

OFFICIAL STATEMENT

Dated August 9, 2022

Ratings:

Moody's: "Aaa"

S&P: "AAA"

(See "OTHER INFORMATION-
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$10,140,000
TOWN OF ADDISON, TEXAS
(Dallas County)
GENERAL OBLIGATION BONDS, SERIES 2022

Dated Date: August 1, 2022

Due: February 15, as shown on page 2

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$10,140,000 Town of Addison, Texas, General Obligation Bonds, Series 2022 (the "Bonds") will accrue from the date of their delivery to the initial purchaser (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, elections held on May 12, 2012 and November 5, 2019 (the "Elections") and an ordinance passed by the City Council of the Town of Addison, Texas (the "Town") (the "Ordinance"). The Bonds are direct obligations of the Town of Addison, Texas (the "Town"), payable from a continuing ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, as provided in the Bond Ordinance (see "THE OBLIGATIONS - Authority for Issuance" and "THE OBLIGATIONS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (ii) acquiring, developing, renovating and improving parks, park facilities, recreation facilities, including the Addison Athletic Club, and open spaces for park and recreation purposes in and for the Town, including the acquisition of land therefor; (iii) renovating, repairing, improving, and equipping existing Town service, public safety, conference and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws and (iv) paying the costs of issuing the Bonds.

MATURITY SCHEDULE - BONDS

See page 2

SEPARATE ISSUES . . . The Bonds are being offered by the Town concurrently with the "Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022" (the "Certificates"), and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on September 7, 2022.

MATURITY SCHEDULE

CUSIP Prefix ⁽¹⁾: 006644

Amount	15-Feb Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix ⁽¹⁾	Amount	15-Feb Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix ⁽¹⁾
\$ 365,000	2023	3.000%	1.650%	Z43	\$ 510,000	2033	5.000%	2.600% ⁽²⁾	2E7
350,000	2024	3.000%	1.750%	Z50	540,000	2034	5.000%	2.700% ⁽²⁾	2F4
360,000	2025	3.000%	1.850%	Z68	560,000	2035	3.125%	3.200%	2G2
370,000	2026	3.000%	1.900%	Z76	580,000	2036	3.250%	3.300%	2H0
380,000	2027	3.000%	2.000%	Z84	595,000	2037	3.250%	3.400%	2J6
400,000	2028	5.000%	2.100%	Z92	615,000	2038	3.500%	3.500%	2K3
420,000	2029	5.000%	2.200%	2A5	640,000	2039	3.500%	3.600%	2L1
440,000	2030	5.000%	2.300%	2B3	665,000	2040	3.625%	3.700%	2M9
465,000	2031	5.000%	2.400%	2C1	685,000	2041	3.750%	3.800%	2N7
485,000	2032	5.000%	2.500%	2D9	715,000	2042	3.750%	3.850%	2P2

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Town, the Financial Advisor or the Initial Purchaser of the Bonds shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield to first call date of February 15, 2032.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

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OFFICIAL STATEMENT

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER INFORMATION-
Ratings" herein)

Dated August 9, 2022

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE CERTIFICATES ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$12,495,000
TOWN OF ADDISON, TEXAS
(Dallas County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: August 1, 2022

Due: February 15 as shown on page 4

Interest Accrues from Delivery Date

PAYMENT TERMS . . . Interest on the \$12,495,000 Town of Addison, Texas Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the date of initial delivery to the purchaser here of (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2023, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution, and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and are direct obligations of the Town of Addison, Texas (the "Town"), payable from an annual ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law and a limited pledge (not to exceed \$1,000) of the net revenues of the Town's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds of the Certificates are expected to be used for the purpose of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) designing, developing, constructing, and improving Town water and sewer system improvements and facilities; and (vi) professional services incurred in connection with items (i) and (ii), and to pay the costs incurred in connection with the issuance of the Certificates.

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Certificates are being offered by the Town concurrently with the "Town of Addison, Texas, General Obligation Bonds, Series 2022" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of The Depository Trust Company on September 7, 2022.

MATURITY SCHEDULE

CUSIP Prefix ⁽¹⁾: 006644

Amount	15-Feb Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix ⁽¹⁾	Amount	15-Feb Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix ⁽¹⁾
\$ 425,000	2023	5.000%	1.700%	2Q0	\$ 605,000	2032	5.000%	2.500%	2Z0
415,000	2024	4.000%	1.750%	2R8	635,000	2033	4.000%	3.000% ⁽²⁾	3A4
430,000	2025	4.000%	1.850%	2S6	***	***	***	***	***
450,000	2026	5.000%	1.900%	2T4	765,000	2038	3.500%	3.600%	3F3
475,000	2027	5.000%	2.000%	2U1	790,000	2039	3.500%	3.650%	3G1
495,000	2028	5.000%	2.100%	2V9	820,000	2040	3.625%	3.700%	3H9
525,000	2029	5.000%	2.200%	2W7	850,000	2041	3.625%	3.750%	3J5
550,000	2030	5.000%	2.300%	2X5	880,000	2042	3.750%	3.850%	3K2
580,000	2031	5.000%	2.400%	2Y3					

\$1,350,000 4.000% Term Certificates Due on February 15, 2035 Priced to Yield 3.050% - Cusip #0066443C0 ⁽¹⁾⁽²⁾

\$1,455,000 3.375% Term Certificates Due on February 15, 2037 Priced to Yield 3.500% - Cusip #0066443E6 ⁽¹⁾

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Town, the Financial Advisor or the Initial Purchaser of the Bonds shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield to first call date of February 15, 2032.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, the Certificates maturing on February 15, 2035 and 2037 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the town or its Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

NEITHER THE TOWN, ITS FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER OF THE OBLIGATIONS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

The agreements of the Town and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Obligations is to be construed as constituting an agreement with the initial purchasers of the Obligations. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

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The cover page hereof, this page, the Schedule I, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE TOWN	The Town of Addison, Texas (the "Town"), is a political subdivision and home-rule municipal corporation of the State, located in Dallas County, Texas. The Town covers approximately 4.4 square miles (see "Introduction - Description of the Town").
THE BONDS	The Town's \$10,140,000 General Obligation Bonds, Series 2022 (the "Bonds") are scheduled to mature on February 15 in the years 2023 through 2042 (see "THE OBLIGATIONS - Description of the Obligations").
THE CERTIFICATES	The \$12,495,000 Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 are issued as serial Certificates maturing on February 15 in each of the years 2023 through 2033, 2038 through 2042, and as Term Certificates maturing on February 15, 2035 and 2037.(see "THE OBLIGATIONS - Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Obligations accrues from the Delivery Date, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of The Obligations " and "THE OBLIGATIONS – Optional Redemption").
AUTHORITY FOR ISSUANCE	<p>The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, elections held on May 12, 2012 and November 5, 2019 (the "Elections") and a bond ordinance passed by the City Council of the Town (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").</p> <p>The Certificates are issued pursuant to the Constitution, and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS - Authority for Issuance").</p>
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the Town, payable from a direct and continuing annual ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the Town (see "THE OBLIGATIONS - Security and Source of Payment").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the Town, payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the Town, and (ii) a pledge of the Surplus Revenues of the Town's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,000 as provided in the Certificate Ordinance (see "THE OBLIGATIONS - Security and Source of Payment").
OPTIONAL REDEMPTION	The Town reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, the Certificates maturing on February 15, 2035 and 2037 (the "Term Certificates") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS – Mandatory Redemption").
TAX STATUS	In the opinion of Bond Counsel, under existing law, interest on the Obligations is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS	<p>Proceeds from the sale of the Bonds will be used for the purpose of (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (ii) acquiring, developing, renovating and improving parks, park facilities, recreation facilities, including the Addison Athletic Club, and open spaces for park and recreation purposes in and for the Town, including the acquisition of land therefor; (iii) renovating, repairing, improving, and equipping existing Town service, public safety, conference and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws and (iv) paying the costs of issuing the Bonds.</p> <p>Proceeds of the Certificates are expected to be used for the purpose of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) designing, developing, constructing, and improving Town water and sewer system improvements and facilities; and (vi) professional services incurred in connection with items (i) and (ii), and to pay the costs incurred in connection with the issuance of the Certificates.</p>
RATINGS	The Obligations and presently outstanding tax supported debt of the Town are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "Other Information - Ratings").
BOOK-ENTRY-ONLY SYSTEM.....	The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").
PAYMENT RECORD	The Town has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net Funded Tax Debt Outstanding ⁽²⁾	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections to Tax Levy
2018	15,760	\$ 4,450,533,504	\$ 282,394	\$ 68,479,148	\$ 4,345	1.54%	96.68%
2019	15,790	4,725,759,169	299,288	61,985,000	3,926	1.31%	96.46%
2020	15,790	4,819,907,442	305,251	86,685,000	5,490	1.80%	95.06%
2021	16,320	4,925,943,024	301,835	96,870,000	5,936	1.97%	99.51%
2022	17,720	5,075,396,106	286,422	110,415,000 ⁽³⁾	6,231	2.18%	98.74%

(1) Source: North Central Texas Council of Governments ("NCTCOG"). NCTCOG publishes its current population estimates in April of each year.

(2) The above statement of indebtedness does not include general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the airport fund and drainage fund ("self-supporting debt"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.

(3) Projected, includes the Obligations. Excludes Self-Supporting Debt.

For additional information regarding the Town, please contact:

Steven Glickman	Nick Bulaich
Chief Financial Officer	Robert Spears
Town of Addison	or Hilltop Securities Inc.
P.O. Box 9010	777 Main Street, Suite 1525
Addison, Texas 75001	Fort Worth, Texas 76102
(972) 450-7001	(817) 332-9710

TOWN OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Joe Chow Mayor	14 Years	May, 2023	Business Owner/Insurance Agent
Kathryn Wheeler Mayor Pro Tem	1 Year	May, 2023	Interior Designer
Lori Ward Deputy Mayor Pro Tem	5 Years	May, 2023	Commercial Business Development & Management
Tom Braun Councilmember	11 Years	May, 2023	Business Owner
Darren Gardner Councilmember	3 Months	May, 2024	Business Consultant
Guillermo Quintanilla Councilmember	4 Years	May, 2024	Small Business Owner
Eileen Resnik Councilmember	3 Months	May, 2024	Program Officer

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Wesley Pierson ⁽¹⁾	City Manager	7 Years
Steven Glickman	Chief Financial Officer	2 Years

(1) Mr. Pierson's last day was August 1, 2022. Mr. Hamid Khaleghipour will serve as Interim City Manager.

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors	BKD, LLP Dallas, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Fort Worth, Texas

OFFICIAL STATEMENT

RELATING TO

\$10,140,000
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2022

\$12,495,000
TOWN OF ADDISON, TEXAS
COMBINATION TAX & REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$10,140,000 Town of Addison, Texas, General Obligation Bonds, Series 2022 (the "Bonds") and the \$12,495,000 Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates"). The Bonds and Certificates are separate and distinct securities offerings being authorized for issuance under separate authorizations (the "Bond Ordinance" and the "Certificates Ordinance", respectively, each as defined below and collectively the "Ordinances"), adopted by the Town but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payments, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in terms in each respective ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the Town and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

All financial and other information presented in this Official Statement has been provided by the Town from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the Town's Home Rule Charter. The Town's Home Rule Charter originally adopted in 1978, was last amended in 2020. The Town operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office for Councilmembers is two years with the terms of the Mayor and three of the Councilmembers expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The Town Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the Town was 15,790, and the estimated 2022 population is 16,320. The Town covers approximately 4.4 square miles and is located within the Dallas, Texas, Standard Metropolitan Statistical Area (SMSA).

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (ii) acquiring, developing, renovating and improving parks, park facilities, recreation facilities, including the Addison Athletic Club, and open spaces for park and recreation purposes in and for the Town, including the acquisition of land therefor; (iii) renovating, repairing, improving, and equipping existing Town service, public safety, conference and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws and (iv) paying the costs of issuing the Bonds.

Proceeds of the Certificates are expected to be used for the purposes of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) designing, developing, constructing, and improving Town water and sewer system improvements and facilities; and (vi) professional services incurred in connection with items (i) and (ii), and to pay the costs incurred in connection with the issuance of the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Obligations will be applied approximately as follows:

Sources:	The Bonds	The Certificates
Principal Amount	\$ 10,140,000.00	\$ 12,495,000.00
Original Issue Premium	467,304.80	604,277.45
Total Sources of Funds	\$ 10,607,304.80	\$ 13,099,277.45
Uses:		
Deposit to Construction Fund	\$ 10,518,000.00	\$ 13,000,000.00
Costs of Issuance	89,304.80	99,277.45
Total Uses of Funds	\$ 10,607,304.80	\$ 13,099,277.45

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated August 1, 2022 and mature on February 15 in each of the years and in the amounts shown on page 2 and 4 hereof. Interest for the Obligations will accrue from the date of their initial delivery to their initial purchasers (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, elections held on May 12, 2012 and November 5, 2019 (the "Elections") and a ordinance to be passed by the City Council of the Town of Addison, Texas (the "Town") (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance to be passed by the Town Council of the Town (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances").

SECURITY AND SOURCE OF PAYMENT

The Bonds . . . The principal of and interest on the Bonds are payable from a continuing direct annual ad valorem tax levied by the Town, within the limits prescribed by law, upon all taxable property in the Town.

The Certificates . . . The Certificates constitute direct obligations of the Town and are payable from and secured by a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the Town, and (ii) a pledge of the Surplus Revenues of the Town's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,00 as provided in the Ordinance.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2033 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the Town may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY REDEMPTION . . . The Certificates maturing on February 15, 2035 and 2037 (the "Term Certificates"), are subject to mandatory sinking fund redemption in part prior to maturity, and will be redeemed by the Town at a redemption price equal to the principal amounts thereof, plus accrues interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Certificates Due February 15, 2035		Term Certificates Due February 15, 2037	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2034	\$ 660,000	February 15, 2036	\$ 715,000
February 15, 2035*	690,000	February 15, 2037*	740,000
	<u>\$ 1,350,000</u>		<u>\$ 1,455,000</u>

* Maturity

The Term Certificates to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Obligations are in book-entry-only form). Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Town, by the principal amount of any Term Certificates of the same maturity which, at least forty-five (45) days prior to mandatory redemption date (1) shall have been acquired by the Town at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Town at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Town reserves the right to give notice of its election or direction to redeem Obligations conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Town retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Obligations subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

DEFEASANCE . . . The Ordinances provide that the Town may discharge its obligations to the registered owners of any or all of the Obligations, as applicable, to pay principal and interest thereon. Under current Texas law, and as described in the Ordinances, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Obligations to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Obligations; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Obligations, as the case may be.

If any of the Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Obligations at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

Under current State law, after such deposit as described above, such Obligations shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the Town to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

Redemption notices for the Obligations shall be sent to DTC. If less than all of the Obligations of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town or the Financial Advisor.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Obligations is BOKF NA, Dallas, Texas. In the Ordinances, the Town retains the right to replace the Paying Agent/Registrar. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. If the Town replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Obligations, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

PAYMENT . . . Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the Town where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Obligations and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one

maturity and for a like aggregate designated amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REMEDIES . . . The Ordinances authorizing the issuance of the Obligations establish the following Events of Default with respect to the Obligations: (i) failure to make payment of principal of or interest on any of the Obligations when due and payable; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City.

Under State law, there is no right to the acceleration of maturity of the Obligations upon an event of default under the Ordinance. Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Obligations, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Obligations as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Obligations would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Bond Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Obligations, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Obligations.

The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Obligations are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – Town and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1 for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See Table 1 for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION" Town Application of Property Tax Code" for descriptions of any TIRZ created in the Town.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – Town Application of Property Tax Code" for descriptions of any of the Town's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the Town, see "AD VALOREM PROPERTY TAXATION – Town Application of Property Tax Code" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The Town's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the Town must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the Town's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the Town's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES

Under certain circumstances, the Town and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Town may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of August 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on August 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

TOWN APPLICATION OF TAX CODE . . . The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000. The disabled are also granted an exemption of \$60,000.

To those who apply, the Town grants an additional exemption of 20% of the market value of residence homesteads with a minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the Town against the exempt value of residence homesteads for the payment of debt.

The Town does not tax nonbusiness personal property or aircraft.

The Town contracts with the Dallas County Tax Assessor to collect its taxes.

The Town does not permit split payments, and discounts are not allowed.

The Town does tax freeport property.

The Town does tax goods-in-transit.

The Town does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The Town has not adopted the freeze for elderly and disabled homeowners.

The Town has not created any TIRZs and does not participate in any TIRZs created by other governmental entities.

The Town does have Chapter 380 Agreements in place and expended \$446,449 under those agreements during Fiscal Year 2021.

