

2019 CITIZENS REPORT



TOWN OF PROSPER, TEXAS - FISCAL YEAR ENDING SEPTEMBER 30, 2019



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A LETTER TO TOWN OF PROSPER CITIZENS

Town of Prosper Citizens,

I am pleased to present the Town of Prosper Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2019. The purpose of the report is to provide a snapshot of the Town's financial performance and major initiatives as well as an overview of financial, economic, and demographic trends. Above all, it is designed to present a more easily understandable financial report. It also represents the Town's ongoing commitment to keep the Town of Prosper citizens informed about the Town's finances and to be accountable in all aspects for the receipt and expenditures of public funds.

The financial information contained in this report has been derived from the FY 2018-2019 Town of Prosper Comprehensive Annual Financial Report (CAFR), both of which are located on the Town's website, www.prospertx.gov/government/departments/finance/financial-transparency. The CAFR is comprised of approximately 115 pages of detailed financial statements, notes, schedules and reports. For financial reporting purposes, the Town of Prosper Economic Development Corporation is presented as a discretely presented component unit of the Town of Prosper's primary government. Component units are legally separate entities that provide services that function almost entirely for the primary government and for the benefit of the Town. The CAFR was audited by Pattillo, Brown, and Hill, LLP, and received an unmodified opinion. The Popular Annual Financial Report, which was prepared by the Town of Prosper Finance office, summarizes the financial activities of the primary government of the Town of Prosper. The reports and statements contained in the PAFR condense and simplify the Town's FY 2018-2019 Comprehensive Annual Financial Report for all of the Town's funds. The information in this report is unaudited, and not in accordance with generally accepted accounting principles due to the condensed and simplified presentation and absence of notes to the financial statements as presented in the Town's CAFR.

The Town of Prosper provides a wide range of municipal services, including fire and police protection, the construction and maintenance of streets, and other infrastructure, and a multitude of recreational and cultural events throughout the year. The Town also provides water, wastewater, drainage and solid waste services to its residents. Additional detailed financial information on these operations may be found in the Town's CAFR within the notes to the financial statements section.

As you review our Popular Annual Financial Report, I invite you to share any questions, concerns, or recommendations you may have. Those seeking a deeper understanding of the Town's finances are encouraged to review a copy of the Town's CAFR. Questions concerning any data provided in the PAFR or requests for additional financial information should be addressed to the Town of Prosper's Finance Office, 250 W First Street, Prosper, Texas 75078 or by visiting the Town's website at www.prospertx.gov/government/departments/finance.

Sincerely,

Betty Pamplin
Finance Director

TOWN OF PROSPER TOWN COUNCIL



Mayor
Ray Smith



Council Member,
Place 1
Marcus E. Ray



Council Member,
Place 2
Craig Andres



Council Member,
Place 3
Mayor Pro-Tem
Curry Vogelsang, Jr.



Council Member,
Place 4
Meigs Miller



Council Member,
Place 5
Jeff Hodges



Council Member,
Place 6
Deputy Mayor Pro-Tem
Jason Dixon

TOWN OF PROSPER SERVICES

The Town of Prosper provides a wide range of municipal services, including public safety (police, fire protection, and dispatch), municipal court, public streets, water/wastewater and storm drainage utilities, parks and recreation, library, public improvements, engineering, planning and zoning, building inspections and code compliance, economic development and general administrative services throughout the year.

TOWN OF PROSPER VISION & GOALS

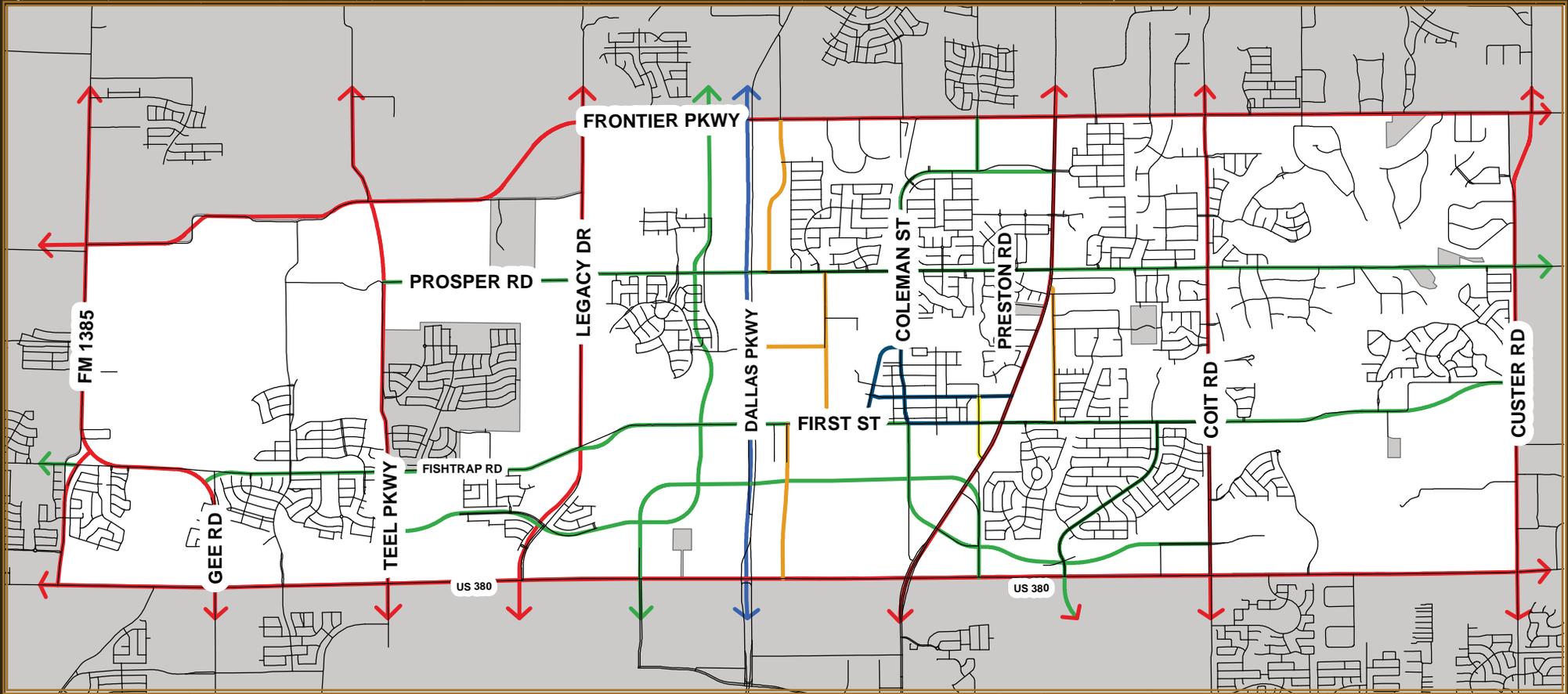
Vision

Prosper is a community committed to excellence. It is a high quality, family-oriented community maintaining a visually aesthetic open feel with quality commercial development directed to the Town's major transportation corridors while maintaining strong fiscal responsibility.

