ -</u>

**Note 4: Receivables**

Receivables at September 30, 2014 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Contri- butions</u>	<u>Water and Sewer</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Property taxes	\$ 85,198	\$ 51,978	\$ -	\$ -	\$ -	\$ -	\$ 137,176
Sales tax	517,244						517,244
Utility bills				974,605	29,856		1,004,461
Other receivables	250,309		3,187			5,000	258,496
Gross receivables	852,751	51,978	3,187	974,605	29,856	5,000	1,917,377
Less: allowance for uncollectibles	(56,541)	(37,403)		(207,510)			(301,454)
Net receivables	<u>\$ 796,210</u>	<u>\$ 14,575</u>	<u>\$ 3,187</u>	<u>\$ 767,095</u>	<u>\$ 29,856</u>	<u>\$ 5,000</u>	<u>\$1,615,923</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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**Note 4: Receivables – continued**

At September 30, 2014, the EDC had sales tax receivable of \$172,415. No allowance for uncollectible accounts is deemed necessary.

**Note 5: Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance October 1, 2013	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2014
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,890,593	\$	\$	\$ 5,890,593
Construction in progress	7,389,929	5,363,013	(2,703,695)	10,049,247
Total capital assets, not being depreciated	<u>13,280,522</u>	<u>5,363,013</u>	<u>(2,703,695)</u>	<u>15,939,840</u>
Capital assets being depreciated:				
Buildings and improvements	14,182,669			14,182,669
Equipment	5,590,808	355,691		5,946,499
Infrastructure	46,160,490		2,703,695	48,864,185
Total assets being depreciated	<u>65,933,967</u>	<u>355,691</u>	<u>2,703,695</u>	<u>68,993,353</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,128,711)	(729,897)		(2,858,608)
Equipment	(2,081,403)	(416,548)		(2,497,951)
Infrastructure	(10,173,902)	(1,743,659)		(11,917,561)
Total accumulated depreciation	<u>(14,384,016)</u>	<u>(2,890,104)</u>	<u>-</u>	<u>(17,274,120)</u>
Total capital assets being depreciated, net	<u>51,549,951</u>	<u>(2,534,413)</u>	<u>2,703,695</u>	<u>51,719,233</u>
Governmental activities capital assets, net	<u>\$ 64,830,473</u>	<u>\$ 2,828,600</u>	<u>\$ -</u>	<u>\$ 67,659,073</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	10,772,414	4,275,928	(6,570,667)	8,477,675
Total capital assets, not being depreciated	<u>10,777,414</u>	<u>4,275,928</u>	<u>(6,570,667)</u>	<u>8,482,675</u>
Capital assets being depreciated:				
Buildings and systems	21,255,176		6,570,667	27,825,843
Vehicles and Equipment	704,039	358,457		1,062,496
Total assets being depreciated	<u>21,959,215</u>	<u>358,457</u>	<u>6,570,667</u>	<u>28,888,339</u>
Less accumulated depreciation for:				
Buildings and systems	(4,321,859)	(554,660)		(4,876,519)
Vehicles and Equipment	(426,981)	(80,577)		(507,558)
Total accumulated depreciation	<u>(4,748,840)</u>	<u>(635,237)</u>	<u>-</u>	<u>(5,384,077)</u>
Total capital assets being depreciated, net	<u>17,210,375</u>	<u>(276,780)</u>	<u>6,570,667</u>	<u>23,504,262</u>
Business-type activities capital assets, net	<u>\$ 27,987,789</u>	<u>\$ 3,999,148</u>	<u>\$ -</u>	<u>\$ 31,986,937</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**Note 5: Capital Assets – continued**

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

Governmental activities:	
General government	\$ 4,612
Police	57,249
Dispatch	105,710
Fire	206,970
Streets	1,752,715
Parks and recreation	756,867
Inspections	5,981
	\$ 2,890,104
Business-type activities:	
Water and Sewer	\$ 628,523
Nonmajor enterprise fund	6,714
	\$ 635,237

Capital asset activity for the EDC for the year ended September 30, 2014, was as follows:

	Balance October 1, 2013	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2014
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, 2014, the total estimated costs to complete significant construction projects in progress at year-end totaled approximately \$13,089,144 for the Capital Projects Fund and \$947,364 for the Utility Fund.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

Interfund balances at September 30, 2014 were as follows:

Due to/from other funds:

Due To Fund	Due From Fund	Amount	Purpose
Capital Projects	General Fund	\$ 2,619	Short-term loans
Debt Service Fund	General Fund	10,160	Short-term loans
General Fund	Water and Sewer	2,230,523	Short-term loans
General Fund	Nonmajor enterprise	1,130	Short-term loans
General Fund	Water and Sewer	273,102	Short-term loans
General Fund	Capital Projects	143,575	Short-term loans
General Fund	Contributions	53,617	Short-term loans
General Fund	Nonmajor governmental	129,952	Short-term loans
General Fund	Impact Fee Fund	657,140	Short-term loans
Impact Fees	General Fund	3,642,840	Short-term loans
Impact Fees	Water and Sewer	477,643	Short-term loans
Internal Service	General Fund	12,634	Short-term loans
Internal Service	Water and Sewer	25,335	Short-term loans
Internal Service	Capital Projects	7,741	Short-term loans
Internal Service	Nonmajor enterprise	835	Short-term loans
Nonmajor governmental	General Fund	605,407	Short-term loans
Contributions Fund	General Fund	45,360	Short-term loans
Contributions Fund	Water and Sewer	1,501,685	Short-term loans
Water and Sewer	Impact Fee Fund	891,200	Short-term loans
Water and Sewer	General Fund	950,441	Short-term loans
		<u>\$ 11,662,939</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	\$ 800,000	Administrative
General Fund	Capital Projects	756,793	Capital outlay
Debt Service Fund	Water and Sewer	439,704	Issuance of debt
Capital Projects	Debt Service	12,780	Bond issuance cost refund
Water and Sewer	Internal Service Fund	2,160	Administrative
Water and Sewer	General Fund	789,160	Administrative
Nonmajor Enterprise	Water and Sewer	30,000	Debt service
Nonmajor Enterprise	General Fund	12,540	Administrative
		<u>\$ 2,843,137</u>	