TAX ABATEMENT POLICY . . . The Town does not have a tax abatement policy nor has it granted any tax abatements.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2021/22 Market Valuation Established by Dallas Central Appraisal District ⁽¹⁾		\$ 5,627,329,994
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 143,589,929	
Disabled Veterans Exemptions	2,985,103	
Agricultural Land Use Reductions	664,652	
Over 65	37,051,500	
Disabled Person	660,000	
Totally Exempt	360,586,470	
Disaster	515,547	
Parcels Under \$500	42,960	
Mineral Rights	200	
Capped Value Loss	5,794,056	
Pollution Control	43,471	551,933,888
2021/22 Taxable Assessed Valuation		<u>\$ 5,075,396,106</u>
2022/23 Certified Taxable Assessed Valuation (as of July 25, 2022)		<u>\$ 5,630,931,020</u>
Town Funded Debt Payable from Ad Valorem Taxes (as of 6-1-2022)		
General Obligation Bonds	\$ 86,250,000	
Certificates of Obligation	32,715,000	
The Bonds	10,140,000	
The Certificates	12,495,000	
Funded Debt Payable from Ad Valorem Taxes		\$ 141,600,000
Less Self-Supporting Debt: ⁽³⁾		
Airport Fund General Obligation Debt	8,280,000	
Drainage Fund General Obligation Debt	5,000,000	
Water and Sewer System General Obligation Debt	18,170,000 ⁽²⁾	31,450,000
Net Funded Debt Payable from Ad Valorem Taxes		<u>\$ 110,150,000</u>
Interest and Sinking Fund as of 6-1-2022		\$ 2,031,612
Ratio Total Funded Debt to Taxable Assessed Valuation		2.79%
Ratio Net Funded Debt to Taxable Assessed Valuation		2.17%

2022 Estimated Population - 17,720
Per Capita Taxable Assessed Valuation - \$286,422
Per Capita Total Funded Debt \$7,991
Per Capita Net Funded Debt - \$6,216

(1) As reported by the Town's 2021 Certified Tax Roll.

(2) Includes a portion of the Certificates

(3) General obligation debt in the amount shown for which repayment is provided from revenues of the waterworks and sewer system, airport fund, and drainage fund. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the Town's current policy to provide these payments from respective system revenues. This policy is subject to change in the future. To the extent such policy is changed, and such self-supporting debt is not paid from the waterworks and sewer system revenues, airport fund, or drainage fund, such debt will be paid from ad valorem taxes. See Table 10 "Computation of Self-Supporting Debt".

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 914,579,906	16.25%	\$ 862,815,259	15.90%	\$ 818,643,860	15.40%
Real, Residential Multi-Family	1,231,377,064	21.88%	1,126,073,784	20.75%	999,517,250	18.80%
Real, Vacant Lots/Tracts	112,857,691	2.01%	103,965,324	1.92%	108,676,940	2.04%
Real, Farm and Ranch Improvements	664,900	0.01%	664,900	0.01%	664,900	0.01%
Real, Commercial and Industrial	2,604,552,885	46.28%	2,587,617,824	47.68%	2,625,872,880	49.39%
Minerals, Oil and Gas	200	0.00%	200	0.00%	200	0.00%
Real, Railroad	3,888,730	0.07%	3,615,420	0.07%	3,453,430	0.06%
Real and Tangible Personal, Utilities	29,382,160	0.52%	28,866,870	0.53%	27,050,060	0.51%
Tangible Personal, Aircraft	122,785,310	2.18%	114,412,259	2.11%	117,007,360	2.20%
Tangible Personal, Commercial.	507,880,296	9.03%	496,994,887	9.16%	517,146,530	9.73%
Tangible Personal, Industrial	79,686,802	1.42%	81,537,328	1.50%	81,316,910	1.53%
Tangible Personal, Other	19,674,050	0.35%	20,546,000	0.38%	17,439,310	0.33%
Total Appraised Value Before Exemptions	\$ 5,627,329,994	100.00%	\$ 5,427,110,055	100.00%	\$ 5,316,789,630	100.00%
Less: Total Exemptions/Reductions	<u>(551,933,888)</u>		<u>(501,167,031)</u>		<u>(496,882,188)</u>	
Taxable Assessed Value	<u>\$ 5,075,396,106</u>		<u>\$ 4,925,943,024</u>		<u>\$ 4,819,907,442</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2019		2018	
	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 815,671,540	15.66%	\$ 743,340,860	15.14%
Real, Residential Multi-Family	896,180,670	17.21%	862,802,690	17.57%
Real, Vacant Lots/Tracts	146,392,580	2.81%	125,095,920	2.55%
Real, Farm and Ranch Improvements	664,900	0.01%	664,900	0.01%
Real, Commercial and Industrial	2,614,632,350	50.21%	2,443,580,500	49.77%
Minerals, Oil and Gas	200	0.00%	200	0.00%
Real, Railroad	3,328,690	0.06%	3,146,340	0.06%
Real and Tangible Personal, Utilities	26,277,830	0.50%	24,747,880	0.50%
Tangible Personal, Aircraft	91,318,840	1.75%	99,631,040	2.03%
Tangible Personal, Commercial	498,789,770	9.58%	502,016,000	10.22%
Tangible Personal, Industrial	97,226,570	1.87%	81,528,310	1.66%
Tangible Personal, Other	16,738,050	0.32%	23,511,310	0.48%
Total Appraised Value Before Exemptions	\$ 5,207,221,990	100.00%	\$ 4,910,065,950	100.00%
Less: Total Exemptions/Reductions	<u>(481,462,821)</u>		<u>(459,532,446)</u>	
Taxable Assessed Value	<u>\$ 4,725,759,169</u>		<u>\$ 4,450,533,504</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Funded Tax Debt Outstanding ⁽²⁾	Ratio Funded Tax Debt to Taxable Assessed Valuation	Net Funded Debt Per Capita
2018	15,760	\$ 4,450,533,504	\$ 282,394	\$ 68,479,148	1.54%	\$ 4,345
2019	15,790	4,725,759,169	299,288	61,985,000	1.31%	3,926
2020	15,790	4,819,907,442	305,251	86,685,000	1.80%	5,490
2021	16,320	4,925,943,024	301,835	96,870,000	1.97%	5,936
2022	17,720	5,075,396,106	286,422	110,150,000 ⁽³⁾	2.17%	6,216

(1) Source: North Central Texas Council of Governments ("NCTCOG"). NCTCOG publishes its current population estimates in April of each year.

(2) The above statement of indebtedness does not include general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the airport fund and drainage fund ("self-supporting debt"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.

(3) Projected, includes the Obligations. Excludes the self-supporting debt.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2018	\$ 0.5500	\$ 0.3970	\$ 0.1530	\$ 24,531,963	97.15%	96.68%
2019	0.5500	0.4074	0.1426	26,050,652	97.05%	96.46%
2020	0.5835	0.4341	0.1494	28,199,326	96.89%	95.06%
2021	0.6087	0.4411	0.1676	30,018,305	99.99%	99.51%
2022	0.6146	0.4411	0.1735	31,325,754	98.74% ⁽¹⁾	98.74% ⁽¹⁾

(1) Collections as of June 15, 2022. Preliminary, subject to change.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Post Addison Circle	Mixed Development	\$ 221,650,000	4.37%
FPG Colonnade LP	Office Buildings	220,040,000	4.34%
Mary Kay Inc.	Office Buildings	97,968,750	1.93%
Fiori LLC	Land, Apartments	83,450,000	1.64%
COP Spectrum Center LLC	Land, Office Buildings	81,758,250	1.61%
VOP Partners LLC	Land, Office Buildings	79,000,000	1.56%
Woodbranch 14555 LLC	Office Buildings	77,265,570	1.52%
Gaedeke Holdings IX LLC	Office Buildings	76,680,710	1.51%
GS Addison Circle LLC	Apartments	74,750,000	1.47%
CPT Addison LP	Apartments	65,885,000	1.30%
		<u>\$ 1,078,448,280</u>	<u>21.25%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the Town under current State law or the Town's Home Rule Charter (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2022 Net Principal and Interest Requirements for Debt	\$ 8,482,055
\$0.1719 Tax Rate at 97.23% Collection Produces	\$ 8,482,934
Average Annual Net Principal and Interest Requirements for Debt, 2022 - 2042	\$ 7,014,274
\$0.1422 Tax Rate at 97.23% Collection Produces	\$ 7,017,296
Maximum Net Principal and Interest Requirements for Debt, 2026	\$ 9,872,279
\$0.2001 Tax Rate at 97.23% Collection Produces	\$ 9,874,550

(1) Includes the Obligations. Less self-supporting debt (See "Table 10 – Computation of Self-Supporting Debt"). Based on the Town's 2021-2022 Certified Value.

TABLE 7 - ESTIMATED OVERLAPPING DEBT ⁽¹⁾

Expenditures of the various taxing entities within the territory of the Town are paid out of ad valorem taxes levied by such entities on properties within the Town. Such entities are independent of the Town and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Town, the Town has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the Town.

Taxing Jurisdiction	2021/22 Taxable Assessed Value	2021/22 Tax Rate	Total G.O. Debt	Estimated % Applicable	Overlapping G.O. Debt As of 6/1/2022	Authorized But Unissued Debt as of 6/1/2022
Town of Addison	\$ 5,075,396,106	\$ 0.61460	\$ 110,150,000 ⁽²⁾	100.00%	\$ 110,150,000 ⁽²⁾	\$ 54,872,000
Carrollton/Farmers Branch Independent School District	25,191,615,379	1.20100	336,185,000	1.39%	4,672,972	-
Dallas County	291,250,432,162	0.22800	116,665,000	1.49%	1,738,309	-
Dallas County Community College District	299,480,856,454	0.12400	118,575	1.49%	1,767	1,102,000,000
Dallas County Hospital District	292,697,934,340	0.25500	575,530,000	1.49%	8,575,397	-
Dallas County Schools	261,927,801,917	0.01000	-	1.49%	-	-
Dallas Independent School District	141,905,281,463	1.24800	3,500,300,000	2.95%	103,258,850	3,065,375,000
Total Direct and Overlapping G.O. Debt					<u>\$ 228,397,294</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					4.50%	
Per Capita Overlapping G.O. Debt					\$ 12,889.24	

(1) Based on fiscal year 2021-22 taxable values and tax rates for overlapping entities.

(2) Includes the Obligations. Excludes the self-supporting debt.

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt Service Requirements ⁽¹⁾		The Bonds ⁽²⁾		The Certificates ⁽³⁾		Total Debt Service Requirements	Less Amount Supported by Airport	Less Amount Supported by Water and Sewer System ⁽⁴⁾	Less Amount Supported by Drainage	Total Net Tax Supported Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest		Fund	Fund	Fund		
2022	\$ 7,415,000	\$ 3,781,804	\$ -	\$ -	\$ -	\$ -	\$ 11,196,804	\$ 696,993	\$ 1,525,281	\$ 492,474	\$ 8,482,055	
2023	7,585,000	3,567,495	365,000	364,418	425,000	473,390	12,780,303	697,834	1,741,925	490,390	9,850,154	
2024	7,805,000	3,332,759	350,000	377,769	415,000	485,969	12,766,496	689,909	1,742,169	488,590	9,845,829	
2025	8,060,000	3,101,334	360,000	367,119	430,000	469,069	12,787,521	689,809	1,744,469	494,240	9,859,004	
2026	8,335,000	2,850,959	370,000	356,169	450,000	449,219	12,811,346	692,909	1,751,344	494,815	9,872,279	28.43%
2027	8,600,000	2,580,819	380,000	344,919	475,000	426,094	12,806,832	694,134	1,752,184	495,340	9,865,174	
2028	8,430,000	2,295,981	400,000	329,219	495,000	401,844	12,352,044	693,099	1,753,838	490,503	9,414,605	
2029	8,280,000	2,007,567	420,000	308,719	525,000	376,344	11,917,629	699,269	1,653,631	494,695	9,070,034	
2030	8,570,000	1,720,976	440,000	287,219	550,000	349,469	11,917,664	695,986	1,649,638	492,988	9,079,052	
2031	8,805,000	1,437,043	465,000	264,594	580,000	321,219	11,872,856	698,579	1,654,222	490,740	9,029,315	60.25%
2032	9,060,000	1,155,878	485,000	240,844	605,000	291,594	11,838,316	690,444	1,650,081	492,900	9,004,891	
2033	8,015,000	877,626	510,000	215,969	635,000	263,769	10,517,364	696,474	1,648,206	494,410	7,678,274	
2034	5,240,000	658,094	540,000	189,719	660,000	237,869	7,525,681	499,975	1,211,944	-	5,813,763	
2035	3,910,000	524,475	560,000	167,469	690,000	210,869	6,062,813	496,325	652,556	-	4,913,931	
2036	4,005,000	419,353	580,000	149,294	715,000	185,003	6,053,650	496,994	653,731	-	4,902,925	84.55%
2037	4,115,000	310,816	595,000	130,200	740,000	160,450	6,051,466	496,891	654,494	-	4,900,081	
2038	3,670,000	206,956	615,000	109,769	765,000	134,575	5,501,300	495,988	654,206	-	4,351,106	
2039	3,780,000	107,238	640,000	87,806	790,000	107,363	5,512,406	498,881	652,581	-	4,360,944	
2040	1,770,000	38,047	665,000	64,553	820,000	78,675	3,436,275	-	208,013	-	3,228,263	
2041	930,000	9,881	685,000	39,656	850,000	48,406	2,562,944	-	206,034	-	2,356,909	98.93%
2042	-	-	715,000	13,406	880,000	16,500	1,624,906	-	203,750	-	1,421,156	100.00%
	<u>\$ 126,380,000</u>	<u>\$ 30,985,100</u>	<u>\$ 10,140,000</u>	<u>\$ 4,408,827</u>	<u>\$ 12,495,000</u>	<u>\$ 5,487,687</u>	<u>\$ 189,896,615</u>	<u>\$ 11,320,490</u>	<u>\$ 25,364,297</u>	<u>\$ 5,912,084</u>	<u>\$ 147,299,744</u>	

DEBT INFORMATION

- (1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt. Preliminary, subject to change.
(2) Average life of the issue – 11.224 years. Interest on the Bonds has been calculated at the average rates shown on page 2 hereof.
(3) Average life of the issue – 11.226 years. Interest on the Certificates has been calculated at the average rates shown on page 4 hereof.
(4) Includes a portion of the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/22.	\$	8,482,055
Budgeted Interest and Sinking Fund Balance, as of 9/30/21	\$	573,411
Budgeted Interest and Sinking Fund Tax Levy Collection		8,500,108
Other Revenues and Income		2,500
		<u>9,076,019</u>
Projected Ending Fund Balance, 9/30/22	\$	<u>593,964</u>

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**Waterworks and Sewer System**

Net Revenues Available from Waterworks and Sewer System, Fiscal Year 9-30-21	\$	1,974,934
Less: Waterworks and Sewer System General Obligation Bond Requirements, 2022 Fiscal Year		1,525,281
Balance	\$	<u>449,653</u>

Percentage of Waterworks and Sewer System General Obligation Bonds Self-Supporting 100.00%

Airport Enterprise Fund

Net Revenues Available from Airport Revenue, Fiscal Year 9-30-21	\$	1,883,938
Less: Airport Fund General Obligation Bond Requirements, 2022 Fiscal Year		696,993
Balance	\$	<u>1,186,945</u>

Percentage of Airport Fund General Obligation Bonds Self-Supporting 100.00%

Stormwater Drainage Enterprise Fund

Net Revenues Available from Stormwater Revenue, Fiscal Year 9-30-21	\$	1,882,799
Less: Drainage Fund General Obligation Bond Requirements, 2022 Fiscal Year		492,474
Balance	\$	<u>1,390,325</u>

Percentage of Drainage Fund General Obligation Bonds Self-Supporting 100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date	Amount	Amount	Amount	Unissued
	Authorized	Authorized	Previously	Being	Balance
			Issued	Issued	
Street Improvements	5/12/2012	\$ 29,500,000	\$ 14,500,000	\$ 5,000,000	\$ 10,000,000
Parking Facilities	5/12/2012	3,000,000	-	-	3,000,000
Road & Bridge	11/5/2019	22,300,000	14,030,000	-	8,270,000
Street & Drainage	11/5/2019	33,602,000	-	-	33,602,000
Parks & Recreation	11/5/2019	6,723,000	3,510,000	3,213,000	-
Public Facilities	11/5/2019	7,395,000	5,090,000	2,305,000	-
Traffic	11/5/2019	600,000	600,000	-	-
		<u>\$ 103,120,000</u>	<u>\$ 37,730,000</u>	<u>\$ 10,518,000</u>	<u>\$ 54,872,000</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The Town anticipates issuing additional general obligation debt in the approximate amount of \$15 - \$18 million within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

As of September 30, 2021, the Town has no unfunded debt outstanding.