Goals

- Goal 1: Ensure Quality Development
- Goal 2: Maintain Safety & Security
- Goal 3: Provide First Rate Utilities
- Goal 4: Provide Efficient and Effective Roads and Infrastructure
- Goal 5: Maximize Recreation and Leisure Opportunities
- Goal 6: Maintain Community Character
- Goal 7: Ensure Fiscal Stewardship
- Goal 8: Maintain a Quality Workforce
- Goal 9: Improve Town Facilities

TOWN OF PROSPER MAP



STATEMENT IN NET POSITION

This represents the amount of unexpended and available resources the Town has in funds combined at a point in time to fund emergencies, shortfalls, or other unexpected needs. This allows management to track the Town's financial position over time.

The governmental activities net position for fiscal year ending September 30, 2019, reflect an increase over prior year's net position. The business-type activities also reflect an increase in net position. The full disclosed Statement of Net Position can be located in the Town's CAFR at <https://www.prospertx.gov/government/department/s/finance/financial-transparency/> Unrestricted net position refers to all other net position that is not restricted or net investment in capital assets.

\$ in Thousands	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current assets	\$14,998	\$17,507	\$12,818	\$11,433	\$27,816	\$28,940
Restricted assets	47,181	34,057	18,020	21,199	65,201	55,256
Capital assets, net	<u>205,530</u>	<u>178,344</u>	<u>140,568</u>	<u>118,276</u>	<u>345,919</u>	<u>296,620</u>
Total assets	<u>267,530</u>	<u>229,908</u>	<u>171,406</u>	<u>150,908</u>	<u>438,936</u>	<u>380,816</u>
Deferred outflows of resources	<u>3,349</u>	<u>2,420</u>	<u>557</u>	<u>400</u>	<u>3,906</u>	<u>2,820</u>
Long-term liabilities	88,424	72,558	40,583	38,372	129,007	110,930
Other liabilities	14,830	13,677	6,988	5,113	21,818	18,790
Total liabilities	<u>103,254</u>	<u>86,235</u>	<u>47,571</u>	<u>43,485</u>	<u>150,825</u>	<u>129,720</u>
Deferred inflows of resources	<u>114</u>	<u>721</u>	<u>19</u>	<u>105</u>	<u>133</u>	<u>826</u>
Net investment in capital assets	150,815	126,774	112,197	93,021	263,012	219,795
Restricted	1,945	2,332	-	-	1,945	2,332
Unrestricted	<u>14,750</u>	<u>16,266</u>	<u>12,177</u>	<u>14,696</u>	<u>26,927</u>	<u>30,962</u>
Total net position	<u>\$167,510</u>	<u>\$145,372</u>	<u>\$124,374</u>	<u>\$107,717</u>	<u>\$291,884</u>	<u>\$253,089</u>

CHANGE IN NET POSITION

NOTES

The results indicate the Town's increase in total net position of \$39.8 million is a combination of overall expense staying relatively in line with revenue collections.

*Does not include transfers.

GOVERNMENTAL ACTIVITIES*

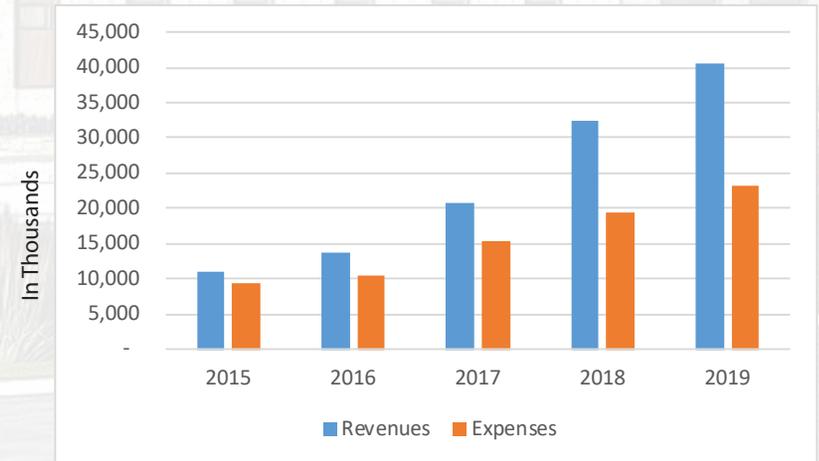
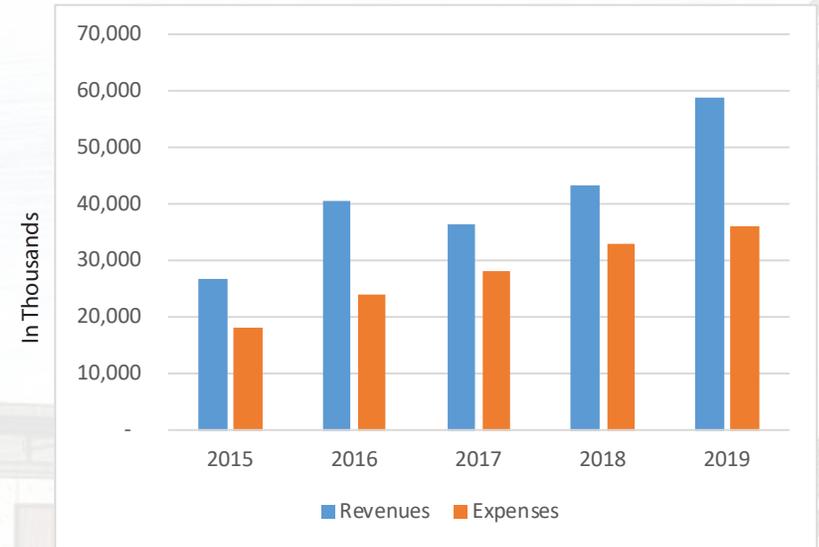
The Town's governmental activities increase in net position of \$23.1 million represents a 24% increase from the prior year's change. The increase is primarily due to the Town's property tax base and economic development within the Town.