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**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, 2014, was as follows:

	<u>Balance</u> 10/1/2013	<u>Issued</u>	<u>Refunded/ Retired</u>	<u>Balance</u> 9/30/2014	<u>Amount Due</u> Within one Year
<u>Governmental Activities:</u>					
Compensated absences	\$ 385,626	\$ 167,939	\$	\$ 553,565	\$ 144,217
Bonds	28,171,300	3,340,000	(4,218,450)	27,292,850	1,622,800
Bond Premium on Issuance	378,699	312,210	(54,608)	636,301	
Total Governmental	<u>28,935,625</u>	<u>3,820,149</u>	<u>(4,273,058)</u>	<u>28,482,716</u>	<u>1,767,017</u>
<u>Business-type Activities:</u>					
Compensated absences	49,089	27,164		76,253	18,494
Bonds	22,703,000	16,405,000	(5,480,850)	33,627,150	1,970,600
Bond Premium on Issuance	546,395	1,071,039	(111,621)	1,505,813	
Total Business-type	<u>23,298,484</u>	<u>17,503,203</u>	<u>(5,592,471)</u>	<u>35,209,216</u>	<u>1,989,094</u>
Total Primary Government	<u>\$ 52,234,109</u>	<u>\$ 21,323,352</u>	<u>\$ (9,865,529)</u>	<u>\$ 63,691,932</u>	<u>\$ 3,756,111</u>
<u>Component Unit</u>					
Compensated absences	<u>\$ 10,699</u>	<u>\$ 12,604</u>	<u>\$</u>	<u>\$ 23,303</u>	<u>\$</u>

In March 2014, the Town issued refunding bonds of \$7,175,000 General Obligation Refunding and Improvement Bonds, Series 2014 for the purpose of refunding \$7,474,300 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. As of the result of this refunding, the Town recognized an economic gain of \$846,865 and cash flows savings (difference between debt service requirements of old debt versus the new debt) of \$729,483.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

Bonds, certificates of obligation, and tax notes at September 30, 2014, 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>
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%. \$	4,171,200	\$ 4,518,800	\$ 8,690,000
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%.	10,786,500	1,198,500	11,985,000
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%.	1,080,000		1,080,000
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%.	540,150	844,850	1,385,000
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%.		5,610,000	5,610,000
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%.	3,695,000		3,695,000
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%.		5,050,000	5,050,000
2014 General Obligation Improvement Bonds (47% debt service fund portion and 53% water and sewer portion) issued February 15, 2014, maturing February 15, 2034. Interest payable February 15 and August 15 at rates ranging from 2.0% to 5.0%.	3,340,000	3,835,000	7,175,000
2014 Certificates of Obligation (100% water and sewer portion) issued February 15, 2014, maturing February 15, 2034. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.		12,570,000	12,570,000
	<u>\$ 27,292,850</u>	<u>\$ 33,627,150</u>	<u>\$ 60,920,000</u>

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**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, 2014, are as follows:

Year Ended September 30	Governmental Activities		Business-Type Activities		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Obligation
2015	\$ 1,622,800	\$ 1,226,266	\$ 1,617,200	\$ 1,309,226	\$ 3,240,000	\$ 2,535,492	\$ 5,775,492
2016	1,860,000	1,125,041	1,905,000	1,211,928	3,765,000	2,336,969	6,101,969
2017	1,893,650	1,066,765	1,916,350	1,165,410	3,810,000	2,232,175	6,042,175
2018	1,569,600	1,009,363	1,965,400	1,117,034	3,535,000	2,126,397	5,661,397
2019	1,519,000	949,968	1,841,000	1,058,561	3,360,000	2,008,529	5,368,529
2020-2024	8,705,200	3,651,321	10,084,800	4,146,048	18,790,000	7,797,369	26,587,369
2025-2029	7,982,600	1,496,541	7,767,400	2,198,180	15,750,000	3,694,721	19,444,721
2030-2034	2,140,000	209,338	6,530,000	734,656	8,670,000	943,994	9,613,994
<b>Total</b>	<b>\$ 27,292,850</b>	<b>\$ 10,734,603</b>	<b>\$ 33,627,150</b>	<b>\$ 12,941,043</b>	<b>\$ 60,920,000</b>	<b>\$ 23,675,646</b>	<b>\$ 84,595,646</b>

**Note 9: Restricted Assets**

The balances of the restricted asset accounts are as follows:

<b>Governmental Activities</b>			
Impact Fee Fund	Impact fees - capital projects	\$	7,211,491
Debt Service	Sinking Fund		1,148,767
Capital Projects	Unspent bond proceeds / other restricted funds		6,529,608
Contribution Fund	Contributions / escrow		1,504,340
		\$	<u>16,394,206</u>
<b>Business-type Activities</b>			
Water and Sewer Fund	Customer Deposits / Escrow	\$	51,000
Water and Sewer Fund	Capital Projects (Unspent Bond Proceeds)		7,230,119
		\$	<u>7,281,119</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, 2014

**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 2013	Plan Year 2014
Employee deposit rate	7%	7%
Matching ratio (Town 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 Entry Age Normal (EAN) cost method (EAN was first used in December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used.) 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 assets are as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percent of APC Contributed	Net Pension Asset (NPA)
2012	\$ 436,397	\$ 446,794	102%	\$ (46,443)
2013	549,899	543,431	99%	(39,975)
2014	689,477	693,134	101%	(43,632)

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

Annual Required Contribution (ARC)	\$	690,006
Interest on Net Pension Obligation		(2,798)
Adjustment to the ARC		2,269
Annual Pension Cost (APC)		689,477
Contributions Made		(693,134)
Increase (Decrease) in net pension obligation		(3,657)
Net Pension Obligation / (Asset), Beginning of Year		(39,975)
Net Pension Obligation / (Asset), End of Year	\$	(43,632)

The required contribution rates for fiscal year 2014 are determined as part of the December 31, 2011, and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

**Actuarial Assumptions**

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	21.5 years - Closed Period	20.5 years - Closed Period	30.0 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

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013, actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013, TMRS Comprehensive Annual Financial Report (CAFR).