PENSION FUND . . . The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 887 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. 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 (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

BENEFITS PROVIDED . . . TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

Benefits depend upon the sum of the employee's contributions to the plan and the Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for services rendered before the plan began based on an amount equal to two times what would have been contributed by the employee plus interest. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions. Beginning in 1994, the Town adopted an annually repeating type of monetary credit referred to as an updated service credit which when added to the employee's accumulated contributions and the monetary credits for service since the plan began would be the total monetary credits and employee contributions accumulated with interest, if the current employee contribution rate and Town matching percent had always been in existence. The calculation included a three year exponential average of the actual salaries paid during the prior fiscal years.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits plus interest were used to purchase an annuity. Also in 1994, the Town adopted annually repeating annuity increases for its retirees equal to 70% of the change in the consumer price index. The Town discontinued the annual increases in January 2009 and began doing ad hoc increases through 2014, still at 70%. The Town has not adopted an ad hoc COLA since 2014.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at certain ages, based on the years of service with the Town. The service retirement eligibilities for the Town are: 5 years/age 60, 20 years/any age. Plan provisions for the Town are as follows:

Deposit Rate:	7.0%
Matching Ratio (Town to Employee):	2 to 1
A member is vested after:	5 years

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	232
Inactive Employees Entitled to But Not Yet Receiving Benefits	236
Active Employees	278
	<u>746</u>

Contribution . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for the Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Since the Town needs to know its contribution rates 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.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The Town elected to contribute at the full rates for calendar year 2020 of 11.22%. Accordingly, contributions to TMRS for the year ended September 30, 2021 were \$2,450,696 and were equal to the required contribution.

Net Pension Liability . . . The Town's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense including inflation

Salary increases were based on service-related tables. Mortality rates for active members and retirees were multiplied by 107.5% for males and females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the same table as healthy retirees is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2020, valuation were based on the actuarial investigation of experience of TMRS. This investigation was for the period December 31, 2014 through December 31, 2018.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

Other Information:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Total Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
None-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Single Discount Rate:

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%. A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the Town's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Town. The projection of cash flows used to determine the single discount rate for the Town assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the Town will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 10/1/2020	\$ 136,646,183	\$ 133,628,634	\$ 3,017,549
Changes for the year:			
Service cost	3,442,943	-	\$ 3,442,943
Interest	9,077,037	-	9,077,037
Difference between expected and actual experience	800,065	-	800,065
Contributions - employer	-	2,450,696	(2,450,696)
Contributions - employee	-	1,551,077	(1,551,077)
Net investment income	-	10,128,771	(10,128,771)
Benefit payments, including refunds of employee contributions	(7,786,079)	(7,786,079)	-
Administrative expense	-	(65,634)	65,634
Other changes	-	(2,561)	2,561
Net changes	5,533,966	6,276,270	(742,304)
Balance at 9/30/2021	\$ 142,180,149	\$ 139,904,904	\$ 2,275,245

Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the net pension liability/(asset) of the Town, calculated using the discount rate of 6.75% as well as what the Town's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase Rate (7.75%)
Town's Net Pension Liability	\$ 20,889,590	\$ 2,275,245	\$ (13,120,559)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the Town recognized pension expense of \$1,330,118. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,096,331	\$ -
Contributions subsequent to the measurement date	1,998,885	-
Change of assumptions	205,733	-
Difference between expected and actual investment earnings	-	(3,753,959)
Total	\$ 3,300,949	\$ (3,753,959)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date but before the end of the Town's reporting period of \$1,998,885 will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended 30-Sep	Net deferred outflows (inflows) of resources
2022	\$ (869,851)
2023	691,928
2024	(2,054,204)
2025	(219,768)
Total	\$ (2,451,895)

OTHER POSTEMPLOYMENT BENEFITS

A summary of OPEB related items as of and for the year ended September 30, 2021, is presented below (in thousands).

Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 3,363,184	\$ 468,912	\$ (158,168)	\$ 317,623
Business-Type Activities	292,183	40,738	(13,756)	27,619
Supplemental Death Benefits				
Governmental Activities	1,231,852	277,615	(56,764)	114,833
Business-Type Activities	107,020	24,145	(4,934)	9,985
Total	<u>\$ 4,994,239</u>	<u>\$ 811,410</u>	<u>\$ (233,622)</u>	<u>\$ 470,060</u>

In addition to the pension benefits described above, as required by state law and defined by Town Policy, the Town makes available health care benefits to all employees who retire from the Town and who are receiving benefits from a Town-sponsored retirement program (Texas Municipal Retirement System and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit healthcare plan. This healthcare plan provides lifetime insurance, or until age 65 if eligible for Medicare, to eligible retirees, their spouses and dependents through the Town's group health insurance plan, which covers both active and retired members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

Current retirees in the health plan and active employees with 20 years or more of service or at age 60 or more with five years or more of service at retirement are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report. Benefit provisions for retirees are not mandated by any form of employment agreement. The continued provision of these benefits is based entirely on the discretion of the Town of Addison City Council.

A measurement date of December 31, 2020 was used for the September 30, 2021 liability and expense. The information that follows was determined as of a valuation date of December 31, 2020.

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	53
Active Members	<u>278</u>
Total	331

Contributions

Before age 65, the Town will pay a \$150 monthly stipend toward the retiree's healthcare premium if the retiring employee meets the eligibility criteria at the time of termination and elect's coverage in the health plan. For Members who retire after 65 or were eligible for the \$150 stipend before age 65, the Town will pay a \$75 monthly stipend directly to the retiree. Current retirees contribute to the health plan the total blended premium for active and retired participants, less the \$150 stipend provided by the Town. The Town contribution to the health plan consists of total premiums in excess of retiree contributions.

Retirees receiving medical benefits during fiscal year 2021 contribute \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2021, total retiree contributions were \$155,626.

Total OPEB Liability for Retiree Health Care Plan

The Town of Addison utilized the actuarial services of Gabriel, Roeder, Smith & Company (GRS), a company who has been providing actuarial consulting services since 1938, under the shared services arrangement provided by GRS and North Central Texas Council of Governments. The Town's total OPEB liability for healthcare benefits of \$3,655,367 was measured as of December 31, 2020.

The Town's total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

Inflation.....	2.5% per year
Overall payroll growth.....	3.5% to 11.50%, including inflation
Discount rate.....	2.75 percent (3.71% in prior year)
Healthcare cost trend rates	7.2 percent for 2020 declining to 4.25% after 15 years
Participation rates.....	50 percent of employees who retire before age 65 and 100 percent of employees who retire at age 65 or older

For plans that do not have a formal trust that meets the GASB's requirements, the discount rate is equal to the tax-exempt municipal bond rate based on a 20-year general obligation AA bond rating as of the measurement date. The rate of 2.75 percent is based on the daily rate closest to but not later than the measurement date using the Fidelity 20-Year Municipal G.O. AA Index. Mortality rates were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

Changes in the Total OPEB Liability for Retiree Health Care Plan

	Total OPEB Liability
Balance as of 10/1/20	\$ 3,434,751
Changes for the year:	
Service Cost	223,105
Interest on OPEB Liability	94,810
Effect of difference in expected & actual experience	(82,782)
Effect of assumptions (change in discount rate)	182,815
Benefit payments	(197,332)
Change in total OPEB Liability	220,616
Balance as of 9/30/21	<u>\$ 3,655,367</u>

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability of the Town, calculated using a discount rate of 2.00% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.75%	2.75%	3.75%
Town's OPEB Liability	\$ 3,791,305	\$ 3,434,751	\$ 3,120,717

Sensitivity of Total OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the plan's total OPEB liability of the Town, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Town's OPEB Liability	\$ 4,041,825	\$ 3,655,367	\$ 3,315,933

For the year ended September 30, 2021, the Town recognized OPEB expense of \$345,242. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (107,582)
Change of assumptions	363,558	(64,342)
Benefit payments made subsequent to measurement date	146,092	-
Total	\$ 509,650	\$ (171,924)

Deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date but before the end of the Town's reporting period of \$146,092 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended 30-Sep	Net deferred outflows (inflows) of resources
2022	\$ 27,327
2023	27,327
2024	27,327
2025	27,327
2026	27,327
Thereafter	54,999
Total	<u>\$ 191,634</u>

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 4,435,607	\$ 3,714,419	\$ 5,362,224	\$ 5,373,387	\$ 6,877,857
Operating Grants and Contributions	2,934,576	634,082	100,904	106,322	51,063
Capital Grants and Contributions	228,952	100	130,000	121,578	-
<u>General Revenues</u>					
Property Taxes	29,960,335	27,005,415	25,180,507	23,600,531	23,572,225
Other Taxes	20,805,691	20,495,887	24,208,294	25,866,219	23,787,700
Other	1,223,370	1,346,316	1,707,358	1,151,297	4,209,687
Total Revenues	\$ 59,588,531	\$ 53,196,219	\$ 56,689,287	\$ 56,219,334	\$ 58,498,532
Expenses:					
General Government	\$ 9,265,244	\$ 10,206,304	\$ 10,149,540	\$ 10,218,620	\$ 7,184,325
Public Safety	20,235,377	20,337,267	19,855,190	17,814,777	7,021,636
Development Services	3,437,779	3,320,919	3,137,715	1,379,071	100,924
Street and Sanitation	7,619,194	8,326,816	7,677,651	7,249,140	6,660,591
Parks and Recreation	6,675,787	6,784,214	6,840,345	6,068,682	4,259,992
Visitor Services	5,011,538	4,310,828	6,884,597	7,118,492	6,839,484
Interest on Long-term Debt	2,007,306	2,153,845	1,938,010	2,038,203	1,713,819
Total Expenses	\$ 54,252,225	\$ 55,440,193	\$ 56,483,048	\$ 51,886,985	\$ 33,780,771
Increase (Decrease) in Net Position	\$ 5,336,306	\$ (2,243,974)	\$ 206,239	\$ 4,332,349	\$ 24,717,761
Transfers	56,014	(3,790,232)	500,000	500,000	800,000
Change in Accounting Principle	-	-	-	(2,518,620) ⁽¹⁾	-
Net Position - October 1	156,813,363	162,847,569	162,141,330	159,827,601	134,309,840
Net Position - September 30	<u>\$ 162,205,683</u>	<u>\$ 156,813,363</u>	<u>\$ 162,847,569</u>	<u>\$ 162,141,330</u>	<u>\$ 159,827,601</u>

(1) Restated due to GASB No. 65 "Items Previously Reported as Assets and Liabilities".

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Taxes	\$ 36,137,879	\$ 33,808,469	\$ 33,409,108	\$ 33,471,469	\$ 30,004,841
Franchise Fees	1,946,706	2,176,562	2,459,254	2,566,839	2,601,529
Licenses and Permits	824,908	1,183,285	1,366,941	1,404,035	1,225,373
Intergovernmental Revenues	1,000,000	-	71,963	-	-
Service Fees	1,826,274	1,842,055	1,726,863	1,992,053	1,802,346
Fines and Forfeitures	163,408	227,997	376,362	334,467	426,144
Interest Income	21,569	402,873	643,083	333,192	168,959
Rental and Other	286,124	156,674	185,442	174,164	382,320
Total Revenues	<u>\$ 42,206,868</u>	<u>\$ 39,797,915</u>	<u>\$ 40,239,016</u>	<u>\$ 40,276,219</u>	<u>\$ 36,611,512</u>
<u>Expenditures</u>					
General Government	\$ 9,046,345	\$ 8,784,547	\$ 8,917,497	\$ 8,367,341	\$ 7,854,030
Public Safety	20,387,046	19,170,964	18,589,033	17,815,288	16,927,651
Development Services	1,560,348	1,501,596	1,350,598	1,374,246	1,158,967
Streets	1,951,588	1,799,513	1,777,128	1,895,171	1,942,584
Parks and Recreation	5,695,541	5,407,703	5,520,903	5,054,566	5,020,975
Total Expenditures	<u>\$ 38,640,868</u>	<u>\$ 36,664,323</u>	<u>\$ 36,155,159</u>	<u>\$ 34,506,612</u>	<u>\$ 32,904,207</u>
Revenues Over (Under) Expenditures	\$ 3,566,000	\$ 3,133,592	\$ 4,083,857	\$ 5,769,607	\$ 3,707,305
Other Sources (Uses), Net	<u>(3,456,764)</u>	<u>(3,587,397)</u>	<u>(4,458,569)</u>	<u>(1,174,689)</u>	<u>(230,066)</u>
Change in Fund Balance	\$ 109,236	\$ (453,805)	\$ (374,712)	\$ 4,594,918	\$ 3,477,239
Beginning Fund Balance	<u>20,134,439</u>	<u>20,588,244</u>	<u>20,962,956</u>	<u>16,368,038</u>	<u>12,890,799</u>
Ending Fund Balance	<u>\$ 20,243,675</u>	<u>\$ 20,134,439</u>	<u>\$ 20,588,244</u>	<u>\$ 20,962,956</u>	<u>\$ 16,368,038</u>

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

Fiscal Year Ended 9/30	1% Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2018	\$ 16,449,993	69.35%	\$ 0.3696	\$ 1,044
2019	15,017,082	60.61%	0.3178	951
2020	14,302,624	52.53%	0.2967	906
2021	14,881,277	49.48%	0.3021	912
2022	10,714,453 ⁽¹⁾	17.99%	0.2111	605

(1) Collections through June 1, 2022. Preliminary, subject to change.

FINANCIAL POLICIES

The financial statements of the Town has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements . . . The governmental-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a 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 as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 Basis of 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 have been met.

Government 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 50 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. 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, claims and judgments, landfill closer/post close costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest 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. All other revenue items are considered to be measurable and available only when the Town receives the cash as the resulting receivables are deemed immaterial.

Budgetary Procedures . . . The City Council follows these procedures in establishing the budgets reflected in the financial statements:

1. At least 60 days prior to the beginning of each fiscal year, the Town Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the Town Manager and Chief Financial Officer provided that a department's total budget is not changed by more than five percent. Transfers between fund or transfers between departments which change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

For all budgets of the Town, the Town Charter requires only that funds be certified as available for expenditure. Legally, expenditures may exceed budgeted appropriations as long as those expenditures are certified as funds being available.

Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors.

5. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond indentures, that is, project basis.

Budgeted amounts are as originally adopted or as amended by the City Council.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement (the "Certificate") for Excellence in Financial Reporting to the Town of Addison, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2020. The Certificate is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only.

In addition to the Certificate, the Town received GFOA's Award for Distinguished Budget Presentation (the "Award") for its fiscal year 2021 annual budget document. Together, the Award and the Certificate are evidence of the Finance department's dedication to producing documents which effectively communicate the Town's financial condition to elected officials, Town administrators, and the general public.

INVESTMENTS

The Town invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the Town's investment policies are subject to change.

LEGAL INVESTMENTS . . . Available Town funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the Town's investment policies are subject to change. Under State law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The Town is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the Town is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Town funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act (Texas Government Code, Chapter 2256). All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Town investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Town shall submit an investment report detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Town funds without express written authority from the City Council.

Under State law, the Town is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Town to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Town and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Town's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

TABLE 15 - CURRENT INVESTMENTS ⁽¹⁾

As of June 1, 2022, the Town's investable funds were invested in the following categories:

Description	Percent	Book Value	Market Value
TexPool	0.80%	\$ 1,001,164	\$ 1,001,164
TexStar	0.80%	1,000,993	1,000,993
Logic	3.71%	4,657,872	4,657,872
Texas CLASS	18.42%	23,132,003	23,132,003
Agency Securites	34.04%	42,745,783	41,233,231
Municipal Bonds	40.47%	50,818,447	48,455,771
Certificates of Deposit	1.76%	2,211,622	2,104,855
	<u>100.00%</u>	<u>\$ 125,567,884</u>	<u>\$ 121,585,889</u>

(1) Source: Town Officials.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Obligations should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Obligations.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Obligations is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Town has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Obligations from gross income for federal income tax purposes and, in addition, will rely on representations by the Town, the Town's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the Town, the Town's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Town fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

For taxable years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Obligations, is included in a corporation's "adjusted financial statement income," ownership of the Obligations could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Obligations or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Obligations.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of a portion of the Obligations exceeds the stated redemption price payable at maturity of such Obligations. Such Obligations (the "Premium Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Obligations.