This summary report excludes transfers. Transfers are used to support government services.

For full disclosure, see the Town's CAFR note section VII Interfund Receivables, Payables and Transfers.

BUSINESS-TYPE ACTIVITIES*

The Town's business-type activities increase in net position of \$16.7 million represents a 42% increase from the prior year's change. The increase is primarily due to water and wastewater charges for service.



Most of the increase in total net position is due to property taxes, sales taxes, unrestricted investment earnings, and water and sewer charges for services.

NET POSITION UNRESTRICTED

**\$14.7
MILLION**

GOVERNMENTAL ACTIVITIES

Property tax, sales tax, franchise and impact fees, fines, and building permit fees, finance most of the Town's services.

General Administrative Services
Fire
Police
Development Services
Street Construction and Repair
Community Development

**\$12.1
MILLION**

BUSINESS-TYPE ACTIVITIES

Income from resident utility bills, and impact fees finance business-type operations.

Water
Sewer
Drainage
Solid Waste
Utility Billing

This number represents the Unrestricted Net Position to pay for emergencies, shortfalls or other unexpected needs in both the Governmental and Business-Type Activities for the fiscal year ended September 30, 2019. For full disclosure, refer to the Town's CAFR, Note 1 located at www.prospertx.gov/government/departments/finance/financial-transparency/

INCREASE IN TOTAL NET POSITION

39.8
MILLION

Most of the increase in total net position is due to property tax base and economic development within Town.

PENSION

Pension Liability reported as of December 31, 2018

\$3,941,247

The Town participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code as an agent multiple-employer retirement system for municipal employees in the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.TMRS.org.

Town recognized pension expense of

\$2,151,697

Balance 12/31/2017	\$1,854,712
Changes for the year:	
Service Cost	2,559,853
Interest	1,255,581
Difference between expected and actual experience	526,914
Contributions	(2,735,156)
Net investment income	469,840
Administrative expense	9,048
Other Charges	473
Net Changes	<u>2,086,535</u>
Balance at 12/31/2018	<u>\$3,941,247</u>

PENSION

Actuarial Assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Remaining amortization period	25 years

81.67%
FUNDED
PENSION



PROSPER PROPERTY TAX

SUPPORTS TOWN SERVICES

TOWN SERVICES

The Town provides a wide range of municipal services, including fire and police protection, the construction and maintenance of streets, and other infrastructure.

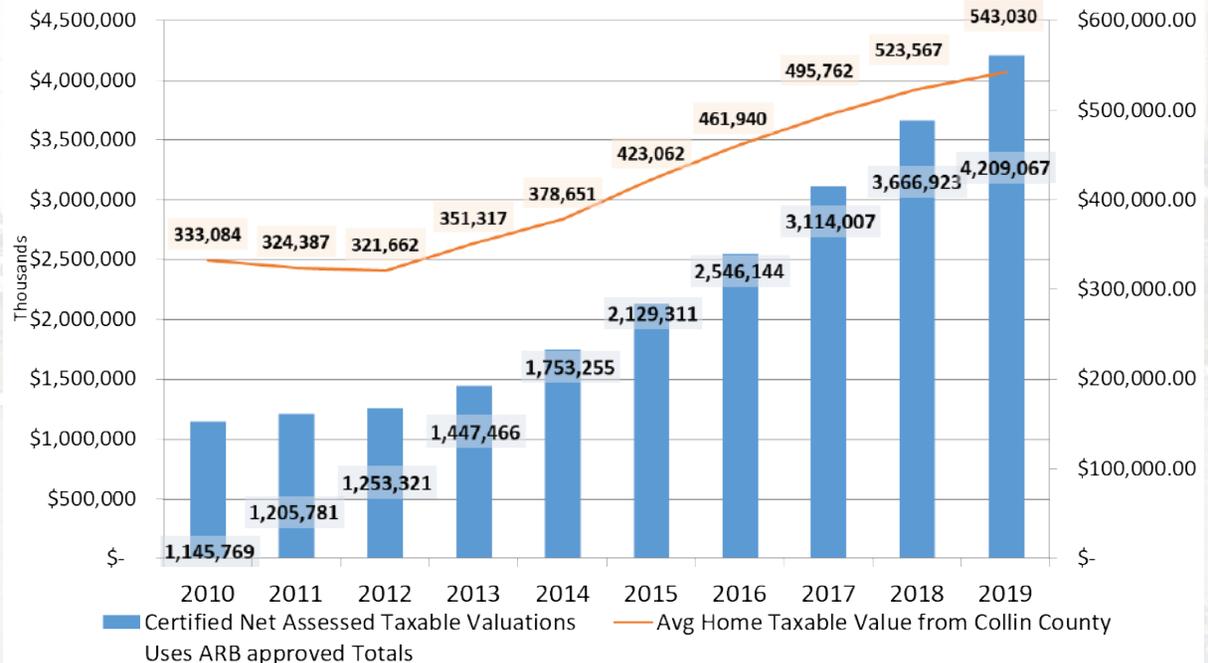
The Town also provides a multitude of recreational and special events throughout the year. Maintaining our parks for the residents to enjoy hours of entertainment.

The Town has maintained significant growth. Certified property valuation increased by \$543 million or 14.78% for FY 2019-2020, from \$3.666 million to \$4.209 million.