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

The schedule of funding progress presented 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.

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)
12/31/2011	\$ 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%
12/31/2013	6,392,661	8,177,304	1,784,643	78.2%	5,590,559	31.9%

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) 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, 2014, the Town had assigned fund balances for specific purposes including parks and recreation in the amount of \$2,371,059.

*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.

**TOWN OF PROSPER, TEXAS**  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

**Note 12: Fund Balance – continued**

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. The charter also mandates a 20 percent (20%) contingency.

**Note 13: Prior Period Adjustments**

The Town had interest receivable on the balance sheet which was recorded as revenue twice in 2013. This resulted in fund balance being overstated. Additionally, it was discovered during 2014 that a building had been under depreciated since it was placed in service seven years ago. This resulted in net position in governmental activities to be overstated. In 2013 there were assets added to construction in progress which were not actually assets of the Town. This resulted in an overstatement of government net assets.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Business-type Activities</u>
As previously stated September 30, 2013	\$ 7,082,945	\$ 1,187,365	\$ 66,983,197	\$ 17,729,670	\$ 17,975,031
Interest receivable	(6,602)	(348)	(6,950)	(13,386)	(13,386)
Construction in progress	-	-	(32,588)	-	-
Accumulated depreciation	-	-	(3,414,157)	-	-
Beginning fund balance October 1, 2013 as restated	<u>\$ 7,076,343</u>	<u>\$ 1,187,017</u>	<u>\$ 63,529,502</u>	<u>\$ 17,716,284</u>	<u>\$ 17,961,645</u>