Tax Accounting Treatment of Original Issue Discount

The issue price of a portion of the Obligations is less than the stated redemption price payable at maturity of such Obligations (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Obligations for contemporaneous sale to the public and (ii) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Town nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance the Town has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Town is required to observe the agreement while it remains obligated to advance funds to pay such Obligations. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The Town will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15. The Town will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2022 and, if then available, audited financial statements of the Town. If audited financial statements are not available when the information is provided, the Town will provide audited financial statements when and if they become available, but in any event within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Town's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) Incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the Town, and (B) the Town intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The Town has agreed to update information and to provide notices of specified events only as described above. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The Town may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the Town so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the Town believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax-supported debt of the Town are rated "Aaa" by Moody's and "AAA" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Town makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

In the opinion of Town officials the Town is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the Town, would have a material adverse effect on the financial condition or operations of the Town.

At the time of the initial delivery of the Obligations, the Town Attorney will notify the Initial Purchaser if there has been any lawsuit or claim challenging the issuance of the Obligations or that affects the payment, delivery or security of the Obligations of which the Town Attorney has been notified.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Obligations have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Preliminary Official Statement. The Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Obligations (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. No review by the Town has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The Town will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS FOR THE OBLIGATIONS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Obligations will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Bond Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Town records, audited and unaudited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Bond Ordinance contained in this Preliminary Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and Bond Ordinance for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the Town in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the Town accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$467,304.80. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the Town to the Initial Purchaser of the Bonds. The Town has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the Town accepted the bid of KeyBanc Capital Markets (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 4 of this Official Statement at a price of \$604,277.45. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser of the Certificates. The initial yields shown on page 4 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser of the Certificates and may subsequently be changed at the sole discretion of the Initial Purchaser of the Certificates. The Town has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas ("Texas") and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities. Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Report.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The Town has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the Town cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the Town will furnish to the Initial Purchasers a certificate, executed by a proper Town officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the Town contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Town and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Town since the date of the last audited financial statements of the Town.

MISCELLANEOUS

The Ordinance authorizing the issuance of the Obligations also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Initial Purchaser.

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

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DESCRIPTION OF THE TOWN . . . The Town of Addison (4.4 square miles in area), incorporated in 1953, is located in Dallas County 12 miles north of downtown Dallas. Addison is bounded on the east by the extension of the Dallas North Tollway and is bisected east to west by Belt Line Road.

GOVERNMENT . . . The Town is governed by a City Council composed of six councilmembers and the Mayor. The Mayor and councilmembers serve staggered two-year terms. The day-to-day operations of Addison are conducted by a Town Manager who is selected by the City Council. The Town's Home Rule Charter was adopted in 1978 and was last amended in January, 1993. The charter provides for a City Council comprised of the Mayor and six councilmembers. Under the charter the Mayor may vote on all items coming before the Council.

POPULATION . . . The U.S. Census Bureau set the 1970 population at 550, the 1980 population at 5,553, the 1990 population at 8,783 and the 2010 population at 13,056, and the NCTCOG estimates the 2022 population to be 16,320.

ECONOMY . . . Addison is a prime and desirable location for many businesses seeking relocation in the area.

Among the top employers in the Town are the following:

Company	Type of Business	Estimated Number of Employees
Mary Kay Cosmetics Inc.	Cosmetics	1,200
Bank of America	Finance	1,200
Homeward Residential Inc.	Finance	750
Regus Texas	Real Estate	590
Barrett Daffin Frappier Turner	Attorney Firm	550
Expense Reduction Analysts	Consulting Service	501
Maxim Integrated Products	Manufacturing	500
Intercontinental Hotel Dallas	Hospitality	450
National Bankruptcy Services	Bankruptcy Service	450

Source: Town's 2021 Annual Financial Report.

AIRPORT . . . The Town of Addison owns a general aviation airport, a single runway facility. The runway is 7,200 feet in length and can accommodate general aviation aircraft through 120,000 pounds gross weight including Boeing 737's and DC9's. The Addison Airport is currently home to over 600 based aircraft, including more than 150 jets, an FAA air traffic control tower, U.S. Customs services, two nationally recognized Fixed-Based Operators (FBO's) with a third FBO currently under construction, and more than seventy commercial aeronautical service providers employing over 1,000 full-time employees. The airport is used extensively by corporate executives who wish to conduct business in offices located in the north Dallas area.

TRANSPORTATION . . . Direct access to downtown Dallas is afforded via the Dallas North Tollway. Nearby highways and freeways provide convenient access to the entire Dallas/Fort Worth Metroplex including the Richardson telecommunications corridor, the Plano corporate campus, and the Dallas/Fort Worth International Airport.

In addition to Addison Airport, commercial air transportation is available at Dallas' Love Field and at the Dallas/Fort Worth International Airport. Rail service for Addison is provided by the Cotton Belt Railroad and numerous motor freight lines from nearby Dallas are available.

EDUCATIONAL FACILITIES . . . Addison is served by the Dallas Independent School District and the Carrollton-Farmers Branch Independent School District, it is also served by two private schools, Trinity Christian Academy and Greenhill School; all serve the K/12 grades. Brookhaven Community College, a part of the Dallas County Community College, is located in the Town and seven major colleges and universities are located within a 40-mile radius of the Town and include University of North Texas, Southern Methodist University, Texas Christian University, University of Texas at Dallas and University of Texas at Arlington.

BUILDING PERMITS

Fiscal Year	Number of Permits	Commercial	Residential	Total Value
2018	1,305	\$ 154,405,364	\$ 52,566,729	\$ 206,972,093
2019	1,231	162,104,339	40,239,465	202,343,804
2020	1,171	209,324,055	9,409,884	218,733,938
2021	1,204	57,267,135	12,026,759	69,293,894
2022 ⁽¹⁾	834	121,828,187	4,575,891	126,404,078

(1) As of May 31, 2022.

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APPENDIX B

EXCERPTS FROM THE
TOWN OF ADDISON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the Town of Addison, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

The Honorable Mayor and
Members of the Town Council
Town of Addison, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Addison, Texas (Town), as of and for the year ended September 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and
Members of the Town Council
Town of Addison, Texas
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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, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hotel fund for the year then ended in accordance 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, and pension and other postemployment benefits information as listed in the table of contents 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 accompanying combining and individual fund financial statements and schedules and introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and 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 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and
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Town of Addison, Texas
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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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Town of Addison, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Addison for the fiscal year ended September 30, 2021. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section. ***All amounts reported in this MD&A, unless otherwise indicated, are expressed in thousands of dollars (000's).***

Financial Highlights

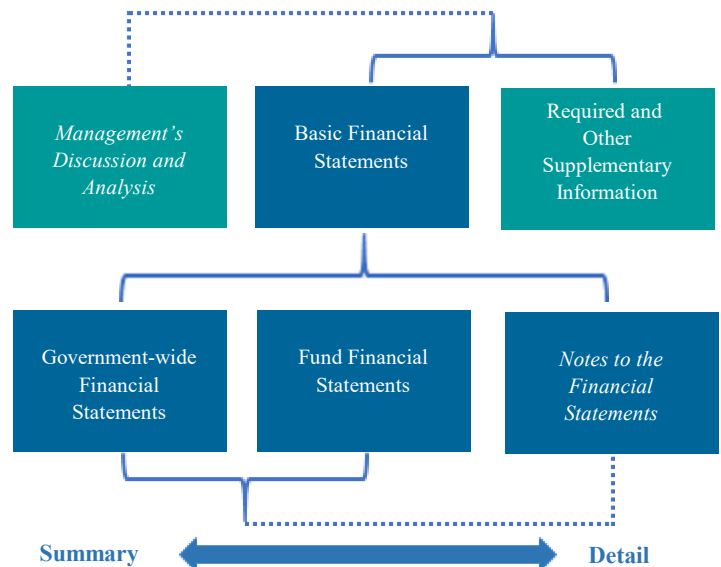
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the 2021 fiscal year by \$258,334. This amount represents an increase over the previous year of \$6,761. The increase is due to higher revenue in charges for services, increased general revenues, and higher operating grants and contributions. These increased revenues were coupled with decreased expenses in the primary government as the Town recovered from the financial effects of the Coronavirus pandemic.
- As of September 30, 2021, the Town's governmental funds reported combined ending fund balances of \$86,654, an increase of \$11,153. The majority of the increase is due to proceeds received from the issuance of 2021 General Obligation Bonds that will be expended on capital projects in the future.
- At the end of the 2021 fiscal year, the fund balance for the General Fund was \$20,244, or 52 percent of total fund expenditures. Fund balance increased \$110 during the year.
- At year-end, the Town of Addison's outstanding long-term liabilities totals \$142,550, an increase of \$8,977 from the previous year, which is attributed to the issuance of 2021 General Obligation Bonds less principal payments made during the fiscal year.

Overview of Financial Statements

This annual report is comprised of four segments as dictated by generally accepted accounting principles (GAAP): *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *other supplementary information*. The basic financial statements include two kinds of statements that present different views of the Town:

- The *government-wide financial statements* provide both long-term and short-term information about the Town's overall financial status.
- The fund financial statements focus on individual parts of Addison's government, reporting the Town's operations in more detail than the government-wide statements.
 - The *governmental funds statements* explain how general government services such as public safety were financed in the short-term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the government operates as business-like, such as the airport.

**Illustration A-1 Required Components of
Town of Addison's Annual Financial Report**



The financial statements also include *notes*, which elaborate on some of the information in the financial statements, providing more detailed data. These financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Illustration A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included other information such as the Town's statistical section, which, through the use of tables, presents comparative economic and financial data to give users of this report a perspective of the Town's financial performance over a number of years.

Illustration A-2 summarizes the major features of the Town's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Illustration A-2 Major Features of Town of Addison's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	Activities of the Town that are not proprietary, such as police, fire, and parks	Activities the Town operates similar to a private-sector business: airport, water/sewer utility, and storm water
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance Sheet * Statement of revenues, expenditures, and changes in fund balances * Budget and actual 	<ul style="list-style-type: none"> * Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All Revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Addison's finances in a manner similar to a private-sector business. These statements can be located on pages 21-22 of this document.

- The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred inflows and outflows, with the difference reported as *net position*. Over time, increases or decreases in net position **may** indicate the improvement or deterioration of the Town's financial position.
- The *statement of activities* presents information showing the Town's change in net position during the concluded fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* – These are functions such as fire, police, and other services that are principally supported by taxes and intergovernmental revenue.
- *Business-type activities* – These functions are intended to recover all or a significant portion of their costs through user fees and charges. The Town's airport, utility system and storm water system fall within this category.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Town of Addison, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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*. However, unlike the government-wide financial statements, governmental fund financial statements focus on **short-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 short-term financing requirements.

The focus of governmental funds is narrower 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 **short-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 Addison maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all these funds, with the exception of the Economic Development Fund, Municipal Court Fund, Public Safety Fund, Advanced Funding Grant Fund, Reimbursement Grant Fund and PEG Fees Fund, which are considered non-major funds and are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for almost all its governmental funds. A budgetary comparison statement is provided for each fund to demonstrate compliance with this budget except for the Capital Projects Fund.

Proprietary Funds – Services for which the Town charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The Town of Addison maintains two different 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 uses enterprise funds to account for its general aviation airport, storm water (drainage), and its utility (water and sewer) system.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its fleet of vehicles, major equipment, its technological information systems, and to repair and improve existing facilities. All of these services predominantly benefit governmental rather than business-type functions hence they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements provide separate information for Addison's airport, utility system, and storm drainage system, all of which are considered to be major funds of the Town of Addison. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-74 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Addison's funding of its obligations to provide pension benefits to Town employees through the Texas Municipal Retirement System (TMRS) and to provide other postemployment benefits to Town employees upon retirement.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 84-85.

Government-wide Financial Analysis

As of the close of the 2021 fiscal year, the Town's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$258,334 (see Table A-1). Of this amount \$187,010, or 72 percent, represents the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Town of Addison uses these capital assets to provide services to the community, these assets are not available for future spending. A portion of net position has been restricted for the Town's long-term general obligation debt (\$662), promotion of tourism and hotel industry (\$2,711) and other restrictions (\$746). The remaining amount of net position is labeled as unrestricted and totals \$67,205. This amount is available to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Addison is able to report positive balances in these three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Table A-1
Town of Addison's Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and Other Assets	\$ 104,504	\$ 90,354	\$ 38,127	\$ 39,273	\$ 142,631	\$ 129,627
Capital Assets	174,140	171,956	92,968	93,013	267,108	264,969
Total Assets	278,644	262,310	131,095	132,286	409,739	394,596
Deferred Outflows of Resources:						
Deferred Charges on Refundings	1,169	1,137	506	340	1,675	1,477
Deferred Outflows on Pensions	3,101	2,785	200	181	3,301	2,966
Deferred Outflows on OPEB	747	508	65	44	812	552
Total Deferred Outflows of Resources	5,017	4,430	771	565	5,788	4,995
Liabilities:						
Long-Term Liabilities Outstanding	110,524	100,149	32,026	33,423	142,550	133,572
Other Liabilities	7,168	5,754	3,487	4,429	10,655	10,183
Total Liabilities	117,692	105,903	35,513	37,852	153,205	143,755
Deferred Inflows of Resources:						
Deferred Inflows on Pensions	3,548	3,856	206	224	3,754	4,080
Deferred Inflows on OPEB	215	168	19	15	234	183
Total Deferred Inflows of Resources	3,763	4,024	225	239	3,988	4,263
Net Position:						
Net Investment in Capital Assets	118,883	121,008	68,127	69,493	187,010	190,501
Restricted :						
Debt Service	662	63	-	-	662	63
Tourism/Hotel	2,711	3,239	-	-	2,711	3,239
Child Safety	126	111	-	-	126	111
Justice Administration	33	57	-	-	33	57
Court Technology	32	27	-	-	32	27
Public Safety	113	124	-	-	113	124
Court Security	39	33	-	-	39	33
Other Purposes	403	359	-	-	403	359
Unrestricted	39,204	31,792	28,001	25,267	67,205	57,059
Total Net Position	\$ 162,206	\$ 156,813	\$ 96,128	\$ 94,760	\$ 258,334	\$ 251,573

As reflected in Table A-2, the Town's net position increased \$6,761 during the 2021 fiscal year.

Table A-2
Town of Addison's Change in Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,795	\$ 3,714	\$ 21,382	\$ 20,533	\$ 26,177	\$ 24,247
Capital Grants & Contributions	229	-	121	1,358	350	1,358
Operating Grants & Contributions	2,935	634	107	207	3,042	841
General Revenues:						
Property Taxes	29,960	27,005	-	-	29,960	27,005
Other Taxes	20,806	20,496	-	-	20,806	20,496
Other	1,223	1,368	216	626	1,439	1,994
Total Revenues	59,589	53,195	21,826	22,724	81,415	75,919
Expenses:						
General Government	9,265	10,206	-	-	9,265	10,206
Public Safety	20,235	20,337	-	-	20,235	20,337
Development Services	3,438	3,321	-	-	3,438	3,321
Streets	7,619	8,327	-	-	7,619	8,327
Parks & Recreation	6,676	6,784	-	-	6,676	6,784
Visitor Services	5,012	4,311	-	-	5,012	4,311
Interest and Fiscal Charges on Long-Term Debt	2,007	2,154	-	-	2,007	2,154
Airport	-	-	6,236	6,894	6,236	6,894
Storm water	-	-	1,065	1,362	1,065	1,362
Water & Sewer Utility	-	-	13,101	12,361	13,101	12,361
Total Expenses	54,252	55,440	20,402	20,617	74,654	76,057
Increase (decrease) in net position	5,337	(2,245)	1,424	2,107	6,761	(138)
Transfers	56	(3,790)	(56)	3,790	-	-
Change in Net Position	5,393	(6,035)	1,368	5,897	6,761	(138)
Net Position - Beginning of year	156,813	162,848	94,760	88,863	251,573	251,711
Net Position - End of year	\$ 162,206	\$ 156,813	\$ 96,128	\$ 94,760	\$ 258,334	\$ 251,573

Illustration A-3
Total Sources of Revenue

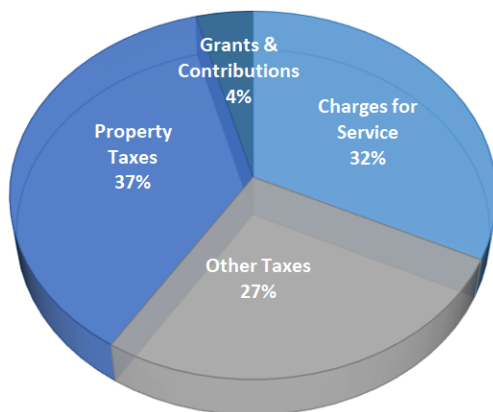
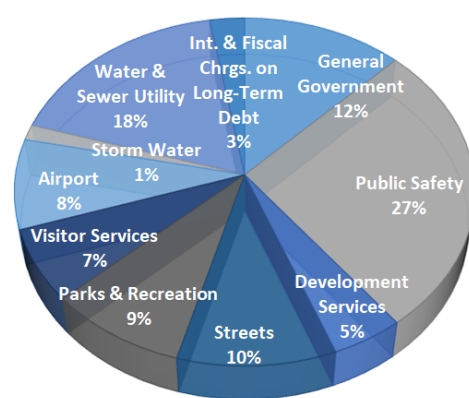


Illustration A-4
Total Expenses by Activity



Governmental Activities

Governmental activities increased the Town of Addison's net position by \$5,393 in fiscal year 2021 as compared to a \$6,035 decrease in fiscal year 2020. The major changes from 2020 to 2021 are as follows:

1. A decrease in transfers from governmental activities to business-type activities for completed capital assets of \$3.8 million from 2020 to 2021
2. Hotel tax revenue decreased by \$717 due to decreased hotel occupancy related to the coronavirus pandemic
3. Sales tax revenue increased by \$1.1 million as the economy recovers from the financial impact of the Coronavirus pandemic
4. Property tax revenue increased by \$2.9 million due to increased taxes to service newly issued debt and slight increases to fund maintenance and operations coupled with higher than anticipated collection rates
5. Visitor Services revenue increased by \$1.8 million due to the Town's special events resuming in 2021 after being cancelled in 2020 due to the Coronavirus pandemic and funds received from the American Rescue Plan applied to the Hotel Fund. Visitor Services expenses increased by \$701 due to the Town's special events resuming after being cancelled in 2020 due to the Coronavirus pandemic
6. General Government grants and contributions increased by \$1 million due to funds received from the American Rescue Plan applied to the General Fund.