\$0.52 per \$100 of taxable assessed valuation

\$0.152500 Debt Service Tax Rate

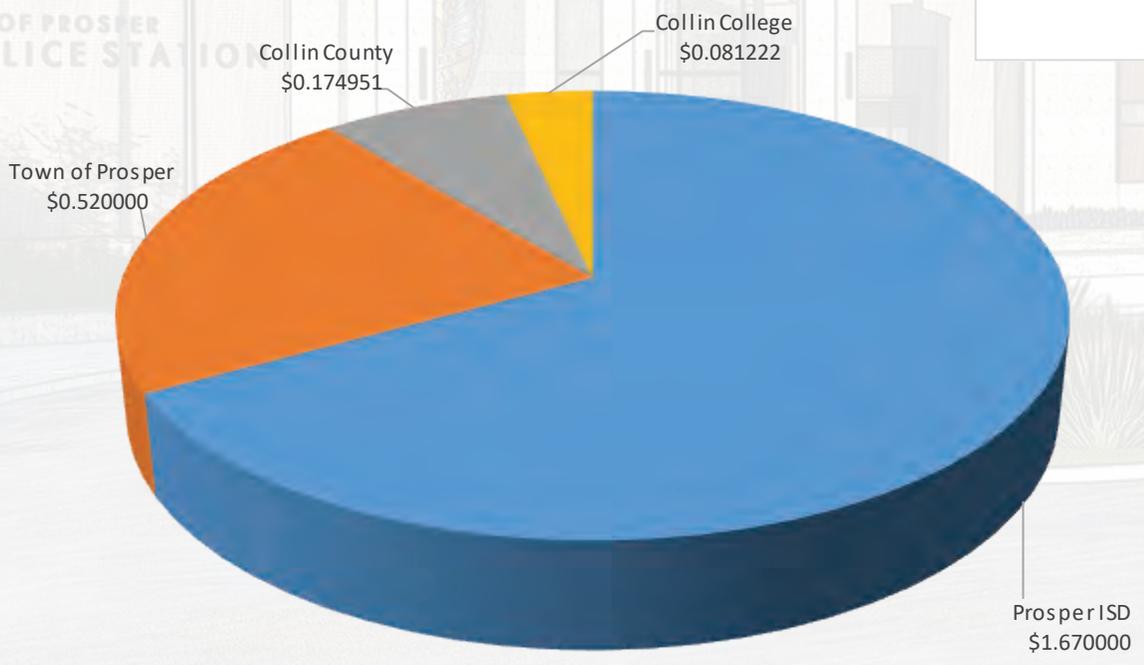
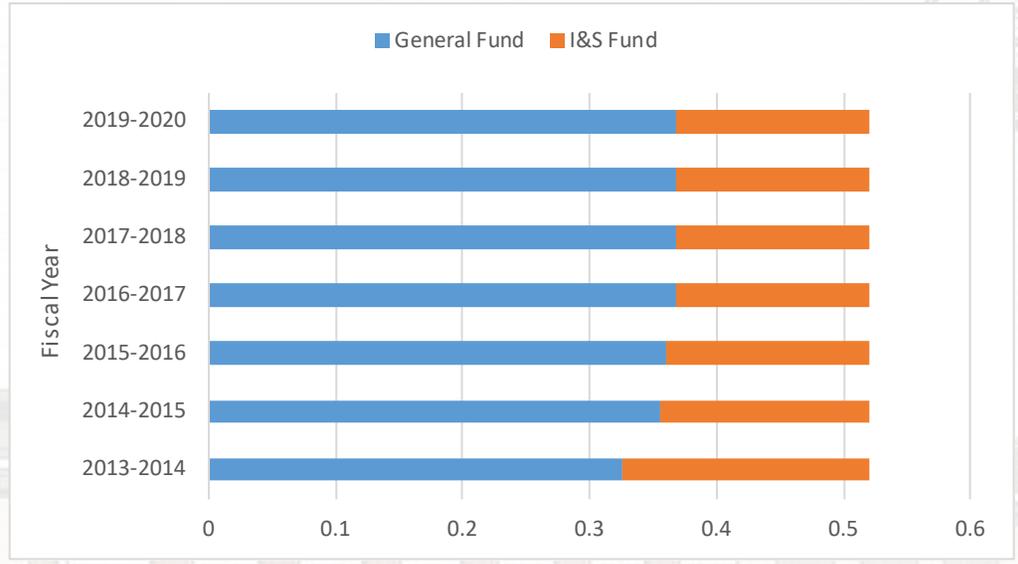
\$0.367500 Maintenance and Operations Tax Rate



PROSPER PROPERTY TAX

SUPPORTS TOWN SERVICES

Fiscal Year	General Fund	I&S Fund	Total
2013-2014	0.326191	0.193809	0.520000
2014-2015	0.356301	0.163699	0.520000
2015-2016	0.361074	0.158926	0.520000
2016-2017	0.367500	0.152500	0.520000
2017-2018	0.367500	0.152500	0.520000
2018-2019	0.367500	0.152500	0.520000
2019-2020	0.367500	0.152500	0.520000



UNDERSTANDING HOW YOUR TAX DOLLARS WORK

MONTHLY BREAKDOWN OF TOWN OF PROSPER TAX DISTRIBUTION



In 2020, the average household will pay \$190 in Town property taxes per month.

*The median average home value in the Town of Prosper is \$543,030 in Collin County and \$430,425 in Denton County.

PROSPER SALES TAX

SUPPORTS TOWN SERVICES

The State of Texas tax rate is 6.25% and is added to the 2% Town's sales tax rate that is levied on all taxable sales within the Town.

It is recorded as follows:

One percent is recorded within the General Fund.

One quarter of one percent is recorded as revenue with the Crime Control and Prevention Special Purpose District used to support the cost of crime control and crime prevention including the cost of personnel, administration, expansion, enhancement, and capital expenditures.

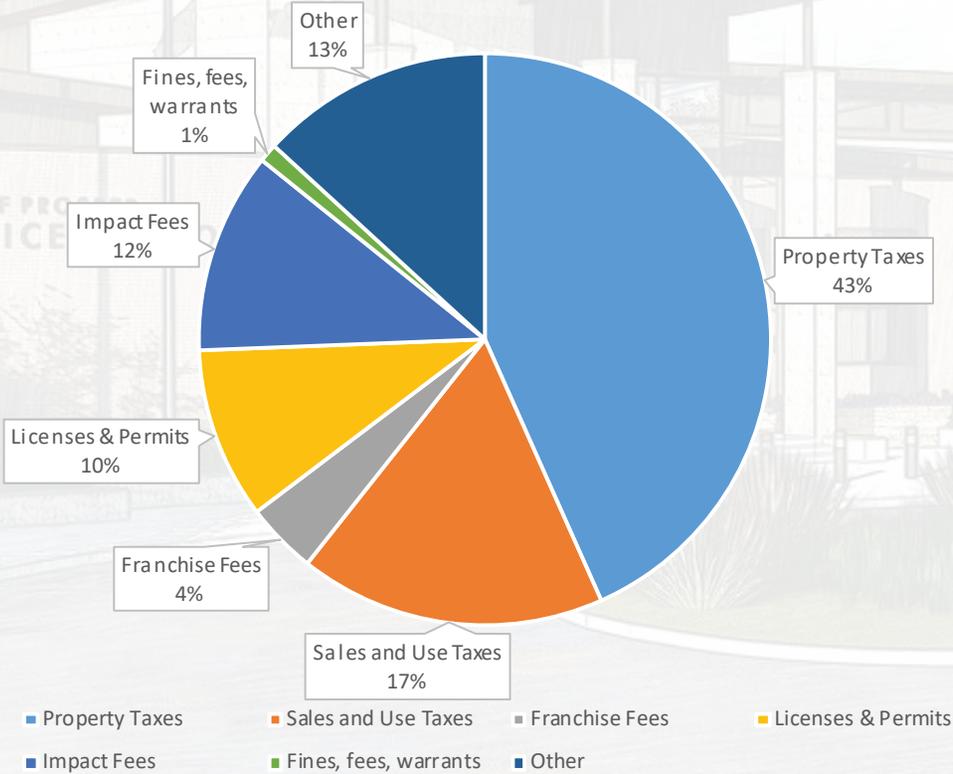
One quarter of one percent is recorded as revenue with the Fire Control, Prevention and Emergency Medical Services Special Purpose District, used to support the cost of fire control, prevention, and emergency services including the cost of personnel, administration, expansion, enhancement, and capital expenditures.