**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

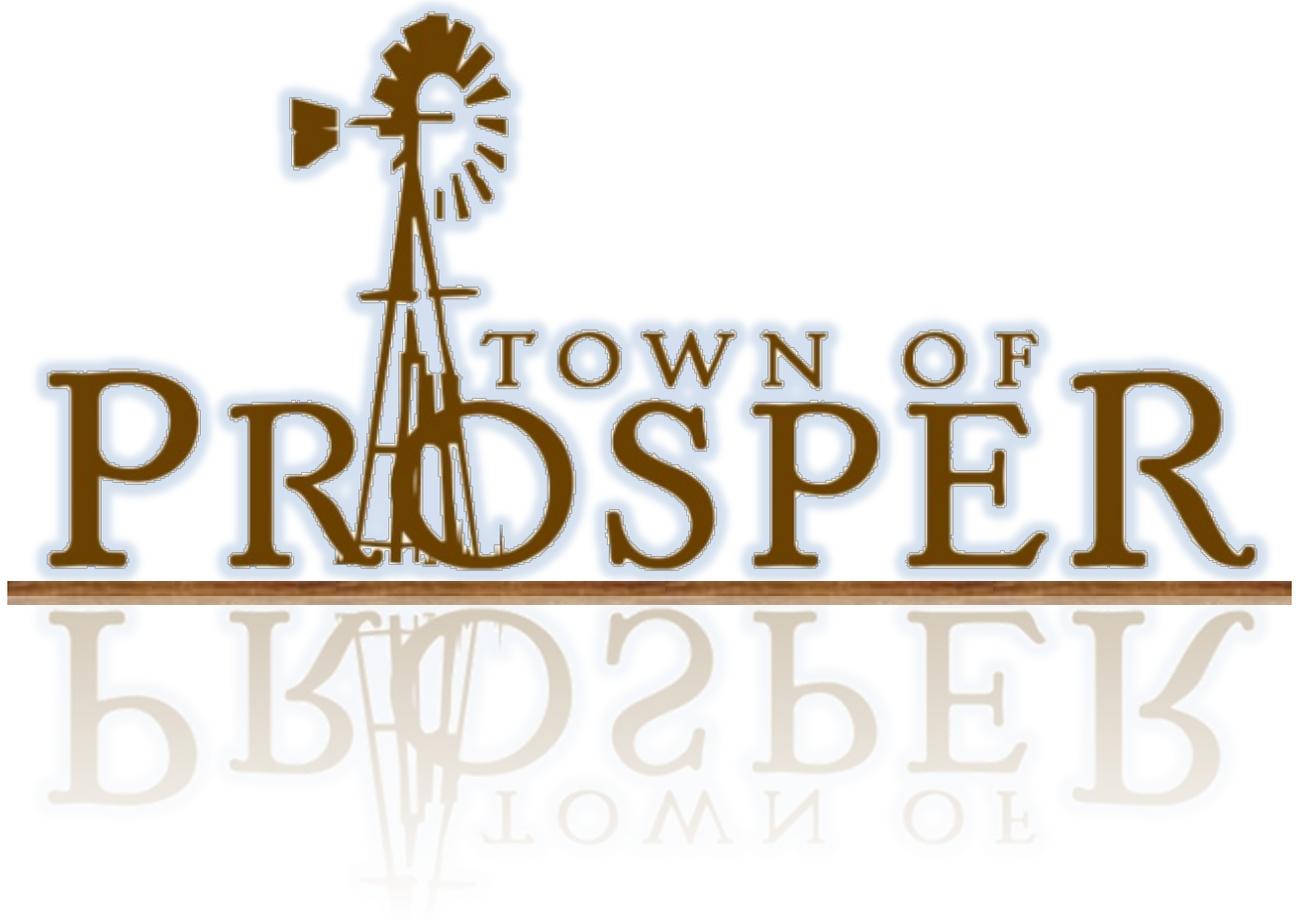
Budget and Actual - Water and Sewer

For the Year Ended September 30, 2014

	Water and Sewer Fund			Variance
	Original	Final	Actual	With Final
	Budget	Amended	Budget	Budget
		Budget	Basis	Positive
				(Negative)
<b>OPERATING REVENUES</b>				
Water and sewer charges	\$ 7,468,250	\$ 7,468,250	\$ 7,071,126	\$ (397,124)
Sanitation charges	856,000	856,000	983,037	127,037
Water and sewer connections	450,000	450,000	725,848	275,848
Service initiation	50,000	50,000	52,585	2,585
Miscellaneous	81,200	81,200	76,568	(4,632)
Total Operating Revenue	8,905,450	8,905,450	8,909,164	3,714
<b>OPERATING EXPENSES</b>				
Personnel services	1,111,646	1,111,762	1,101,277	10,485
Materials and supplies	435,716	432,597	285,771	146,826
Contractual services	4,492,671	20,023,089	4,363,760	15,659,329
Total Operating Expenses	6,040,033	21,567,448	5,750,808	15,816,640
Operating Income (Loss)	2,865,417	(12,661,998)	3,158,356	15,820,354
<b>NON-OPERATING REVENUES</b>				
<b>(EXPENSES)</b>				
Interest revenue	120,000	120,000	102,948	(17,052)
Interest expense and fiscal charges	(2,062,385)	(2,062,385)	(643,140)	1,419,245
Bond issuance cost	-	-	(249,365)	(249,365)
Contributions for capital projects	-	-	3,897,241	3,897,241
Total Nonoperating Revenues (Expenses)	(1,942,385)	(1,942,385)	3,107,684	5,050,069
Income before transfers	923,032	(14,604,383)	6,266,040	20,870,423
<b>TRANSFERS</b>				
Net transfers in/(out)	(791,320)	(791,320)	(321,616)	469,704
Total Transfers	(791,320)	(791,320)	(321,616)	469,704
Change in net position	\$ 131,712	\$ (15,395,703)	5,944,424	\$ 21,340,127
Reconciliation to generally accepted accounting principles (GAAP)				
Depreciation			(628,523)	
Change in net position (GAAP basis)			5,315,901	
Net position, beginning, restated			17,716,284	
Net position, ending			\$ 23,032,185	

**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, 2014

	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	\$ 228,800	\$ 228,800	\$ 247,660	\$ 18,860
Total Operating Revenue	<u>228,800</u>	<u>228,800</u>	<u>247,660</u>	<u>18,860</u>
<b>OPERATING EXPENSES</b>				
Personnel services	42,689	42,689	44,764	(2,075)
Materials and supplies	186,963	186,963	17,589	169,374
Contractual services	44,650	21,641	55,986	(34,345)
Total Operating Expenses	<u>274,302</u>	<u>251,293</u>	<u>118,339</u>	<u>132,954</u>
Operating Income (Loss)	<u>(45,502)</u>	<u>(22,493)</u>	<u>129,321</u>	<u>151,814</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	1,600	1,600	1,924	324
Interest expense and fiscal charges	(106,918)	(106,918)	(67,440)	39,478
Total Nonoperating Revenues (Expenses)	<u>(105,318)</u>	<u>(105,318)</u>	<u>(65,516)</u>	<u>39,802</u>
<b>INCOME BEFORE TRANSFERS</b>	(150,820)	(127,811)	63,805	191,616
<b>TRANSFERS</b>				
Net transfers in/(out)	(12,780)	(12,780)	(42,540)	(29,760)
Total Transfers	<u>(12,780)</u>	<u>(12,780)</u>	<u>(42,540)</u>	<u>(29,760)</u>
Change in net position	<u>\$ (163,600)</u>	<u>\$ (140,591)</u>	21,265	<u>\$ 161,856</u>
Reconciliation to generally accepted accounting principles (GAAP)				
Depreciation			<u>(6,714)</u>	
Change in net position (GAAP basis)			14,551	
Net position, beginning, restated			<u>245,361</u>	
Net position, ending			<u>\$ 259,912</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>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 1,119	\$ 1,225	\$ 706	\$ 33,422
Restricted	223	12,226	8,150	9,809
Unrestricted	3,221	(6,941)	1,861	4,693
<b>Total governmental activities net position</b>	<b>\$ 4,563</b>	<b>\$ 6,510</b>	<b>\$ 10,717</b>	<b>\$ 47,924</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 2,765	\$ 3,750	\$ 4,609	\$ 3,321
Restricted	32	40	39	42
Unrestricted	1,199	2,862	3,242	6,338
<b>Total business-type activities net position</b>	<b>\$ 3,996</b>	<b>\$ 6,652</b>	<b>\$ 7,890</b>	<b>\$ 9,701</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 3,884	\$ 4,975	\$ 5,315	\$ 36,743
Restricted	255	12,266	8,189	9,851
Unrestricted	4,420	(4,079)	5,103	11,031
<b>Total primary government net position</b>	<b>\$ 8,559</b>	<b>\$ 13,162</b>	<b>\$ 18,607</b>	<b>\$ 57,625</b>

Source: Town financial statements

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	33,919	\$ 37,271	\$ 37,366	\$ 41,798	\$ 43,471	\$ 45,398
	8,440	5,952	9,359	10,849	9,882	13,459
	3,704	8,410	6,979	8,432	10,176	10,126
\$	<u>46,063</u>	<u>51,633</u>	<u>53,704</u>	<u>61,079</u>	<u>63,529</u>	<u>68,983</u>
\$	<u>6,804</u>	<u>5,704</u>	<u>5,615</u>	<u>6,058</u>	<u>12,643</u>	<u>19,708</u>
	44					
	5,929	6,034	7,695	9,090	5,319	3,584
\$	<u>12,777</u>	<u>11,738</u>	<u>13,310</u>	<u>15,148</u>	<u>17,962</u>	<u>23,292</u>
\$	<u>40,723</u>	<u>42,975</u>	<u>42,981</u>	<u>47,856</u>	<u>56,114</u>	<u>65,106</u>
	8,484	5,952	9,359	10,849	9,882	13,459
	9,633	14,444	14,674	17,522	15,495	13,710
\$	<u>58,840</u>	<u>63,371</u>	<u>67,014</u>	<u>76,227</u>	<u>81,491</u>	<u>92,275</u>