Business-Type Activities

The Town's business-type activities experienced a \$1,368 increase in net position with the Airport Fund recording a decrease of \$670, due mainly to no capital grants and contributions received during the fiscal year. The Utility Fund posted a decrease in net position of \$199, due mainly to the increase in salary expenses and contractual services. The Storm Water Fund posted an increase in net position of \$1,525, which is \$504 less than the prior year increase in net position. This is due to a decrease in capital grants and contributions in fiscal year 2021 from fiscal year 2020 of \$870.

Financial Analysis of the Government Funds

Governmental funds – The focus of the Town of Addison's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year.

As of September 30, 2021, the Town's governmental funds reported combined ending fund balances of \$86,654, an increase of \$11,153 compared to balances a year earlier. Of the ending balance, \$19,699 or 22.7 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects (\$46,856), promotion of tourism and hotel industry (\$2,711), debt service (\$573) or *committed* for Economic Development (\$2,012) and Capital Projects (\$13,512). Components of the net increase of total fund balance are:

- In the General Fund, expenditures and transfers out totaled \$42,102 compared to revenues of \$42,207. Expenditures increased \$1,977 from the 2020 fiscal year. This increase is primarily due to the increases in public safety (\$1,216), parks and recreation services (\$288), and streets expenditures (\$152). Revenues increased \$2,409 from the previous year. The increase was mainly due to an increase in sales tax and investment earnings, along with a portion of the American Rescue Plan Act Grant (\$1,015) allocated to the General Fund.
- In the Hotel Fund, expenditures and transfers out to other funds totaled \$5,018 compared to revenues of \$4,580. Fund revenues increased \$872 from the previous year, and expenditures increased \$1,011 from fiscal year 2020 due in large part to lifted COVID-19 restrictions and the return of several of the Town's special events. In addition, \$1,000 of the American Rescue Plan Act funds were allocated to this fund.
- Capital project funds recorded a net increase in fund balance of \$10,800, primarily due to the proceeds received from the issuance of 2021 General Obligation Bonds, which will be expended in the future. Included in these funds is the Infrastructure Investment Fund with an ending fund balance of \$5,569 as of September 30, 2021. Other balances included are for capital projects funded with bond proceeds such as the 2020 and 2021 G.O. Bonds issued as well as savings from general operations transferred to the Self-Funded Project fund for future capital projects.

Proprietary funds - The Town of Addison's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Airport Fund at the end of the fiscal year amounted to \$6,031; the Utility Fund reported an unrestricted net position of \$11,824, while the Stormwater Fund reported an unrestricted net position of \$8,875.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget are described below, ***not expressed in thousands of dollars (000's)***:

- Sales tax revenue was amended to recognize an increase in sales tax collections by \$1,200,766. Additionally, \$598,766 was amended for personnel costs associated with a compensation market study, the Addison Holiday in the Park event, and self-contained breathing apparatus (SCBA) equipment for the Fire Department. An additional allocation to provide funding to Metrocrest Services for a Residential Assistance Program in response to the coronavirus pandemic, as well as a \$500,000 contribution to provide funding for the creation of the Facility Maintenance Fund were made that did not result in a net change to appropriations.

The adjustments resulted in increasing budgeted revenue 3.1 percent and increasing expenditures by 3.1 percent. \$2,460,950 was transferred to the Self-Funded Project Fund for future capital needs. This was authorized by Section 3 of the September budget amendment ordinance that allowed the City Manager to transfer unexpended appropriations and excess revenue at the end of the fiscal year.

The final actuals resulted in revenues of 5.7 percent higher than the revised budget, due primarily to property and sales tax outperforming budget projections. Expenditures were 3.2 percent lower than the revised budget. The decrease in expenditures resulted from savings on maintenance and contractual services in various departments.

Capital Asset and Debt Administration

Capital assets – As detailed in Table A-3 below, the Town of Addison's investment in capital assets for its governmental and business-type activities as of September 30, 2021, totals \$267,108 (net of accumulated depreciation). This amount represents a \$2,139 increase from the previous year and is attributed to the addition of the completion of constructed assets less depreciation of existing assets. Some of the projects that are in progress include the Vitruvian Public Infrastructure, Midway Road Rehabilitation, Airport Parkway Reconstruction, Keller Springs Reconstruction, Kellway Lift Station Rehabilitation, Celestial Ground Storage Tank, Basin I Sanitary Sewer Reroute, Rawhide Creek Basin Drainage Improvement, and Customs Facility Construction. More information related to the Town's capital assets can be found in Sections; I, D, 4 and III, D of the Notes to Financial Statements.

Table A-3
Town of Addison's Capital Assets
(Net of Depreciation) (000's)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 69,682	\$ 67,194	\$ 17,259	\$ 17,259	\$ 86,941	\$ 84,453
Intangible Assets	862	858	-	-	862	858
Buildings	8,093	8,347	6,246	6,394	14,339	14,741
Improvements other than Buildings	70,810	73,627	55,552	53,750	126,362	127,377
Machinery and Equipment	12,655	10,890	2,555	2,423	15,210	13,313
Construction in Progress	12,038	11,039	11,356	13,188	23,394	24,227
Total Capital Assets	\$ 174,140	\$ 171,955	\$ 92,968	\$ 93,014	\$ 267,108	\$ 264,968

Long-term debt – At the end of the 2021 fiscal year, the Town of Addison had total bonded debt outstanding of \$133,846 as detailed in Table A-4. The Town of Addison maintains an underlying bond rating of “AAA” from Standard & Poor’s and “Aaa” from Moody’s. Several of the Town’s outstanding debt issuances are insured. More information related to the Town’s long-term debt can be found in Section III, F of the Notes to Financial Statements.

Table A-4
Town of Addison’s Outstanding Bonded Debt (000’s)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 75,791	\$ 63,730	\$ 11,835	\$ 5,616	\$ 87,626	\$ 69,346
Certificates of Obligation	26,774	28,223	19,446	27,096	46,220	55,319
Total Debt Outstanding	\$ 102,565	\$ 91,953	\$ 31,281	\$ 32,712	\$ 133,846	\$ 124,665

Economic Factors and Next Year’s Budget and Rates

The development of the Town's budget is guided by several factors including the Town's strategic plan and prevailing economic conditions. The fiscal year 2022 budget plan adopted by the City Council adheres to the Town's financial policies and preserves the Town's strong financial position while providing excellent levels of service. The annual budget is adopted within context of five-year financial plans for the General, Hotel, Airport, and Utility funds. The long-term financial plans project major operating revenues and categories of expenses. Changes in fund balances are monitored to ensure that the Town is in compliance with adopted fund balance policy.

Major programs in the General Fund continue to focus on public safety, community development and parks to ensure the high quality of life enjoyed by Addison citizens and visitors.

Revenue assumptions in the General Fund are expected to take into consideration current economic indicators. Revenues, such as property tax revenue and sales tax revenue, are forecasted using both historical results and current trends. Certified taxable property values in Addison totaled \$5,075,396,106 for fiscal year 2022 which represented a 3.0 percent increase from the previous year. The property tax rate increased to \$0.614660 per \$100 appraised value, from the previous fiscal year. Of the 2022 budget tax rate, \$0.441109 was levied for operation/maintenance and \$0.173551 for debt service.

Sales tax collections for the Town were conservatively budgeted from the amount collected in 2021. Sales tax collections were projected to increase in fiscal year 2022 compared to the 2021 budget.

Hotel occupancy tax collections were budgeted to increase by approximately 39.1 percent between fiscal year 2021 and fiscal year 2022.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town of Addison’s finances and to show the Town's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Town of Addison
Finance Department
P.O. Box 9010
Addison, TX 75001
Telephone: (972) 450-7050
Email: sglickman@addisontx.gov

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 97,201,156	\$ 29,262,798	\$ 126,463,954
Receivables, Net of Allowances for Uncollectibles	5,262,847	3,083,058	8,345,905
Prepaid Items	497,647	-	497,647
Inventories, at Cost	47,161	-	47,161
Internal Balances	530,000	(530,000)	-
Investment in Joint Venture	965,033	6,310,687	7,275,720
Capital Assets, Net of Accumulated Depreciation			
Land	69,682,567	17,258,730	86,941,297
Intangible Assets	862,221	-	862,221
Buildings	8,092,546	6,245,880	14,338,426
Improvements other than Buildings	70,810,260	55,552,202	126,362,462
Machinery and Equipment	12,654,584	2,555,540	15,210,124
Construction in Progress	12,037,848	11,355,951	23,393,799
Total Assets	278,643,870	131,094,846	409,738,716
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	1,168,873	506,591	1,675,464
Deferred Outflows on Pensions	3,101,204	199,745	3,300,949
Deferred Outflows on OPEB	746,527	64,883	811,410
Total Deferred Outflows of Resources	5,016,604	771,219	5,787,823
LIABILITIES			
Accounts Payable and Accrued Liabilities	7,165,721	2,028,549	9,194,270
Customer Deposits	2,456	1,458,897	1,461,353
Long-Term Liabilities			
Due within One Year	6,026,087	1,769,918	7,796,005
Due in More Than One Year	104,497,728	30,255,628	134,753,356
Total Liabilities	117,691,992	35,512,992	153,204,984
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	3,547,867	206,092	3,753,959
Deferred Inflows on OPEB	214,932	18,690	233,622
Total Deferred Inflows of Resources	3,762,799	224,782	3,987,581
NET POSITION			
Net Investment in Capital Assets	118,883,370	68,126,836	187,010,206
Restricted for:			
Debt Service	661,804	-	661,804
Promotion of Tourism and Hotel Industry	2,710,600	-	2,710,600
Child Safety	126,062	-	126,062
Justice Administration	33,404	-	33,404
Court Technology	32,421	-	32,421
Court Security	38,503	-	38,503
Public Safety	112,729	-	112,729
Other Purposes	402,711	-	402,711
Unrestricted	39,204,079	28,001,455	67,205,534
Total Net Position	\$ 162,205,683	\$ 96,128,291	\$ 258,333,974

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Program Revenues				Net (Expense)/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 9,265,244	\$ 595,391	\$ 1,463,010	\$ -	\$ (7,206,843)	\$ -	\$ (7,206,843)
Public Safety	20,235,377	1,027,810	444,255	180,952	(18,582,360)	-	(18,582,360)
Development Services	3,437,779	852,648	3,000	-	(2,582,131)	-	(2,582,131)
Streets	7,619,194	796,446	-	-	(6,822,748)	-	(6,822,748)
Parks and Recreation	6,675,787	74,703	9,440	48,000	(6,543,644)	-	(6,543,644)
Visitor Services	5,011,538	1,088,609	1,014,871	-	(2,908,058)	-	(2,908,058)
Interest on Long-Term Debt	2,007,306	-	-	-	(2,007,306)	-	(2,007,306)
Total Governmental Activities	54,252,225	4,435,607	2,934,576	228,952	(46,653,090)	-	(46,653,090)
Business-Type Activities:							
Airport	6,235,571	5,588,284	107,000	-	-	(540,287)	(540,287)
Utilities	13,100,779	13,272,935	-	61,450	-	233,606	233,606
Stormwater	1,065,470	2,521,318	-	59,276	-	1,515,124	1,515,124
Total Business-Type Activities	20,401,820	21,382,537	107,000	120,726	-	1,208,443	1,208,443
Total Primary Government	\$ 74,654,045	\$ 25,818,144	\$ 3,041,576	\$ 349,678	(46,653,090)	1,208,443	(45,444,647)
General Revenues							
Taxes							
Property Taxes, Levied for General Purposes					29,960,335	-	29,960,335
Sales Taxes					16,113,549	-	16,113,549
Franchise Taxes					1,989,938	-	1,989,938
Hotel/Motel Taxes					2,702,204	-	2,702,204
Interest on Investments					85,076	32,098	117,174
Gain on Sale of Capital Assets					364,018	103,818	467,836
Miscellaneous					774,276	80,383	854,659
Transfers					56,014	(56,014)	-
Total General Revenues and Transfers					52,045,410	160,285	52,205,695
Change in Net Position					5,392,320	1,368,728	6,761,048
NET POSITION, Beginning of Year					156,813,363	94,759,563	251,572,926
NET POSITION, End of Year					\$ 162,205,683	\$ 96,128,291	\$ 258,333,974

See accompanying notes to basic financial statements.

**Town of Addison, Texas
Basic Financial Statements**

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Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$ 86,653,696
The Town uses internal service funds to charge the costs of certain activities such as replacement of capital assets and information technology to appropriate functions in other funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position. The effect of this consolidation is to increase net position.	13,973,315
Capital assets used in governmental activities, including infrastructure and developer contributions, are not financial resources and therefore are not reported in fund financial statements. Capital assets of \$167,793,677, net of accumulated depreciation of \$148,885,582, exclusive of the capital assets of internal service funds with a net carrying value of \$6,346,349, included above, increased net position in the government-wide financial statements.	167,793,677
Investment in Joint Venture is not financial resources and is not reported in the fund financial statements. Investment in Joint Venture increased net position in the government-wide financial statements.	965,033
Deferred losses on refundings of debt have been reflected net of amortization in the government-wide financial statements.	1,168,873
Bonds payable, contractual obligations, and related premium and discount amounts have not been included in the fund financial statements.	(102,564,412)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(1,245,032)
Total OPEB liability is not reflected in the fund financial statements.	(4,595,036)
Deferred outflows on OPEB, net of amortization, are not reflected in fund financial statements	746,527
Deferred inflows on OPEB, net of amortization, are not reflected in fund financial statements	(214,932)
Deferred outflows on pension costs, net of amortization, are not reflected in fund financial statements	3,101,204
Deferred inflows on pension costs, net of amortization, are not reflected in fund financial statements	(3,547,867)
Net pension liability is not reflected in fund financial statements	(2,119,333)
Interest payable on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording accrued interest is to decrease net position.	(359,972)
Revenue from property taxes, sales taxes, franchise fees, court bonds, ambulance billing, and intergovernmental grants is a deferred inflow in the fund financial statements until it is considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide statements.	2,449,942
Net Position of Governmental Activities	\$ 162,205,683

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2021

	General Fund	Hotel	General Obligation Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
Ad Valorem Taxes	\$ 20,172,494	\$ -	\$ 8,229,693	\$ 304,229	\$ 1,163,539	\$ 29,869,955
Non-Property Taxes	15,965,385	2,523,560	-	-	-	18,488,945
Franchise Fees	1,946,706	-	-	-	43,232	1,989,938
Licenses and Permits	824,908	-	-	-	-	824,908
Intergovernmental	1,000,000	1,014,871	-	427,427	705,755	3,148,053
Service Fees	1,826,274	897,005	-	44,800	27,165	2,795,244
Fines and Forfeitures	163,408	-	-	-	33,927	197,335
Earnings on Investments	21,569	1,383	2,941	55,920	3,263	85,076
Rental Charges	7,900	86,403	-	-	-	94,303
Recycling Proceeds	2,471	-	-	-	-	2,471
Other	275,753	56,340	-	718,049	28,190	1,078,332
Total Revenues	42,206,868	4,579,562	8,232,634	1,550,425	2,005,071	58,574,560
EXPENDITURES:						
Current:						
General Government	9,046,345	-	8,092	-	149,458	9,203,895
Public Safety	20,387,046	-	-	-	281,955	20,669,001
Development Services	1,560,348	-	-	-	-	1,560,348
Streets	1,951,588	-	-	-	-	1,951,588
Parks and Recreation	5,695,541	-	-	-	-	5,695,541
Visitor Services	-	4,634,221	-	-	-	4,634,221
Municipal Court	-	-	-	-	2,938	2,938
Economic Development	-	-	-	-	1,839,493	1,839,493
Debt Service:						
Principal Retirement	-	-	4,985,000	-	-	4,985,000
Interest and Fiscal Charges	-	-	2,725,605	-	-	2,725,605
Capital Projects:						
Engineering and Contractual Services	-	-	-	993,326	-	993,326
Construction and Equipment	-	-	-	9,780,860	-	9,780,860
Total Expenditures	38,640,868	4,634,221	7,718,697	10,774,186	2,273,844	64,041,816
Excess/(Deficiency) of Revenues over/(under) Expenditures	3,566,000	(54,659)	513,937	(9,223,761)	(268,773)	(5,467,256)
OTHER FINANCING SOURCES/(USES):						
Transfers In	-	-	-	3,460,950	384,000	3,844,950
Transfers Out	(3,460,950)	(384,000)	-	-	-	(3,844,950)
Proceeds on Asset Sales	4,186	-	-	359,832	-	364,018
Proceeds from Debt Issuance or Refunding	-	-	4,315,000	14,850,000	-	19,165,000
Payment to Refunded Bonds Escrow Agent	-	-	(4,261,861)	-	-	(4,261,861)
Premium on Issuance	-	-	-	1,352,595	-	1,352,595
Total Other Financing Sources/(Uses)	(3,456,764)	(384,000)	53,139	20,023,377	384,000	16,619,752
Net Change in Fund Balance	109,236	(438,659)	567,076	10,799,616	115,227	11,152,496
Fund Balances at Beginning of Year	20,134,439	3,149,259	6,335	49,568,345	2,642,822	75,501,200
Fund Balances at End of Year	\$ 20,243,675	\$ 2,710,600	\$ 573,411	\$ 60,367,961	\$ 2,758,049	\$ 86,653,696

See accompanying notes to basic financial statements.