Half of one percent is recorded as revenue with Prosper Economic Development Corporation, 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 in the Town and improve Prosper residents' quality of life.

MONEY COMES AND MONEY GOES

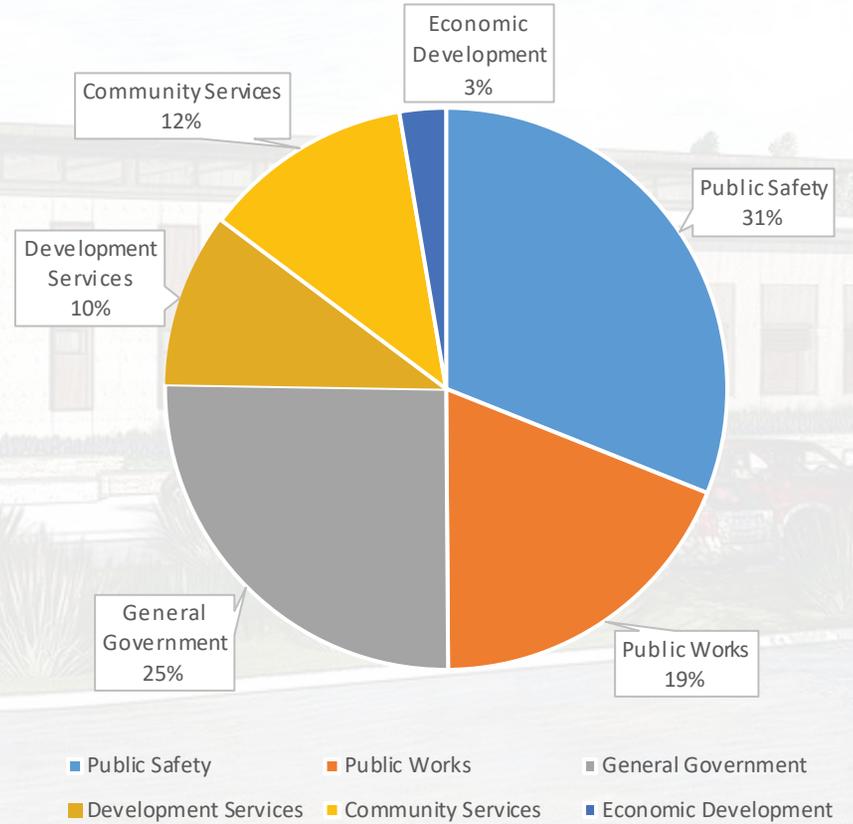
Where does the money come from?

Governmental Revenue by Source



Where does the money go?

Governmental Activities Uses



PROSPER AT A GLANCE

1914
Date Incorporated



23
Parks



27 sq. miles
Area



212
Miles of Streets



218
Acres Maintained



57
Fires Extinguished



\$140,815
Median Household Income



4,433 sq. ft
Average Household Size



97.6%
Residents with High School
Degree or Higher



34
Median Age of Population



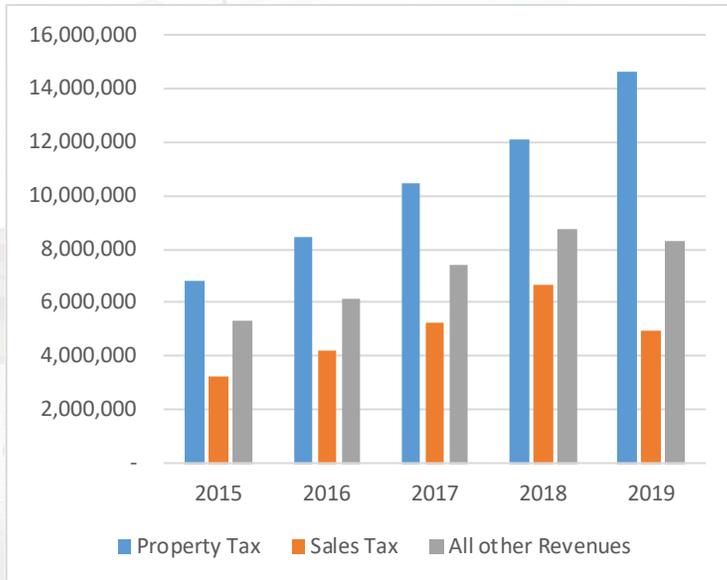
16,969
PISD School Enrollment



25,630
Town of Prosper Population



GENERAL FUND



General Fund Revenues

	2019	2018	2017	2016	2015
Property Taxes	14,663,044	12,119,079	10,454,610	8,458,487	6,825,592
Sales Taxes	4,943,218	6,685,486	5,271,470	4,210,957	3,269,638
Franchise Taxes	1,671,415	1,705,986	967,056	736,741	736,654
Licenses and Permits	4,735,857	5,468,280	3,082,055	3,115,829	2,644,606
Charges for Services	712,710	742,419	602,306	438,720	234,147
Grants	106,906	58,818	141,362	23,539	22,126
Investment Income	367,865	246,761	98,200	35,810	32,617
Fines, Fees, and Warrants	486,843	406,738	2,071,325	1,512,359	1,180,724
Miscellaneous	221,076	152,921	425,877	259,502	479,487
	27,911,934	27,586,488	23,114,261	18,791,944	15,425,591

General Fund Expenditures

	2019	2018	2017	2016	2015
General Government	4,644,324	4,258,396	3,793,925	3,054,800	2,972,543
Public Safety	9,426,882	102,339,833	8,847,674	6,675,215	5,685,427
Public Works	2,020,144	2,040,134	1,309,246	1,018,495	607,891
Community Services	3,842,308	3,474,193	2,422,391	2,111,642	1,893,373
Development Services	3,825,691	3,291,467	2,105,697	1,969,112	1,782,437
	23,759,349	23,298,173	1,847,933	14,829,264	12,941,671

NOTES

The General Fund is the primary operating fund for Town Services. It is used for all activities except those legally or administratively required to be accounted for in other funds.