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

Expenses	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
General government	\$ 934	\$ 1,229	\$ 1,492	\$ 2,063
Public Safety	1,601	1,805	2,089	2,485
Transportation	230	236	417	1,444
Culture and Recreation	49	244	125	130
Interest on long-term debt	276	252	516	459
Total governmental activities expenses	<u>3,090</u>	<u>3,766</u>	<u>4,639</u>	<u>6,581</u>
Business-type activities:				
Water, Sewer and sanitation	2,381	2,652	3,889	4,076
Total business-type activities expenses	<u>2,381</u>	<u>2,652</u>	<u>3,889</u>	<u>4,076</u>
Total primary government expenses	<u>5,471</u>	<u>6,418</u>	<u>8,528</u>	<u>10,657</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	1,318	1,852	2,363	1,440
Public Safety	348	304	159	162
Transportation	221	412	1,047	485
Culture and Recreation	115	98	680	418
Operating grants and contributions	559	266	547	452
Capital grants and contributions				
Total governmental activities program revenues	<u>2,561</u>	<u>2,932</u>	<u>4,796</u>	<u>2,957</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	2,243	3,603	3,444	4,507
Capital grants and contributions				
Total business-type activities program revenues	<u>2,243</u>	<u>3,603</u>	<u>3,444</u>	<u>4,507</u>
Total primary government program revenues	<u>4,804</u>	<u>6,535</u>	<u>8,240</u>	<u>7,464</u>
Net (expense) revenue				
Governmental activities	(529)	(834)	157	(3,624)
Business-type activities	(138)	951	(445)	431
Total primary government net expense	<u>\$ (667)</u>	<u>\$ 117</u>	<u>\$ (288)</u>	<u>\$ (3,193)</u>

	2009	2010	2011	2012	2013	2014
\$	2,764	\$ 2,193	\$ 3,075	\$ 2,785	\$ 2,890	\$ 3,698
	3,329	3,869	4,108	4,341	5,052	5,610
	1,356	1,609	2,370	1,616	1,825	2,667
	444	917	728	1,546	1,886	2,462
	1,276	895	1,139	1,108	1,318	1,119
	<u>9,169</u>	<u>9,483</u>	<u>11,420</u>	<u>11,396</u>	<u>12,971</u>	<u>15,556</u>
	4,460	5,140	5,332	5,476	6,293	7,464
	<u>4,460</u>	<u>5,140</u>	<u>5,332</u>	<u>5,476</u>	<u>6,293</u>	<u>7,464</u>
	<u>13,629</u>	<u>14,623</u>	<u>16,752</u>	<u>16,872</u>	<u>19,264</u>	<u>23,020</u>
	561	672	826	1,992	2,210	2,588
	360	397	400	312	352	585
					2	4
	1,397	2,224	350	266	93	113
			2,908	5,356	5,716	5,277
	<u>2,318</u>	<u>3,293</u>	<u>4,484</u>	<u>7,926</u>	<u>8,373</u>	<u>8,567</u>
	4,720	5,393	7,238	8,021	9,099	9,080
						3,897
	<u>4,720</u>	<u>5,393</u>	<u>7,238</u>	<u>8,021</u>	<u>9,099</u>	<u>12,977</u>
	<u>7,038</u>	<u>8,686</u>	<u>11,722</u>	<u>15,947</u>	<u>17,472</u>	<u>21,544</u>
	(6,851)	(6,190)	(6,936)	(3,470)	(4,598)	(6,989)
	260	253	1,906	2,545	2,806	5,513
\$	<u>(6,591)</u>	<u>(5,937)</u>	<u>(5,030)</u>	<u>(925)</u>	<u>(1,792)</u>	<u>(1,476)</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>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Governmental activities:				
Taxes				
Property taxes	\$ 1,574	\$ 1,686	\$ 3,015	\$ 4,429
Sales taxes	1,407	1,509	1,208	1,288
Franchise taxes	206	201	304	341
Impact fees and escrow fees				1,828
Investment income	289	574	1,107	596
Miscellaneous	63	376	79	114
Gain/(Loss) on sale of capital asset	(5)			
Transfers	(406)	(1,565)	(1,553)	(1,237)
<b>Total governmental activities</b>	<u>3,128</u>	<u>2,781</u>	<u>4,160</u>	<u>7,359</u>
Business-type activities:				
Investment income	23	58	132	109
Miscellaneous income		82	33	33
Gain/(Loss) on sale of capital asset				
Transfers	406	1,565	1,553	1,237
<b>Total business-type activities</b>	<u>429</u>	<u>1,705</u>	<u>1,718</u>	<u>1,379</u>
 <b>Total primary government</b>	 <u>3,557</u>	 <u>4,486</u>	 <u>5,878</u>	 <u>8,738</u>
 <b>Change in Net Position</b>				
Governmental activities	2,599	1,947	4,317	3,735
Business-type activities	291	2,656	1,273	1,810
<b>Total primary government</b>	<u>\$ 2,890</u>	<u>\$ 4,603</u>	<u>\$ 5,590</u>	<u>\$ 5,545</u>