**TOWN OF ADDISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$ 11,152,496
The Town uses internal service funds to charge the costs of certain activities such as replacement of capital assets and information technology to appropriate functions in other funds. A portion of the revenues and expenses of the internal service funds are included in governmental activities in the government-wide statement of activities. The effect of this consolidation is to increase net position.	939,197
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase net position.	10,401,166
Capital asset donations are not recognized in fund financial statements.	28,000
Losses on disposals of capital assets are not recognized in fund financial statements.	(55,253)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. This amount excludes \$1,201,307 depreciation in the internal service funds.	(8,301,998)
The Town's share of net gain from Investment in Joint Venture is not reflected in fund financials.	155,780
The issuance of long term debt increases the current financial resources of governmental funds while the repayment of the principal of long term debt consumes the current financial resources of governmental funds, but both have no effect on net position. The amortization of prepaid insurance associated with the issuance of long-term debt, bond premiums, bond discounts, and deferred gain/loss on refunding of long term debts is reported in the statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenditures, and changes in fund balance. This amount represents the increase in net position of the following:	
New debt from bond issuances, including premiums, discounts, and loss on refundings	(20,363,250)
Bond repayments, including refunded amounts of principal and premiums	9,098,405
Amortization of premiums, discounts, and losses on refunding	<u>683,842</u>
	(10,581,003)
The change in compensated absences liability is not shown in the fund financial statements. The net effect of the current year's increase in liability is to decrease net position.	(46,128)
The current year increase in the total OPEB liability of \$417,762, amortization of deferred inflows and and outflows on OPEB of \$191,925 are not shown in the fund financial statements. The effect of recording these amounts is to decrease net position.	(225,837)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording the increase in accrued interest is to decrease net position.	(22,288)
Decrease in pension liability of \$701,553 and amortization of deferred inflows and outflows on pensions of \$624,682, increase net position by decreasing the pension expense in each function.	1,326,235
Revenue from property taxes, sales taxes, hotel taxes, franchise fees, court bonds, ambulance billing, alarm billing, and intergovernmental grants not recognized in fund financial statements on the modified accrual basis is recognized on the accrual basis in the government-wide financial statements.	<u>621,953</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,392,320</u></u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2021

	Budget		Actual GAAP	Variance With
	Original	Final	Basis	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Ad Valorem Taxes:				
Current	\$ 19,546,156	\$ 19,546,156	\$ 20,276,338	\$ 730,182
Delinquent	(165,758)	(165,758)	(159,726)	6,032
Penalties and Interest	45,000	45,000	55,882	10,882
Total Ad Valorem	19,425,398	19,425,398	20,172,494	747,096
Non-Property Taxes:				
Sales Tax	12,330,000	13,530,766	14,881,277	1,350,511
Alcoholic Beverage Tax	1,026,000	1,026,000	1,084,108	58,108
Total Non-Property Taxes	13,356,000	14,556,766	15,965,385	1,408,619
Total Taxes	32,781,398	33,982,164	36,137,879	2,155,715
Franchise Fees:				
Electric Franchise	1,525,000	1,525,000	1,422,617	(102,383)
Gas Franchise	205,000	205,000	185,638	(19,362)
Telephone Franchise	400,000	400,000	211,969	(188,031)
Cable Franchise	130,000	130,000	126,482	(3,518)
Total Franchise Fees	2,260,000	2,260,000	1,946,706	(313,294)
Licenses and Permits:				
Business Licenses and Permits	211,650	211,650	175,825	(35,825)
Building and Construction Permits	930,900	930,900	649,083	(281,817)
Total Licenses and Permits	1,142,550	1,142,550	824,908	(317,642)
Service Fees:				
Public Safety	1,055,645	1,055,645	918,394	(137,251)
Urban Development	1,900	1,900	2,090	190
Streets and Sanitation	445,000	445,000	465,456	20,456
Recreation	57,800	57,800	29,903	(27,897)
Interfund	410,431	410,431	410,431	-
Total Service Fees	1,970,776	1,970,776	1,826,274	(144,502)
Fines and Forfeitures	260,000	260,000	163,408	(96,592)
Earnings on Investments	200,000	200,000	21,569	(178,431)
Intergovernmental	-	-	1,000,000	1,000,000
Rental Charges	8,000	8,000	7,900	(100)
Recycling Proceeds	3,000	3,000	2,471	(529)
Other	115,000	115,000	275,753	160,753
Total Revenues	\$ 38,740,724	\$ 39,941,490	\$ 42,206,868	\$ 2,265,378

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2021

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
City Secretary:				
Salaries and Fringe Benefits	117,888	127,888	120,917	6,971
Supplies	10,950	10,950	3,269	7,681
Contractual Services	74,250	74,250	84,714	(10,464)
Total City Secretary	203,088	213,088	208,900	4,188
City Manager's Office:				
Salaries and Fringe Benefits	984,752	1,024,752	1,063,573	(38,821)
Supplies	25,252	25,252	23,151	2,101
Maintenance and Materials	50,293	50,293	25,922	24,371
Contractual Services	95,972	95,972	109,538	(13,566)
Capital Replacement	11,396	11,396	11,396	-
Total City Manager's Office	1,167,665	1,207,665	1,233,580	(25,915)
Financial and Strategic Services:				
Salaries and Fringe Benefits	1,197,984	1,217,984	1,185,932	32,052
Supplies	18,483	18,483	6,913	11,570
Maintenance and Materials	38,626	38,626	19,605	19,021
Contractual Services	490,545	490,545	579,205	(88,660)
Capital Replacement	29,917	29,917	29,917	-
Total Financial and Strategic Services	1,775,555	1,795,555	1,821,572	(26,017)
General Services:				
Salaries and Fringe Benefits	505,349	505,349	454,821	50,528
Supplies	32,092	32,092	29,918	2,174
Maintenance and Materials	114,130	114,130	110,643	3,487
Contractual Services	75,416	75,416	62,115	13,301
Capital Replacement	25,282	525,282	524,982	300
Total General Services	752,269	1,252,269	1,182,479	69,790
Municipal Court:				
Salaries and Fringe Benefits	510,807	510,807	497,195	13,612
Supplies	10,091	10,091	5,147	4,944
Maintenance and Materials	71,850	71,850	66,863	4,987
Contractual Services	85,058	85,058	48,236	36,822
Capital Replacement	29,012	29,012	29,012	-
Total Municipal Court	706,818	706,818	646,453	60,365
Human Resources:				
Salaries and Fringe Benefits	470,990	480,990	455,747	25,243
Supplies	58,252	58,252	57,979	273
Maintenance and Materials	810	810	456	354
Contractual Services	171,707	171,707	146,849	24,858
Capital Replacement	9,281	9,281	9,281	-
Total Human Resources	711,040	721,040	670,312	50,728

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2021

	Budget		Actual GAAP	Variance With
	Original	Final	Basis	Final Budget
				Positive
				(Negative)
EXPENDITURES (CONTINUED)				
Information Technology:				
Salaries and Fringe Benefits	1,156,431	1,156,431	1,155,062	1,369
Supplies	57,056	57,056	30,218	26,838
Maintenance and Materials	913,610	913,610	587,327	326,283
Contractual Services	90,698	90,698	73,772	16,926
Capital Replacement	30,806	30,806	30,806	-
Capital Outlay	-	-	20,151	(20,151)
Total Information Technology	2,248,601	2,248,601	1,897,336	351,265
Combined Services:				
Salaries and Fringe Benefits	-	-	85,505	(85,505)
Supplies	22,000	22,000	20,486	1,514
CS Maintenance and Materials	3,040	3,040	-	3,040
Contractual Services	1,162,911	1,162,911	967,553	195,358
Total Combined Services	1,187,951	1,187,951	1,073,544	114,407
City Council Special Projects:				
Salaries and Fringe Benefits	29,483	29,483	28,116	1,367
Supplies	18,000	18,000	13,985	4,015
Contractual Services	201,727	323,727	267,231	56,496
Capital Replacement	2,922	2,922	2,837	85
Total City Council Special Projects	252,132	374,132	312,169	61,963
Total General Government	9,005,119	9,707,119	9,046,345	660,774
Public Safety:				
Police:				
Salaries and Fringe Benefits	7,935,376	8,250,376	8,332,305	(81,929)
Supplies	309,712	309,712	291,779	17,933
Maintenance and Materials	253,879	253,879	287,451	(33,572)
Contractual Services	835,188	835,188	660,995	174,193
Capital Replacement	641,719	641,719	641,719	-
Capital Outlay	-	-	74,367	(74,367)
Total Police	9,975,874	10,290,874	10,288,616	2,258
Emergency Communications:				
Maintenance and Materials	64,240	69,240	70,511	(1,271)
Contractual Services	1,327,279	1,327,279	1,322,058	5,221
Total Emergency Communications	1,391,519	1,396,519	1,392,569	3,950
Fire:				
Salaries and Fringe Benefits	7,234,413	7,409,413	7,446,897	(37,484)
Supplies	260,181	263,947	243,487	20,460
Maintenance and Materials	237,059	237,059	264,542	(27,483)
Contractual Services	349,226	349,226	341,802	7,424
Capital Replacement	400,670	400,670	391,565	9,105
Capital Outlay	-	-	17,568	(17,568)
Total Fire	8,481,549	8,660,315	8,705,861	(45,546)
Total Public Safety	19,848,942	20,347,708	20,387,046	(39,338)

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2021

	Budget		Actual GAAP	Variance With
	Original	Final	Basis	Final Budget
				Positive
				(Negative)
EXPENDITURES (CONTINUED)				
Development Services:				
Development Services:				
Salaries and Fringe Benefits	1,308,314	1,308,314	1,204,641	103,673
Supplies	36,041	36,041	26,562	9,479
Maintenance and Materials	18,470	18,470	26,318	(7,848)
Contractual Services	241,686	241,686	270,040	(28,354)
Capital Replacement	33,042	33,042	32,787	255
Total Development Services	1,637,553	1,637,553	1,560,348	77,205
Streets:				
Streets:				
Salaries and Fringe Benefits	524,415	524,415	375,259	149,156
Supplies	48,550	48,550	40,233	8,317
Maintenance and Materials	813,500	813,500	565,136	248,364
Contractual Services	699,414	699,414	725,290	(25,876)
Capital Replacement	65,024	65,024	63,824	1,200
Capital Outlay	-	-	181,846	(181,846)
Total Streets	2,150,903	2,150,903	1,951,588	199,315
Parks and Recreation:				
Parks:				
Salaries and Fringe Benefits	1,915,377	1,835,377	1,750,999	84,378
Supplies	462,047	462,047	380,279	81,768
Maintenance and Materials	810,783	810,783	717,748	93,035
Contractual Services	988,199	1,068,199	1,052,457	15,742
Capital Replacement	84,886	84,886	79,632	5,254
Capital Outlay	-	-	85,258	(85,258)
Total Parks	4,261,292	4,261,292	4,066,373	194,919
Recreation:				
Salaries and Fringe Benefits	1,021,410	1,021,410	931,031	90,379
Supplies	175,470	175,470	151,392	24,078
Maintenance and Materials	219,180	219,180	182,906	36,274
Contractual Services	350,055	350,055	293,710	56,345
Capital Replacement	59,911	59,911	59,161	750
Capital Outlay	-	-	10,968	(10,968)
Total Recreation	1,826,026	1,826,026	1,629,168	196,858
Total Parks and Recreation	6,087,318	6,087,318	5,695,541	391,777
Total Expenditures	38,729,835	39,930,601	38,640,868	1,289,733
Excess of revenues over expenditures	10,889	10,889	3,566,000	3,555,111
OTHER FINANCING SOURCES/(USES):				
Transfers Out	(710,950)	(710,950)	(3,460,950)	(2,750,000)
Proceeds on Asset Sales	10,000	10,000	4,186	(5,814)
Total Other Financing Sources/(Uses)	(700,950)	(700,950)	(3,456,764)	(2,755,814)
Net Change in Fund Balance	(690,061)	(690,061)	109,236	799,297
Fund Balances at Beginning of Year	20,134,439	20,134,439	20,134,439	-
Fund Balances at End of Year	\$ 19,444,378	\$ 19,444,378	\$ 20,243,675	\$ 799,297

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Hotel Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2021

	2021			Variance With Final Budget Positive (Negative)
	Budget		Actual GAAP Basis	
	Original	Final		
REVENUES:				
Hotel/Motel Occupancy Taxes	\$ 4,155,000	\$ 4,155,000	\$ 2,523,560	\$ (1,631,440)
Intergovernmental	-	-	1,014,871	1,014,871
Proceeds from Special Events and Service Fees	1,104,500	1,104,500	897,005	(207,495)
Earnings on Investments	50,000	50,000	1,383	(48,617)
Rental Charges	23,810	23,810	86,403	62,593
Other	100	100	56,340	56,240
Total Revenues	<u>5,333,410</u>	<u>5,333,410</u>	<u>4,579,562</u>	<u>(753,848)</u>
EXPENDITURES:				
Conference Centre	200,977	200,977	242,198	(41,221)
Marketing	1,113,915	1,113,915	859,612	254,303
Special Events	3,337,581	3,337,581	2,867,922	469,659
Performing Arts	647,965	647,965	641,403	6,562
General Hotel Operations	154,125	154,125	23,086	131,039
Total Expenditures	<u>5,454,563</u>	<u>5,454,563</u>	<u>4,634,221</u>	<u>820,342</u>
Excess/(Deficiency) of Revenues over/(under) Expenditures	<u>(121,153)</u>	<u>(121,153)</u>	<u>(54,659)</u>	<u>66,494</u>
OTHER FINANCING SOURCES/(USES):				
Transfer to Economic Development Fund	<u>(384,000)</u>	<u>(384,000)</u>	<u>(384,000)</u>	<u>-</u>
Net Change in Fund Balance	(505,153)	(505,153)	(438,659)	66,494
Fund Balances at Beginning of Year	<u>3,149,259</u>	<u>3,149,259</u>	<u>3,149,259</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 2,644,106</u>	<u>\$ 2,644,106</u>	<u>\$ 2,710,600</u>	<u>\$ 66,494</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Net Position
September 30, 2021