GENERAL FUND

EXPLANATION OF TERMS

GENERAL FUND EXPENDITURES

General Government

Includes Town Council, Town Manager, Finance, Information Technology, Human Resources, Engineering and Town Secretary/PIO offices.

Public Safety

Expenditures within the funds that support the safety of our citizens, such as police, fire, court, and dispatch.

Public Works

Street rehabilitation and resurfacing, and upkeep with the streets, sidewalks, and signage.

Community Services

Includes maintenance and administration of 218 acres of parks and trails, 23 parks, 11 playgrounds, and library operations.

Development Services

Includes ensuring the safety and welfare of the general public by enforcing building, electrical, plumbing, and mechanical code regulations within the Town. Services to maintain and promote health, safety, welfare, and property values in Prosper. Also includes areas of planning, zoning, and land use to ensure the future quality of life in the Town.

GENERAL FUND REVENUES

Property Taxes

Property taxes are based on the appraised values provided by the Collin County and 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 and interest levied on real property constitute a lien on the real property which cannot be forgiven without specific approval by 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.

Sales and Use Taxes

Of the two percent sales tax on taxable sales within the Town, 1.0 cent is recorded as revenue in the General Fund. Use tax is levied on purchased items for use in Texas from retailers who do not collect Texas sales tax. Use tax is paid by the buyer when the Texas sales tax has not been collected by the seller. This includes purchases made from out-of-state retailers whether by mail order, catalog, television shopping networks, radio, internet, phone, or in person.

Franchise Taxes

Includes fees assessed for private use of public property.

Licenses and Permits

Includes permits and licenses required by the Town including, occupational licenses, plumbing, building, electrical, fire permits, temporary certificate of occupancy, and sign permits.

Grants

Activities of two or more governments providing assistance for a program.

Charges for Services

Includes all revenues collected on services provided through the General Fund, such as pavilion rental fees, and cell tower rental fees.

Investment Income

Revenue earned from the Town's investment portfolio.

Fines, Fees, and Warrants

Includes all court fines and fees, and contractor and construction fees, alarm fees, development application fees, zoning fees, notary and copying fees.

Miscellaneous

Items that are not covered by any of the aforementioned categories.