Source: Town financial statements

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	5,296	\$ 5,505	\$ 5,986	\$ 6,392	\$ 7,314	\$ 8,410
	1,077	1,309	1,321	1,942	2,478	2,807
	428	399	425	505	520	596
	367	2,688	53	628		
	456	338	155	162	167	115
	74	116	530	864	582	151
	<u>(2,708)</u>	<u>15</u>	<u>434</u>	<u>352</u>	<u>(73)</u>	<u>364</u>
	<u>4,990</u>	<u>10,370</u>	<u>8,904</u>	<u>10,845</u>	<u>10,988</u>	<u>12,443</u>
	65	74	53	96	175	105
	43	39	47	60	91	76
	<u>2,708</u>	<u>(15)</u>	<u>(434)</u>	<u>(352)</u>	<u>73</u>	<u>(364)</u>
	<u>2,816</u>	<u>98</u>	<u>(334)</u>	<u>(196)</u>	<u>339</u>	<u>(183)</u>
	<u>7,806</u>	<u>10,468</u>	<u>8,570</u>	<u>10,649</u>	<u>11,327</u>	<u>12,260</u>
	(1,861)	4,180	1,968	7,375	6,389	5,454
	3,076	351	1,572	2,349	3,145	5,330
\$	<u>1,215</u>	<u>4,531</u>	<u>3,540</u>	<u>9,724</u>	<u>9,534</u>	<u>10,784</u>

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

	<b>Fiscal Year</b>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Fund</b>					
Reserved	\$ -	\$ 74	\$ 59	\$ 18	\$ -
Unreserved	1,821	2,855	3,034	3,989	4,398
Nonspendable					
Committed					
Unassigned					
<b>Total general fund</b>	<u>\$ 1,821</u>	<u>\$ 2,929</u>	<u>\$ 3,093</u>	<u>\$ 4,007</u>	<u>\$ 4,398</u>
<b>All other governmental funds</b>					
Reserved	\$ 223	\$ 315	\$ 581	\$ 622	\$ 2,557
Unreserved, reported in:					
Capital Project funds	3,819	10,011	3,160	2,233	16,920
Impact Fee Funds	1,624	1,826	4,290	6,936	5,883
Special revenue funds					
Nonspendable					
Restricted					
Debt Service					
Capital Projects					
Assigned					
Special revenue funds					
<b>Total all other governmental funds</b>	<u>\$ 5,666</u>	<u>\$ 12,152</u>	<u>\$ 8,031</u>	<u>\$ 9,791</u>	<u>\$ 25,360</u>

Source: Balance Sheets-Governmental Funds in Town CAFRs.

	2010	2011	2012	2013	2014
\$	3	\$ 1	\$ -	\$ -	\$ -
	4,968	5,568			
			9	27	6
			1,715	1,855	2,152
			5,356	5,194	5,430
\$	<u>4,971</u>	<u>5,569</u>	<u>7,080</u>	<u>7,076</u>	<u>7,588</u>

\$	577	\$ 737	\$ -	\$ -	\$ -
	5,337	5,348			
	6,239	6,895			
	3,968	3,276			
			5		
			890	1,187	1,159
			16,838	17,799	17,699
			1,172	1,477	2,371
\$	<u>16,121</u>	<u>16,256</u>	<u>18,905</u>	<u>20,463</u>	<u>21,229</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>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Revenues</b>					
Taxes	\$ 3,186	\$ 3,383	\$ 4,500	\$ 6,034	\$ 6,738
Licenses and permits	1,876	2,429	3,964	3,925	550
Intergovernmental	276	33	500	452	584
Charges for services	245	304	156	161	976
Fines and forfeitures	93	106	131	247	239
Investment Earnings	289	574	1,107	596	456
Contributions	72	61	45	50	59
Miscellaneous	63	376	79	64	74
Grants					278
<b>Total Revenues</b>	<u>6,100</u>	<u>7,266</u>	<u>10,482</u>	<u>11,529</u>	<u>9,954</u>
<b>Expenditures</b>					
General government	819	1,178	1,466	2,003	2,225
Public safety	1,342	1,594	1,871	2,194	3,007
Transportation	165	210	177	352	257
Culture and recreation	26	29	92	97	379
Capital outlay	770	378	8,338	2,108	2,943
Debt service					
Principal	189	221	386	399	484
Interest	336	257	493	481	893
Other charges					
<b>Total Expenditures</b>	<u>3,647</u>	<u>3,867</u>	<u>12,823</u>	<u>7,634</u>	<u>10,188</u>
Excess of revenues over (under) expenditures	2,453	3,399	(2,341)	3,895	(234)
<b>Other financing sources (uses)</b>					
Transfer in	250				232
Transfer out	(656)	(1,565)	(1,553)	(1,237)	(2,940)
Proceeds from insurance					
Proceeds from debt issuance		5,760			13,900
Premium (discount) on debt issuance					
Payments to Bond Escrow Agent					
Capital Leases	45		48	14	41
Net other financing sources (uses)	<u>(361)</u>	<u>4,195</u>	<u>(1,505)</u>	<u>(1,223)</u>	<u>11,233</u>
Net change in fund balances	<u>\$ 2,092</u>	<u>\$ 7,594</u>	<u>\$ (3,846)</u>	<u>\$ 2,672</u>	<u>\$ 10,999</u>
Debt service as a percentage of noncapital expenditures	<u>18.2%</u>	<u>13.7%</u>	<u>19.6%</u>	<u>15.9%</u>	<u>19.0%</u>

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	7,264	\$ 7,758	\$ 8,850	\$ 10,220	\$ 11,834
	672	670	1,571	1,752	2,102
	1,109	1,109	2,863	1,730	
	2,858	1,809	2,861	3,066	4,353
	227	393	541	647	809
	339	154	160	166	114
	45	272	348	1,129	1,216
	116	115	286	570	151
	1,070	285	198	49	28
	<u>13,700</u>	<u>12,565</u>	<u>17,678</u>	<u>19,329</u>	<u>20,607</u>
	2,173	2,750	2,798	2,846	3,685
	3,648	3,879	4,144	4,652	5,137
	503	1,269	511	523	912
	814	653	899	1,167	1,688
	13,174	4,112	7,660	9,773	5,719
	527	936	1,318	1,396	1,638
	1,600	1,101	1,079	1,153	1,163
		59	81	158	10
	<u>22,439</u>	<u>14,759</u>	<u>18,490</u>	<u>21,668</u>	<u>19,952</u>
	(8,739)	(2,194)	(812)	(2,339)	655
	2,460	1,066	3,509	6,057	1,571
	(2,445)	(667)	(3,177)	(6,150)	(2,009)
		426	750	12	
		2,045	4,712	7,710	3,340
		11	242	169	312
			(1,064)	(3,899)	(2,592)
	58				
	<u>73</u>	<u>2,881</u>	<u>4,972</u>	<u>3,899</u>	<u>622</u>
\$	<u>(8,666)</u>	<u>\$ 687</u>	<u>\$ 4,160</u>	<u>\$ 1,560</u>	<u>\$ 1,277</u>
	<u>23.0%</u>	<u>19.1%</u>	<u>22.1%</u>	<u>21.4%</u>	<u>19.7%</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>
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
2014	8,431	2,807	596	11,834