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Pooled Cash and Investments	\$ 7,762,895	\$ 10,705,581	\$ 9,468,330	\$ 27,936,806	\$ 8,981,638
Interest Receivable	25,047	36,872	32,278	94,197	28,627
Accounts Receivable, Net	206,745	2,438,754	343,362	2,988,861	-
Total Current Assets	7,994,687	13,181,207	9,843,970	31,019,864	9,010,265
Non-Current Assets:					
Capital Assets:					
Land	15,633,373	1,625,357	-	17,258,730	-
Construction in Progress	9,004,457	2,100,776	250,718	11,355,951	766,820
Buildings	2,600,302	6,966,355	-	9,566,657	-
Improvements other than Buildings	58,521,379	56,186,474	4,763,848	119,471,701	-
Machinery and Equipment	1,914,635	2,625,029	102,279	4,641,943	13,216,018
Accumulated Depreciation	(35,610,317)	(33,366,439)	(349,923)	(69,326,679)	(7,636,489)
Total Capital Assets, Net of Accumulated Depreciation	52,063,829	36,137,552	4,766,922	92,968,303	6,346,349
Investment in Joint Venture	-	6,310,687	-	6,310,687	-
Total Assets	60,058,516	55,629,446	14,610,892	130,298,854	15,356,614
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charges on Refundings	55,347	311,951	139,293	506,591	-
Deferred Outflows on Pensions	-	199,745	-	199,745	-
Deferred Outflows on OPEB	11,357	48,521	5,005	64,883	-
Total Deferred Outflows of Resources	66,704	560,217	144,298	771,219	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 914,456	\$ 813,594	\$ 120,915	\$ 1,848,965	\$ 112,530
Accrued Interest Payable	34,775	78,972	10,614	124,361	-
Current Compensated Absences Payable	5,187	19,731	-	24,918	-
Current Maturities of Long-Term Liabilities	425,000	910,000	410,000	1,745,000	-
Due to Other Funds	530,000	-	-	530,000	-
Customer Deposits	307,811	1,151,086	-	1,458,897	-
Total Current Liabilities	2,217,229	2,973,383	541,529	5,732,141	112,530
Non-Current Liabilities:					
Long-Term Liabilities, Net of Current Portion	8,644,693	16,578,636	5,032,299	30,255,628	-
Total Liabilities	10,861,922	19,552,019	5,573,828	35,987,769	112,530
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows on Pensions	-	206,092	-	206,092	-
Deferred Inflows on OPEB	3,270	14,015	1,405	18,690	-
Total Deferred Inflows of Resources	3,270	220,107	1,405	224,782	-
NET POSITION:					
Net Investment in Capital Assets	43,228,886	24,593,383	304,567	68,126,836	6,346,349
Unrestricted	6,031,142	11,824,154	8,875,390	26,730,686	8,897,735
Total Net Position	\$ 49,260,028	\$ 36,417,537	\$ 9,179,957	\$ 94,857,522	\$ 15,244,084

Reconciliation to business-type activities:
Some amounts reported for business-type activities in
the Statement of Net Position are different because
certain internal service balances are included
with business-type activities.

	\$ 1,270,769
Net Position of business type activities	\$ 96,128,291

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2021

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	\$ -	\$ 7,518,421	\$ -	\$ 7,518,421	\$ -
Sewer	-	5,809,216	-	5,809,216	-
Drainage	-	-	2,457,241	2,457,241	-
Penalties	-	15,958	-	15,958	-
Water and Sewer Taps and Other Fees	-	12,158	1,475	13,633	-
Fuel Flowage Fees	1,064,377	-	-	1,064,377	-
Customs Agent Fees	108,408	-	-	108,408	-
Rental Charges	4,352,062	-	-	4,352,062	-
Other Income	240,807	10,013	62,602	313,422	8,280
Department Contributions	-	-	-	-	3,044,863
Total Operating Revenues	5,765,654	13,365,766	2,521,318	21,652,738	3,053,143
OPERATING EXPENSES:					
Salaries and Fringe Benefits	1,966,558	2,106,965	326,134	4,399,657	-
Supplies	41,733	300,457	11,638	353,828	112,958
Maintenance and Materials	368,803	527,646	59,376	955,825	16,422
Contractual Services	1,487,445	1,712,546	250,824	3,450,815	3,674
Water Purchases	25,594	3,265,914	-	3,291,508	-
Wastewater Purchases	-	3,491,532	-	3,491,532	-
Total Operating Expenses (Excluding Depreciation)	3,890,133	11,405,060	647,972	15,943,165	133,054
Depreciation	2,432,704	1,582,552	143,938	4,159,194	1,201,307
Total Operating Expenses	6,322,837	12,987,612	791,910	20,102,359	1,334,361
OPERATING INCOME/(LOSS)	(557,183)	378,154	1,729,408	1,550,379	1,718,782
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income	8,417	14,228	9,453	32,098	9,278
Gain/(Loss) on Disposal of Assets	73,366	30,452	-	103,818	202,559
Gain/(Loss) on Joint Venture	-	(82,818)	-	(82,818)	-
Interest Expense and Fiscal Charges	(379,751)	(693,586)	(273,560)	(1,346,897)	-
Total Non-Operating Revenues/(Expenses)	(297,968)	(731,724)	(264,107)	(1,293,799)	211,837
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(855,151)	(353,570)	1,465,301	256,580	1,930,619
Capital Grants and Contributions	-	61,450	59,276	120,726	-
Transfers In	202,975	130,809	-	333,784	56,014
Transfers Out	(17,940)	(38,074)	-	(56,014)	(333,784)
CHANGE IN NET POSITION	(670,116)	(199,385)	1,524,577	655,076	1,652,849
Net Position at Beginning of Year	49,930,144	36,616,922	7,655,380	94,202,446	13,591,235
Net Position at End of Year	\$ 49,260,028	\$ 36,417,537	\$ 9,179,957	\$ 94,857,522	\$ 15,244,084

Reconciliation to business-type activities:

Change in net position of enterprise funds \$ 655,076

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service balances are included with business-type activities.

Change in net position of business type activities \$ 713,652
\$ 1,368,728

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 5,705,872	\$ 13,145,349	\$ 2,504,177	\$ 21,355,398	\$ 3,044,863
Other Receipts	-	-	-	-	8,280
Payments to Suppliers	(2,157,085)	(9,103,895)	(343,502)	(11,604,482)	(138,324)
Payments to Employees for Services	(1,846,489)	(2,123,903)	(319,160)	(4,289,552)	-
<i>Net Cash Provided by Operating Activities</i>	<u>1,702,298</u>	<u>1,917,551</u>	<u>1,841,515</u>	<u>5,461,364</u>	<u>2,914,819</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(2,001,639)	(1,837,046)	(277,469)	(4,116,154)	(1,785,555)
Principal Paid on Long-Term Debt	(432,292)	(870,000)	(305,000)	(1,607,292)	-
Interest and Fiscal Charges Paid on Long-Term Debt	(394,525)	(789,087)	(244,960)	(1,428,572)	-
Principal Paid on Interfund Loan for Capital Purchase	(85,000)	-	-	(85,000)	-
Proceeds from Sale of Capital Assets	84,548	30,452	-	115,000	246,792
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(2,828,908)</u>	<u>(3,465,681)</u>	<u>(827,429)</u>	<u>(7,122,018)</u>	<u>(1,538,763)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	(2,320)	(5,539)	(10,597)	(18,456)	(8,662)
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>(2,320)</u>	<u>(5,539)</u>	<u>(10,597)</u>	<u>(18,456)</u>	<u>(8,662)</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	(1,128,930)	(1,553,669)	1,003,489	(1,679,110)	1,367,394
Cash and Cash Equivalents, October 1	8,891,825	12,259,250	8,464,841	29,615,916	7,614,244
Cash and Cash Equivalents, September 30	<u>\$ 7,762,895</u>	<u>\$ 10,705,581</u>	<u>\$ 9,468,330</u>	<u>\$ 27,936,806</u>	<u>\$ 8,981,638</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:					
Operating Income/(Loss)	\$ (557,183)	\$ 378,154	\$ 1,729,408	\$ 1,550,379	\$ 1,718,782
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	2,432,704	1,582,552	143,938	4,159,194	1,201,307
Change in Assets, Liabilities, and Deferred Items:					
(Increase)/Decrease in Accounts Receivables	(54,150)	(255,134)	(17,141)	(326,425)	-
(Increase)/Decrease in Prepaid Items	-	-	-	-	-
Increase/(Decrease) in Accounts Payable	(116,878)	239,572	(16,165)	106,529	(5,270)
Increase/(Decrease) in Customer Deposits	(5,632)	34,717	-	29,085	-
(Increase)/Decrease in Deferred Outflows on Pensions	-	(18,379)	-	(18,379)	-
(Increase)/Decrease in Deferred Outflows on OPEB	(3,630)	(15,557)	(1,556)	(20,743)	-
Increase/(Decrease) in Deferred Inflows on Pensions	-	(17,909)	-	(17,909)	-
Increase/(Decrease) in Deferred Inflows on OPEB	710	3,042	305	4,057	-
Increase/(Decrease) in Net Pension Liability	-	(40,752)	-	(40,752)	-
Increase/(Decrease) in Total OPEB Liability	6,357	27,245	2,726	36,328	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,702,298</u>	<u>\$ 1,917,551</u>	<u>\$ 1,841,515</u>	<u>\$ 5,461,364</u>	<u>\$ 2,914,819</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grants and Contributions	\$ -	\$ 61,450	\$ 59,276	\$ 120,726	\$ -
Capital Assets in Accounts Payable	729,574	480,328	96,268	1,306,170	112,530
Transfers of Capital Assets	185,035	92,735	-	277,770	(277,770)
Gain/(Loss) of Joint Venture	-	(82,818)	-	(82,818)	-
<i>Net Noncash Items from Capital and Related Financing Activities</i>	<u>\$ 914,609</u>	<u>\$ 551,695</u>	<u>\$ 155,544</u>	<u>\$ 1,621,848</u>	<u>\$ (165,240)</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of Addison, Texas ("Town"), relating to the funds included in the accompanying financial statements, conform to the generally accepted accounting principles applicable to state and local governments. The following represent the more significant accounting and reporting policies and practices used by the Town.

A. Reporting Entity

The Town is a municipal corporation incorporated on June 15, 1953, under the Constitution of the State of Texas (Home Rule Amendment). The Town's charter was last amended in January 2021. The Town operates as a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the Town and its inhabitants.

The Town is a financial reporting entity as defined by GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "The Financial Reporting Entity: Omnibus: an amendment of GASB Standards No. 14 and No. 34." As required by generally accepted accounting principles (GAAP), the Town's financial statements include all required activities relating to the Town and its operations. In accordance with the standards, the Town does not have component units requiring inclusion.

B. Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the Town as a whole) and fund financial statements. Both sets of financial statements classify activities as either governmental activities, which are supported by taxes and intergovernmental revenues, or business-type activities, which rely on fees and charges for support.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. "Measurement focus" refers to what is being measured, and "basis of accounting" refers to the timing of revenue and expenditure recognition in financial statements. The government-wide financial statements and the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied.

The governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town considers all revenues available if they are collected within thirty (30) days after year-end. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.

Ad Valorem (property), sales, and hotel taxes, as well as franchise fees, recorded in the General Fund and Ad Valorem tax revenues recorded in the Economic Development Fund, General Obligation Debt Service Fund and Capital Project Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services (except ambulance services), fines and forfeitures (except court warrants), and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Ambulance services, court warrants and investment earnings are recorded as earned since they are measurable and available.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's airport and utility functions and various other functions of the Town, and charges of the internal service funds to the Airport and Utility funds. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the Town's enterprise funds and internal service 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 non-operating revenues and expenses.

The Town reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. Revenues which are not allocated by law or contractual agreement to other funds are accounted for in this fund.

Hotel Fund – The Hotel Fund is used to account for tax revenues received from local hotels. Expenditures must fall within the guidelines set forth in the Texas Hotel Occupancy Tax Act (Article 1269: Vernon's Texas Civil Statutes). This fund has been designated as a major fund by Town management.

General Obligation Debt Service Fund – The General Obligation Debt Service Fund accounts for the accumulation of resources to be used for the payment of principal and interest on the general obligation bonded debt of the Town.

Capital Project Fund – The Capital Project Fund is used to account for financial resources related to the acquisition, construction, or improvements of major capital assets.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the Town reports the following non-major governmental funds:

Municipal Court Fund - The Municipal Court Fund accounts for the Town's court building security and technology fees that are generated from court citation fines. According to state law, the revenue generated from these fees may only be spent on the municipal court function.

Public Safety Fund - The Public Safety Fund accounts for awards of monies or property by the courts relating to cases that involve the Addison Police Department.

Advanced Funding Grant Fund - The Advanced Funding Grant Fund accounts for grant monies that are received prior to the related expenditure, and therefore the fund may carry a balance from year to year if the Town does not expend the monies within the fiscal year.

Economic Development Fund - The Economic Development Fund accumulates resources to support efforts that attract commercial enterprises to Addison and encourage existing businesses to remain in Addison.

Reimbursement Grant Fund - The Reimbursement Grant Fund accounts for expenditures for which the Town expects to be reimbursed. For any reimbursements not received prior to the fiscal year end, the Town will record a receivable. Amounts not received within 30 days of the fiscal year end are reported as deferred inflows of resources - unavailable revenue.

PEG Fees Fund - The PEG Fees Fund was created to collect state restricted public, educational, and government access channels, or PEG, fees and account for their use.

The Town reports the following major proprietary funds:

Airport Fund - The Airport Fund accounts for all revenue generated by the Town's general aviation airport. The Town is required to spend this revenue on airport functions. The airport's operating, maintenance, and capital expenses are supported solely by airport income.

Utility Fund - The Utility Fund provides water and sewer services to the residents and businesses of the Town. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing.

Stormwater Fund - The Town's Stormwater Fund accounts for maintenance and improvements to Town stormwater infrastructure. It is financed and operated in a manner similar to private business enterprises, where costs of providing the services to the public are financed primarily through user charges. All operating, maintenance, and capital expenses are supported solely by the approved user fees.

Additionally, the Town reports the following internal service funds:

Capital Replacement Fund - The Capital Replacement Fund is used to accumulate sufficient resources to replace existing capital equipment that have reached or exceeded their useful lives. Resources are acquired through charges to operating departments in the funds. The charges are calculated using a straight-line amortization of each piece of equipment based upon the item's expected life. The funds are used to finance replacement equipment when needed.

Information Technology Replacement Fund - The Information Technology Replacement Fund is used to accumulate sufficient resources to replace existing information technology systems. Resources are acquired through charges to operating departments in the funds. The charges are calculated using a straight-line amortization of each component of a system based upon the component's expected life. The funds are used to finance replacement equipment when needed.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facility Maintenance Fund - The Facility Maintenance Fund is used to accumulate sufficient resources to repair and improve Town facilities. Resources are acquired through charges to operating departments in the funds. The charges are calculated using a straight-line amortization of each component of the facilities based on its expected life. The funds are used to finance repairs and improvements of facilities when needed.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity

1) Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, all funds participate in a pooling of cash and investments.

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities; obligations of the State of Texas and related agencies; obligations of state, agencies, counties, cities and other political subdivisions of any state rated A or above by Standard & Poor's Corporation or Moody's Investors Service; certificates of deposit issued by state or national banks and savings banks domiciled in Texas; fully collateralized direct repurchase agreements; prime domestic banker's acceptances (BA's); commercial paper with a stated maturity of 180 days or less and a rating of not less than A-1+ or its equivalent; and state or local government investment pools.

Investments in debt securities for the Town are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town considers quoted market price at September 30, 2021 to be the fair value of investments. Investments in negotiable certificates of deposit are carried at fair value. The government investment pools, TexPool, TexSTAR, Texas CLASS, and LOGIC operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the Town's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

2) Receivables and Payables

All receivables for the Town are reported net of an allowance for uncollectibles. The allowances are based on historical collections data and evaluated periodically.

The Town's property tax lien is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Town. Values are assessed at 100% of the estimated market value. Taxes are due by January 31 following the levy date and are considered delinquent after January 31. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance.

3) Inventories and Prepaid Items

In accordance with the consumption method of accounting, both inventories and prepaid items are recorded as expenditures when consumed rather than when purchased.

Inventories are stated at cost. Cost is determined for inventories of fuel using the moving-average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. The prepaid items of the Town consist primarily of prepaid software maintenance agreements, the quarterly payment to Dallas Central Appraisal District for appraisal fees, the quarterly payment to North Texas Emergency Communication Center for dispatch services, and postage.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) Capital Assets

Capital assets include land, buildings, equipment, and improvements. Improvements include upgrading facilities other than buildings such as streets or sewers and infrastructure, including pavement, storm sewers, and right-of-way contributed by developers. Capital expenditures are defined as purchases that meet specific guidelines as listed below:

- Expected useful life must be three years or more for equipment and ten years or more for improvements.
- Original unit cost of the equipment should be \$5,000 or greater and includes all costs enabling the item into operation, such as freight, installation, and accessories; capital improvements should be \$25,000 or greater.
- The item should not be consumed, unduly altered, or materially reduced in value immediately by use.