GENERAL FUND

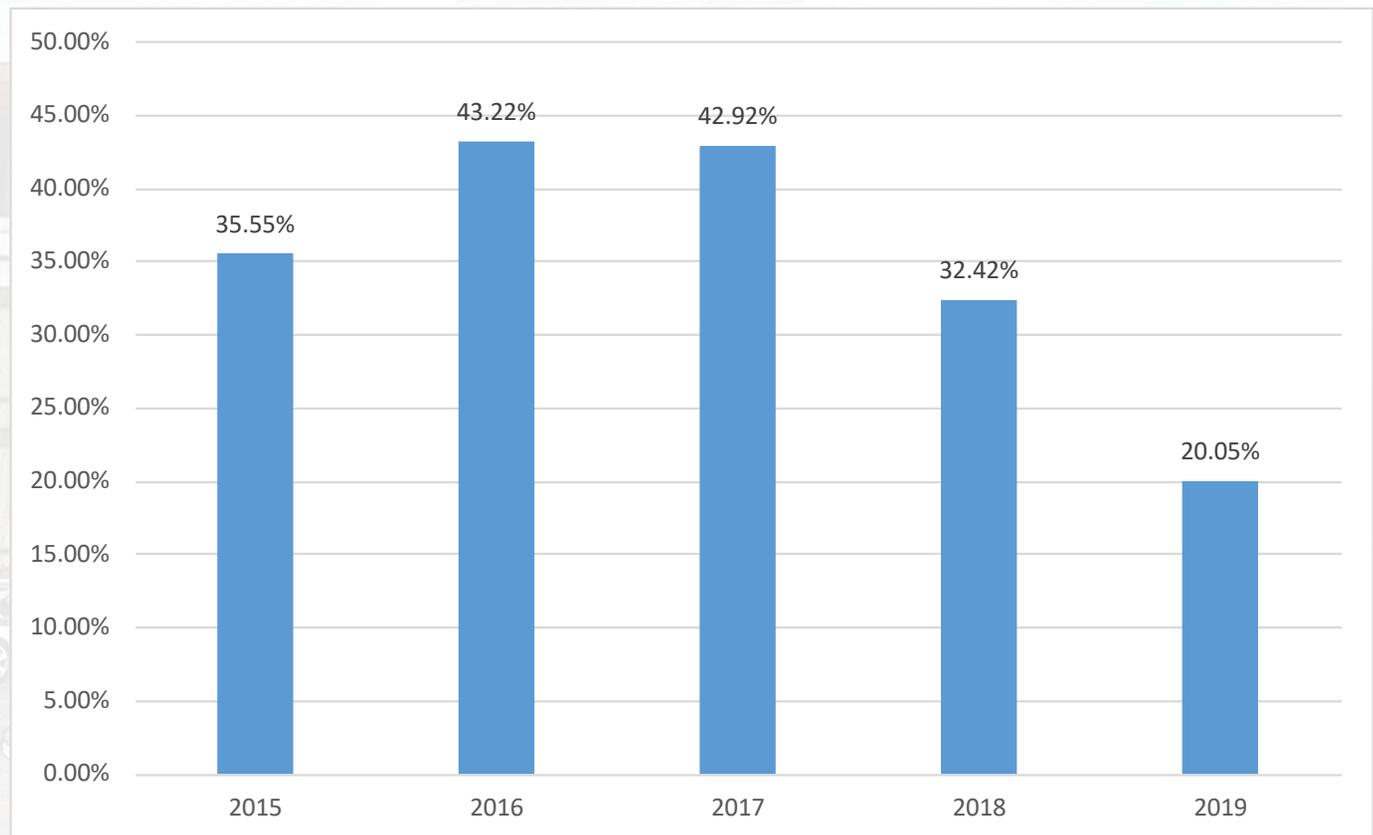
UNASSIGNED FUND BALANCE

NOTES

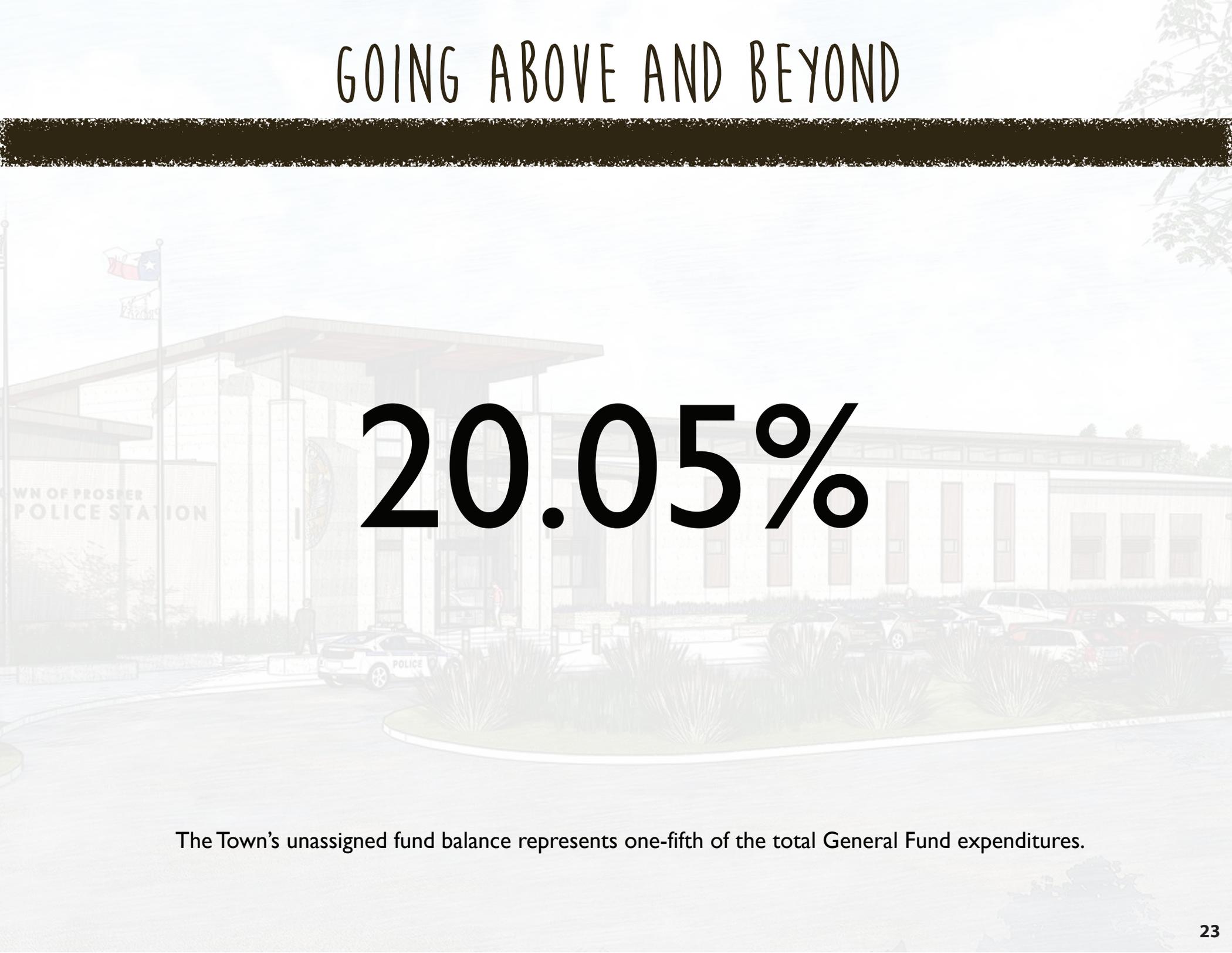
The 'unassigned' fund balance is an indication of the amount of available resources the Town has at a point in time to fund emergencies, shortfalls, or other unexpected needs. In this analysis only the General Fund information is reported. It is the goal of the Town to achieve and maintain an unassigned fund balance in the general fund equal to five percent of budgeted expenditures for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. If such a situation occurs, the Town will implement necessary corrective action within a five-year plan to restore the fund balance back to five percent of budgeted expenditures.

This amount is in addition to the twenty percent restricted fund balance amount required by the Town Charter.

See our complete disclosed information in the Town's CAFR Basic Financial Statements.



GOING ABOVE AND BEYOND

An architectural rendering of a modern police station. The building is a long, single-story structure with a prominent entrance canopy supported by columns. A sign on the left side of the building reads "TOWN OF PROSPER POLICE STATION". A Texas state flag flies on a tall pole to the left. In the foreground, there is a landscaped area with several large, spiky plants. A police car is parked near the entrance, and other vehicles are visible in the background. The entire scene is rendered in a light, sketch-like style. Overlaid in the center of the image is the text "20.05%" in a large, bold, black font.

20.05%

The Town's unassigned fund balance represents one-fifth of the total General Fund expenditures.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Totals		% of Change
	2019	2018	2019	2018	2019	2018	
Compensated absences	1,378	1,164	173	152	1,551	1,316	17.86%
Bonds	81,745	67,807	40,089	37,893	121,834	105,700	15.26%
Bond premium on issuance	6,122	5,505	2,427	2,360	8,549	7,865	8.70%
Total (Thousands)	<u>89,245</u>	<u>74,476</u>	<u>42,689</u>	<u>40,405</u>	<u>131,934</u>	<u>114,881</u>	<u>14.84%</u>

NOTES

At fiscal year end, the Town had \$131.9 million in long-term debt outstanding which represents a \$17.05 million or 15% increase from the prior year. In 2019, the Town issued the 2019 General Obligation Bonds in the amount of \$4.065 million and 2019 Certificates of Obligations in the amount of \$17.490 million.

See our complete disclosed information in the Town's CAFR, Note 8, Long-term liabilities.