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>
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%
2014	2,161,596	2,118,602	42,994	604,133	1,557,463	0.52000	72.05%

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 <sup>1</sup>			Overlapping Tax Rates <sup>2</sup>			
	General Government	Debt Service	Total	Prosper ISD	Collin County	Collin College	Denton County
2005	0.218440	0.105660	<b>0.324100</b>	1.819900	0.250000	0.091932	0.247170
2006	0.184549	0.220836	<b>0.405385</b>	1.975310	0.250000	0.089422	0.246480
2007	0.184549	0.314268	<b>0.498817</b>	1.800000	0.245000	0.087683	0.231920
2008	0.275075	0.244925	<b>0.520000</b>	1.670000	0.245000	0.086984	0.235890
2009	0.305011	0.214989	<b>0.520000</b>	1.670000	0.242500	0.086493	0.235770
2010	0.314084	0.205916	<b>0.520000</b>	1.640000	0.242500	0.086300	0.249800
2011	0.334742	0.185258	<b>0.520000</b>	1.630000	0.240000	0.086300	0.273900
2012	0.316937	0.203063	<b>0.520000</b>	1.670000	0.240000	0.086300	0.277357
2013	0.316914	0.203086	<b>0.520000</b>	1.670000	0.240000	0.086299	0.282867
2014	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>
2.485932	2.391170
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

Fiscal Year Ended	Total Tax		Collections within the Fiscal Year of the Levy		Total Collections to Date		
	Levy for Fiscal Year <sup>1</sup>		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy <sup>1</sup>
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%	78,851	4,358,225	100.3%
2009	5,218,951		5,149,015	98.66%	94,023	5,243,038	100.5%
2010	5,404,368		5,338,109	98.77%	92,161	5,430,270	100.5%
2011	5,932,358		5,898,857	99.44%	59,587	5,958,444	100.4%
2012	6,380,037		6,323,502	99.11%	85,658	6,409,160	100.5%
2013	7,036,147		6,982,787	99.24%	64,149	7,046,936	100.2%
2014	7,938,561		8,174,411	102.97%		8,174,411	103.0%

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

<sup>1</sup>Tax Levy is the original levy as of certification date, and does not include adjustments. The percentage of levy collected may be greater than 100% as payments that relate to levy adjustments are collected.

**Town of Prosper, Texas**  
Principal Property Taxpayers  
Fiscal Year End 2014 and 2005

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Western Rim Investors LP	\$ 46,712,539	1	3.47%			
Prosper Land Company LTD	12,958,717	2	0.96%	\$ 12,810,165	1	5.00%
D R Horton -Texas LTD	10,279,354	3	0.76%			
Meritage Homes of Texas LLC	8,612,625	4	0.64%			
Beazer Homes Texas LP	7,716,389	5	0.57%			
Rosebriar Prosper Plaza LP	7,579,560	6	0.56%			
Five SAC Self-Storage Corp	7,129,529	7	0.53%			
Saddle Creek Investments LTD	7,018,145	8	0.52%			
First Texas Homes Inc	6,787,476	9	0.50%			
Forestar (USA) Real Estate	6,616,841	10	0.49%			
Sanders Deion Luwynn				8,180,103	2	3.19%
PDC 380 Prosper LTD				7,034,867	3	2.75%
Hope Lumber & Supply Co				3,815,682	4	1.49%
Lennar Homes of Texas				2,935,487	5	1.15%
2002 Tuscan Partners LP				2,653,017	6	1.04%
Lattimore Materials Co				2,579,134	7	1.01%
Hope Lumber & Supply Co LP				2,222,450	8	0.87%
Jobe Properties LTD				2,191,717	9	0.86%
Mahard Grain Co				1,794,131	10	0.70%
Totals	\$ 121,411,175		9.01%	\$ 46,216,753		18.04%

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	Tax Notes	Capital Leases	Revenue Bond	Notes
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	
2014	11,255	15,594	1,080		35,133	

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>
\$ 14,354	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	6.7%	3,673
51,799	7.0%	3,871
63,062	N/A	4,208

**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>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property<sup>1</sup></b>	<b>Per Capita<sup>2</sup></b>
2005	\$ -	\$ 5,521	\$ 223	\$ 5,298	1.69%	\$ 1,292
2006		11,214	315	10,899	2.68%	2,076
2007		10,993	581	10,412	1.83%	1,721
2008		10,682	622	10,060	1.23%	1,584
2009		24,136	828	23,308	2.34%	3,283
2010		22,259	614	21,645	2.07%	2,297
2011		21,355	737	20,618	1.80%	1,847
2012	4,552	19,655	890	23,317	1.89%	1,913
2013	8,216	18,909	1,187	25,938	1.93%	1,939
2014	11,255	15,594	1,159	25,690	1.65%	1,714

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, 2014

<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	\$ 276,910,581	68.66%	\$ 190,126,805
Collin County	391,410,000	2.11%	8,258,751
Collin College	34,595,000	2.11%	729,955
Denton County	614,975,000	0.23%	1,414,443
Subtotal - overlapping debt	<u>1,317,890,581</u>		<u>200,529,953</u>
Town of Prosper direct debt	\$ 60,920,000	100%	60,920,000
Total direct and overlapping debt			<u><u>\$ 261,449,953</u></u>

Source: Outstanding data from Municipal Advisory Council of Texas estimates. 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.50	\$ 2.50
Total Tax Rate	<u>0.4988</u>	<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>
Available Tax Rate	<u>\$ 1.0012</u>	<u>\$ 0.9800</u>	<u>\$ 0.9800</u>	<u>\$ 1.9800</u>	<u>\$ 1.9800</u>

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

For FY 2005 - FY 2007, under Article XI, Section 4 of the Texas Constitution, the maximum tax rate under general law charter is \$1.50 per \$100 assessed valuation.

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

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>	<u>0.5200</u>
<u><u>\$ 1.9800</u></u>				

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

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b> (expressed in thousands)	<b>Per Capita Personal Income<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate<sup>4</sup></b>
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	585,286	52,445	3,627	7.1%
2012	12,190	668,817	54,866	4,921	5.7%
2013	13,380	742,858	55,520	5,632	5.1%
2014	14,986	N/A	N/A	6,448	4.6%

<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>2014</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	51.11%
Town of Prosper	122	2	8.14%
Gentle Creek	52	3	3.47%
Dairy Manufacturers, Inc.	35	4	2.34%
RE/MAX Performance Group	33	5	2.20%
Mahard Egg Farm	31	6	2.07%
ProBuild	30	7	2.00%
Lattimore Materials	26	8	1.73%
CVS	25	9	1.67%
Crossland Construction	20	10	1.33%
<b>Total</b>	<b>1,140</b>		<b>76.07%</b>

Source: Prosper EDC, updated August 2014

**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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government						
Building Inspection Permits						
Commercial Construction						
Number of Units	N/A	15	14	23	14	8
Total dollar value of permits issued	N/A	\$ 5,630	\$ 14,410	\$ 6,195	\$ 4,721	\$ 3,150
Average Value	N/A	\$ 375	\$ 1,029	\$ 269	\$ 337	\$ 394
Residential Construction						
Number of Units	310	340	338	227	204	299
Total dollar value of permits issued	N/A	\$ 125,180	\$ 109,141	\$ 99,110	\$ 62,870	\$ 79,232
Average Value	N/A	\$ 368	\$ 323	\$ 437	\$ 308	\$ 265
Public Safety						
Police						
Physical Arrests	47	48	64	90	88	121
Traffic Collisions	115	128	99	72	92	69
Fire						
Total Incidents/Calls for Service	784	901	576	646	747	776
Fire	43	66	34	56	45	42
Overpressure/Explosion			1	1		
Rescue & EMS	544	613	292	334	379	399
Hazardous Condition	25	24	53	38	36	30
Service Call	60	57	91	104	116	147
Good Intent Call	49	66	55	59	80	61
False Alarm & False Call	42	46	45	52	87	95
Severe Weather & Natural Disaster	3		2	2	3	2
Special Incident	18	29	3		1	
Fire Marshal						
Fire Inspections	N/A	N/A	N/A	N/A	94	112
Fire Safety Programs	N/A	N/A	N/A	N/A	37	42
Municipal Court						
Number of cases filed	887	1,059	1,123	1,762	1,743	2,050
Number of cases closed	678	825	979	1,707	1,592	1,504
Public Works						
Water & Sewer						
Water Customers	1,656	2,013	2,380	2,664	2,883	3,080
Wastewater Customers	1,173	1,493	1,842	2,007	2,137	2,333

Source: Town of Prosper Department Staff

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
13	21	21	29
\$ 14,341	\$ 28,385	\$ 4,219	\$ 19,172
\$ 1,103	\$ 1,352	\$ 201	\$ 661
347	445	483	474
\$ 100,084	\$ 172,757	\$ 195,257	\$ 209,949
\$ 288	\$ 388	\$ 404	\$ 443
103	108	99	115
148	263	289	279
1,046	1,122	1,063	1,100
63	67	45	64
1	11	6	5
441	585	597	588
38	34	20	29
234	193	196	212
85	100	94	101
107	132	96	95
64		3	6
13		6	
659	402	278	283
20	23	14	18
2,025	1,645	2,118	2,439
1,833	1,688	1,872	2,954
3,431	3,853	4,418	4,943
2,672	3,084	3,568	4,055

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

	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>GENERAL FUND</b>										
Administration	4	4	5	5	5	5.5	5.5	6.5	8.5	9.0
Code Compliance	1	1	1	1	1	1	1	1	1	1
Court	1	1	1	1	1	1	1	1	1	1.5
Dispatch					1	6	7	7	7	7.5
Engineering			1	1	1	1	1	1	3	3
Fire	8.5	8.5	8.5	12.5	18.5	18.5	18.5	20	20	20
Fire Marshal			1	1	1	1	1	1	1	1
Inspections	3	4	6	7	7	7	7	7	8	9
Library			1	1	1	1	1	1	1.5	2
Parks		1	1	2	2	4	6	10	12	15
Planning	1	1	1	2	3	3	2	2	3	3
Police	6	7	9	8	11	10	11	12	15	15
Streets	2	2	2	2	2	2	2	2	2	2
<b>Total General Fund</b>	27	30	38	44	55	61	64	72	83	89
<b>ENTERPRISE FUNDS</b>										
Storm Drainage							1	1	1	1
Utility Billing		1	1	2	2	2	2	1.5	2.5	2.5
Wastewater	2	3	2	2	2	2	2	3	5	6
Water	2	4	5	5	5	5	5	7	8	10
<b>Total Enterprise Funds</b>	4	8	8	9	9	9	10	13	16.5	19.5
<b>CAPITAL PROJECTS FUND</b>										
					1	1	1	1	1	1
	31	38	46	53	65	71	75	85	100.5	109.5

Source: Town of Prosper Annual Budget