BONDS, CERTIFICATES OF OBLIGATION: GOVERNMENTAL ACTIVITIES

Series Bonds and Obligations	Original Date	Final Maturity	Total
2012 GO	6/15/2012	2/15/2032	2,975
2013 GO refunding	6/15/2013	8/15/2033	2,925
2014 GO	2/15/2014	2/15/2034	2,120
2015 GO refunding	7/15/2015	2/15/2035	12,393
2015 CO	7/15/2015	2/15/2035	7,955
2016 GO refunding	7/12/2016	2/15/2036	4,552
2016 CO	7/12/2016	2/15/2036	6,750
2017 CO	6/27/2017	2/15/2037	9,645
2018 CO	6/15/2018	2/15/2038	3,785
2019 GO	6/15/2018	2/15/2038	11,510
2019 CO	7/25/2019	2/15/2039	4,065
	7/25/2019	2/15/2039	13,070
		\$ in Thousands	<u>\$81,745</u>

BONDS, CERTIFICATES OF OBLIGATION: BUSINESS-TYPE ACTIVITIES

Series Bonds and Obligations	Original Date	Final Maturity	Total
2012 CO	6/15/2012	2/15/2032	4,205
2013 CO	6/15/2013	8/15/2033	4,000
2014 GO	2/15/2014	2/15/2034	2,110
2014 CO	2/15/2014	2/15/2034	10,260
2015 GO refunding	7/15/2015	2/15/2035	3,351
2016 GO refunding	7/12/2016	2/15/2036	138
2016 CO	7/12/2016	2/15/2036	1,165
2017 CO	6/27/2017	2/15/2037	920
2018 CO	6/15/2018	2/15/2038	9,520
2019 CO	7/25/2019	2/15/2039	4,420
		\$ in Thousands	<u>\$40,089</u>

HEALTHY GROWTH IN EDUCATION



16,969

FY 19 school enrollment

Prosper ISD had an increase in enrollment of 4,524 students from FY 18.

SALES TAX BY INDUSTRY

Retail

\$3.2 million

Manufacturing

\$1.2 million

Accommodation & Food
Services

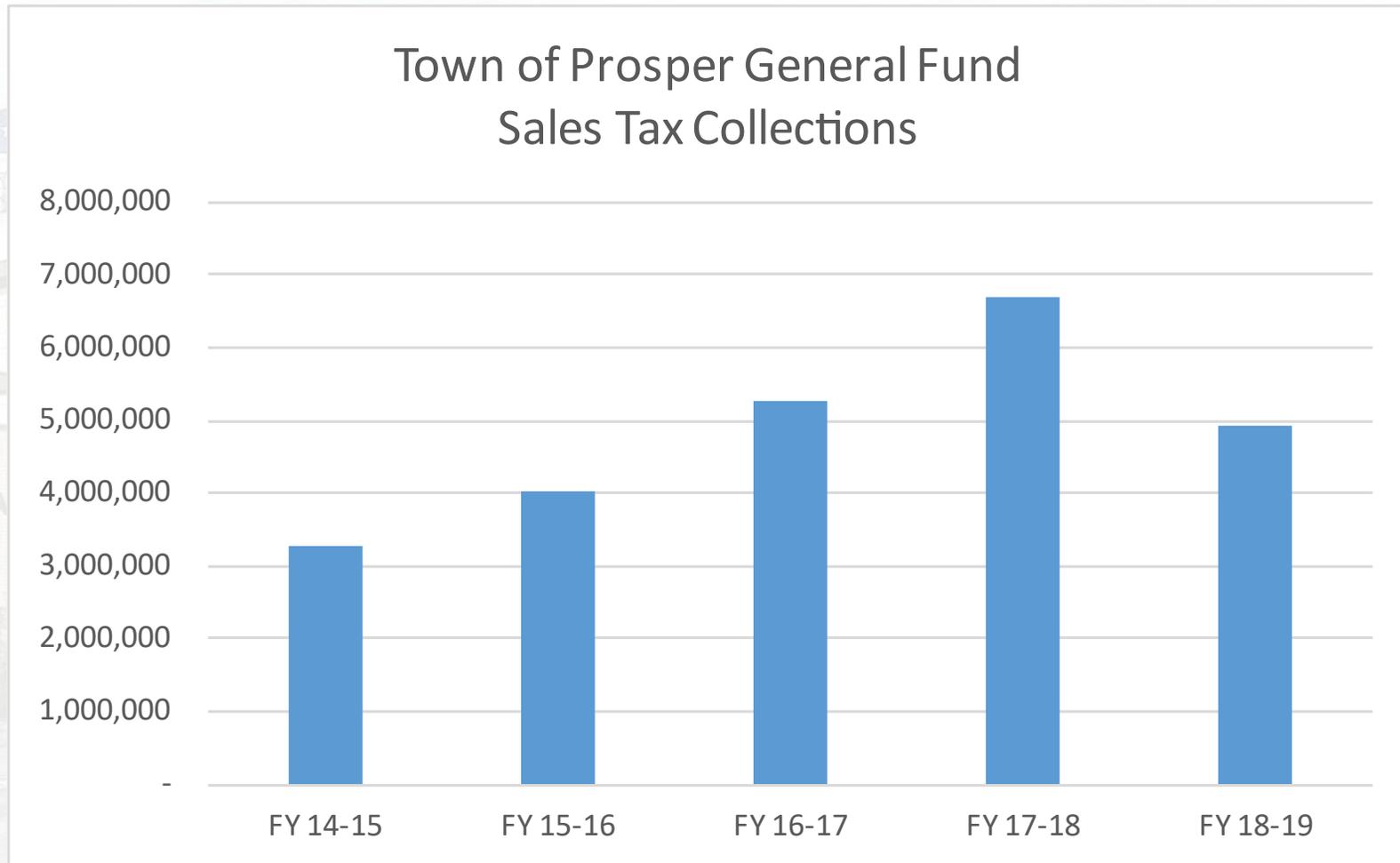
\$0.8 million

The top 3 industries providing sales tax to the Town of Prosper are manufacturing, retail, accommodation and food service.

Previously the top 3 industries were retail (\$3.2 million), manufacturing (\$2.0 million), accommodation and food service (\$0.8 million)

ECONOMIC OUTLOOK

FY 2015-2019 GENERAL FUND'S SALES TAX ACTUALS



NOTES

This chart reflects the actual amount of sales tax for the General Fund received for the last five fiscal years. In May 2018, the citizens of the Town of Prosper voted to abolish the 0.50% sales and use tax revenue for property tax relief and replace it with the creation of two Public Safety Special Purpose Districts. Each district collects 0.25% of sales and use tax which was previously allocated to the General Fund. The MD&A section of the Town's CAFR will provide more detailed information on our economic growth.