The Land and Improvements other than Buildings categories associated with governmental activities include amounts for infrastructure. Related accumulated depreciation of Improvements other than Buildings includes amounts associated with infrastructure. Subsequently, infrastructure is tracked and reported as a separate component of general capital assets associated with governmental activities.

The internal service funds may record assets that have an original cost of \$5,000 or less if assets are considered part of an overall system. Individual items may be retired and replaced as parts of the larger system.

Contributed assets are recorded at acquisition value as of the date donated. Depreciation of property, plant, and equipment by major classes is provided by the straight-line method based on the following estimated useful lives by major class of depreciable capital assets:

Buildings.....	50 years
Improvements other than Buildings.....	20-50 years
Equipment.....	3-50 years

Depreciation of current year additions and retirements is computed at one-half the straight-line rate.

5) Compensated Absences

Vacation, holiday, and sick pay costs are charged to operations when taken by the employees of the Town. In the event of termination, an employee is reimbursed for all accumulated vacation and holiday days not exceeding two years' accumulation. The amounts of such liabilities have been provided for in the government-wide financial statements. No reimbursements upon termination are made for accumulated sick leave; accordingly, no liability for unused sick leave has been provided. The liability is computed based on the reimbursable hours at the employees' rate of pay as of September 30, 2021. The Town's liability for compensated absences increased \$142,017 for a total liability of \$1,436,070.

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is capital developer donations of \$61,450 for Utilities and \$59,276 for Stormwater. Capital grants also includes a \$20,000 grant for Parks to construct a memorial, a \$28,000 donation of a sculpture to Parks, and \$180,952 for the Fire Department to purchase equipment. Operating grants and contributions included \$463,010 for CARES grant funding, \$2,014,871 for primary government ARPA grant funding, \$444,255 of grant funding for public safety, a \$1,500 donation to Parks and Recreation for an event, a \$7,940 grant for Parks and Recreation maintenance, a \$3,000 retail food regulatory grant, a \$50,000 grant for Airport operations, and \$57,000 grant to the airport for the Coronavirus Response Program.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and other postemployment benefit (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in pension and OPEB assumptions - These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Difference in expected versus actual experience - This difference is deferred and amortized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position and/or balance sheet 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 reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four types of items that qualify for reporting in this category. The difference due to changes in OPEB assumptions is deferred and recognized over the estimated average remaining service lives of all employees that are provided with OPEB through the OPEB plans (active and inactive employees) determined as of the beginning of the measurement period. The difference in expected and actual OPEB experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with OPEB through the OPEB plans (active and inactive employees) determined as of the beginning of the measurement period. The difference between projected and actual investment earnings on pension plan is deferred and amortized over the estimated average remaining service lives of all employees that are provided with pensions the pension plan (active and inactive employees) determined as of the beginning of the measurement period. In the governmental funds, unavailable resources are revenues that are earned and measurable but not yet available, and are reported as deferred inflows of resources. In the full accrual government-wide statements, the unavailable resources are recognized as revenue and not deferred.

8) Fund Equity

The Town reports governmental fund balances per GASB 54 definitions as follows:

Nonspendable – Amounts that are not in spendable form or are required to be maintained intact, such as inventory or prepaid amounts or that are legally or contractually required to remain intact.

Restricted – Amounts that can be spent only for specific purposes stipulated by external parties, such as grants, court technology fees, and court building security fees or that are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts whose use is constrained by specific limitations that the Town imposes itself, as determined through an ordinance passed by the Town Council. Once adopted, the limitation imposed by the ordinance remains in place until another ordinance removes or revises the limitation.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – Amounts intended to be used for specific purposes. Intent may be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the CFO or his designee as the official authorized to assign fund balance for a specific purpose as approved by the fund balance policy.

Unassigned – Amounts not contained in other classifications that can be used for any purpose. Only the General Fund reports a positive unassigned fund balance. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by Town management based on Council direction.

The Town will utilize funds for expenditures from the most restrictive fund balance first when more than one fund balance classification is available, with most restrictive being restricted, then committed, then assigned, and lastly unassigned.

9) Minimum Fund Balance Policy

It is the desire of the Town to maintain adequate fund balances to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund minimum fund balance of 30 percent of budgeted expenditures, and a minimum fund balance of 25 percent of budgeted expenditures for all other operating funds.

10) Net Position

Net Position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budget Policy – The City Council follows these procedures in establishing the budget reflected in the financial statements:

- 1) Prior to August 1 each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means to finance them.
- 2) Public hearings are conducted where all interested persons' comments concerning the budget are heard.
- 3) The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

- 4) The department level is the legal level of control enacted by the Town Charter. The Town has also adopted a budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the City Manager and Chief Financial Officer provided a department's total budget is not changed by more than five percent. Transfers between funds or transfers between departments that change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors.

- 5) Budgets for the General, Special Revenue, and Debt Service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the Capital Project funds are normally established pursuant to the terms of the related bond indentures, that is, project basis. Accordingly, no comparison of budget to actual is presented in the financial statements.

Budget Data – The budget amounts presented in the statements reflect original and amended budget amounts. The FY2021 budget was amended two times, and the amendments were approved by City Council on April 27, 2021, and September 28, 2021. The April 27th amendment was to allocate funds to the General Fund for Holiday in the Park, Self-Contained Breathing Apparatus (SCBA) equipment in the Fire department, and personnel costs attributed to a compensation market study. Additionally, this amendment was to allocate funds from the 2013 GO Bond Fund for the Signal Pole Replacements project and Midway Road Reconstruction, as well as allocate funds from the 2014 GO Bond Fund for the Belt Line 1.5 project. The amendment also added funding for various capital projects in the Self-Funded Special Projects Fund. The September 28th budget amendment appropriated funds from the General Fund for the creation of the Facility Maintenance Fund, to provide additional funding for Metrocrest Services, funds for salaries in the City Manager's Office, and funding an increase for contractual services in Emergency Communications. The amendment also reflects an allocation for expenditures and offsetting revenues related to CARES Act grant funding and to reflect the receipt of bond proceeds associated with the 2021 General Obligation Taxable Refunding Bonds.

Excess of Expenditures over Appropriations – For the year ended September 30, 2021, City Manager's department expenditures in the General Fund exceeded appropriations by \$25,915, mainly due to a promotion from Assistant to the City Manager to Director of Administrative Services. Also in the General Fund, the Fire department expenditures exceeded appropriations by \$45,546, mainly due to overtime costs being underbudgeted, and Finance department expenditures exceeded appropriations by \$26,017 due to increased audit services. The excess of appropriations for expenditures in other departments in the General Fund were more than enough to cover these overages, so fund balance was not impacted.

Encumbrance accounting is employed in governmental funds, but all operating encumbrances are liquidated at year-end. Only encumbrances for capital project contracts roll forward to the next fiscal year to increase following year capital budgets.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town has six bank accounts: the Operating Account, Controlled Disbursement Account, Payroll Account, ACH/Wire Account, Benefits Account, and the Addison Airport Account. The Controlled Disbursements and Payroll accounts are zero-balance accounts. The ACH/Wire Account is used for all receipts and expenditures made by ACH or wire transfer. The Town uses the Operating Account as an operating pool available for all funds. Each fund type's portion of this pool is reported as "Pooled Cash and Investments." The other demand accounts are reported in the same manner. The Addison Airport account is a checking account used by the management companies at the Airport to cover operational expenses.

The investment policies of the Town are governed by state statutes and an Investment Policy Ordinance adopted by the City Council. Major provisions of the Town's investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives, and investment reporting procedures.

Cash

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The Town's deposits were fully insured or collateralized as required by the state statutes at September 30, 2021. Included in Pooled Cash and Investments is \$5,250 of petty cash and \$63,443 seized funds. At year-end, the carrying amount of the Town's deposits was a debit balance of \$3,598,735. The respective bank balance totaled \$4,122,529. In addition, collateral with a market value of \$6,287,180 were held by the pledging financial institution's account at the Bank of New York Mellon in the Town's name.

In order to maximize interest earnings, the Town utilizes a controlled disbursement account that allows the Town to deposit only as much money needed to fund checks presented for payment each day. The amount required is withdrawn from the operating pool.

External Investment Pools

The Town's pool investments as of September 30, 2021 were invested in LOGIC, TexPool, TexSTAR (Texas Short Term Asset Reserve program) and Texas CLASS (Texas Cooperative Liquid Assets Securities System).

Federated Investors is the full service provider for the TexPool program. As the provider, the responsibilities include managing the assets, providing participant services, and arranging for all custody and other functions in support of the operations under a contract with the State Comptroller of Public Accounts. State Street Bank serves as custodian to TexPool Hilltop Securities, Inc. (HTS) and JPMorgan Investment Management, Inc. (JPMIM) serve as co-administrators for LOGIC and TexSTAR under an agreement with its Board of Trustees and Board of Directors, respectively. HTS provides distribution, administrative, participant support and marketing services. JPMIM provides investment management, custody and fund accounting services. JPMorgan Chase Bank, N.A. serves as custodian for LOGIC and TexSTAR. Texas CLASS is administered by Public Trust Advisors, LLC and UMB Bank serves as custodian which provide investment, financial or other cash management services.

LOGIC, TexPool, TexSTAR and Texas CLASS are not registered with the Securities and Exchange Commission (SEC) as investment companies. LOGIC, TexPool, TexSTAR and Texas CLASS are investment pools that have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

The government investment pool TexPool is carried at amortized cost. Logic, TexSTAR, and Texas CLASS are carried at net asset value.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investments

As of September 30, 2021, the Town held the following investments:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>
Agency Securities	\$ 32,834,132	347
Negotiable Certificates of Deposit	1,738,555	18
Municipal Bonds	44,742,235	406
<i>Total Investment in Securities</i>	<u>79,314,922</u>	
LOGIC	12,890,238	55
TexPool	1,000,081	37
TexSTAR	1,000,043	43
Texas CLASS	28,591,242	29
<i>Total Investment in Pools</i>	<u>43,481,604</u>	
<i>Total Investments</i>	<u>\$ 122,796,526</u>	254

In accordance with GASB Statement No. 72, "*Fair Value Measurement and Application*," the Town records investments at fair value. However, for participating interest-earning investment contracts with maturities of one year or less at time of purchase, the Town reports these investments at amortized cost. Investments in debt securities are carried at fair value. Fair value for debt securities is determined using a multi-dimensional relational model using standard inputs including TRACE reported trades. Investments in negotiable certificates of deposits are carried at fair value.

Interest Rate Risk – In accordance with its investment policy, the Town manages its exposure to declines in fair market values by limiting the weighted average days to maturity of its investment portfolio to 24 months (730 days). This means investing operating funds primarily in short-term securities, money market mutual funds or similar investment pools.

Credit Risk – The reported investments meet the criteria specified in the Town's investment policy related to the specific types of instruments presented.

1. Debt obligations with a maturity not to exceed five years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). The Town's investments in bonds of U.S. Agencies were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's. Mortgage-backed securities may be held as collateral although principal-only and interest-only mortgage-backed securities as well as all types of collateralized mortgage obligations (CMO) and real estate mortgage investment conduits (REMICs) are expressly prohibited.
2. Time Certificates of Deposit with a maturity not to exceed five years from the date of purchase, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in depository institutions that have a main office or a branch in the state of Texas which have been approved by the Town in accordance with its Investment Policy. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD federally insured may be purchased through a selected depository institution with its main office or branch office in Texas. This depository shall act as the custodian for the various certificates on behalf of the Town.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent with a maturity not to exceed five (5) years from the date of purchase.
4. State and Local Investment Pools organized under the Interlocal Cooperation Act that meet the requirements of Chapter 2256 Texas Government Code and have been specifically approved by the CFO and authorized by the City Council. LOGIC, TexPool, TexSTAR and Texas CLASS are all currently rated AAA by Standard and Poor's.

Concentration of Credit Risk – It is the Town's policy to avoid a concentration of assets in a specific maturity, a specific issue, or a specific class of securities. The applicable limits on the Town's investments as of September 30, 2021 based on par value, are Agency Securities (70%) of which the Town's portfolio is currently at 27.2%, Certificates of Deposit (50%) of which the Town's portfolio is currently at 1.4%, Municipal Bonds (50%) of which the Town's portfolio is currently at 35.2%, and Local Government Investment Pools (70%) of which the Town's portfolio is currently at 36.2%.

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- | | |
|----------------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| Level 3 | Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities |

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair hierarchy in which the fair value measurements fall at September 30, 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Investments by fair value level				
U.S. Agency Securities	\$ 32,834,132	\$ -	\$ 32,834,132	\$ -
Negotiable Certificates of Deposit	1,738,555	-	1,738,555	-
Municipal Bonds	44,742,235	-	44,742,235	-
<i>Total Investment by fair value level</i>	<u>79,314,922</u>	<u>\$ -</u>	<u>\$ 79,314,922</u>	<u>\$ -</u>
Investments measured at net asset value - LOGIC	12,890,238			
Investments measured at amortized cost - TexPool	1,000,081			
Investments measured at net asset value - TexSTAR	1,000,043			
Investments measured at net asset value - Texas CLASS	<u>\$ 28,591,242</u>			
<i>Total Investments</i>	<u>\$ 122,796,526</u>			

Certain investments that are measured at amortized cost or using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate amortized cost or net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, and the assets are classified in Level 2, their fair values are estimated by using the matrix pricing technique. This technique includes quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2021, no investments are held by the Town meeting the Level 3 hierarchy classification.

Investment in State Investment Pools

During the year, the Town invested in multiple public fund investment pools, including LOGIC, TexPool, TexSTAR and Texas CLASS. TexPool is measured at amortized cost, and Logic, TexSTAR, and Texas CLASS are measured at net asset value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds. The Town can liquidate funds daily without penalty, and there is no unfunded commitment.

B. Ad Valorem (Property) Taxes

Property taxes attach as an enforceable lien on property as of January 1. The Town's property tax is levied on the assessed value listed as of the prior January 1 for all real and business personal property located in the Town. Assessed values are established by Dallas Central Appraisal District at 100% of the estimated market value and certified by the Appraisal Review Board. The assessed taxable value for the roll of January 1, 2020, upon which the fiscal year 2021 levy is based, was \$4,659,408,996.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

The Town is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate for the year ended September 30, 2021 was \$.608676 per \$100, of which \$.441109 was allocated for general government and \$.167567 was allocated for the payment of principal and interest on general obligation and certificates of obligation long-term debt.

Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. Current tax collections for the year ended September 30, 2021, were 99.39% of the original tax levy. In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the Town may, at its own expense, require annual reviews of appraised values. The Town may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this arrangement, the Town continues to set tax rates on Town property.

If the effective tax rate, excluding tax rates for retirement of bonds and other debt, adjusted for new improvements, exceeds the rate for the previous year by more than 3.5%, the Town is required to hold an election to determine whether to limit the tax rate to no more than 3.5%. This legislation also provides that, if approved by the qualified voters in the Town, both the appraisal and collection functions may be placed with the appraisal district.

In the governmental funds financial statements, taxes are recognized as revenue beginning on the date of levy when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within thirty (30) days of the fiscal year ending are recorded as deferred inflows of resources and recognized as they become available. Taxes collected prior to the levy date to which they apply are recorded as unearned revenues and recognized as revenue of the period to which they apply.

An allowance for uncollectible taxes is provided based on an analysis of historical trends. The allowance for uncollectible taxes at September 30, 2021, was \$599,671.

C. Receivables

As of September 30, 2021, receivables for the Town's individual major governmental funds, non-major governmental funds, and internal service funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	General	Hotel	Debt Service	Capital Projects	Non-Major Funds	Internal Service Funds	Total
Taxes:							
Ad Valorem	\$ 678,772	\$ -	\$ 297,712	\$ 10,343	\$ 41,427	\$ -	\$ 1,028,254
Non-Property	2,636,326	481,848	-	-	-	-	3,118,174
Franchise Fees	291,072	-	-	-	-	-	291,072
Service Fees	958,885	-	-	-	-	-	958,885
Ambulance	830,417	-	-	-	-	-	830,417
Interest	82,239	10,781	1,948	178,522	10,037	28,627	312,154
Intergovernmental				427,427			427,427
Other	13,450	254,210	-	2,354	-	-	270,014
Due from Other Funds	-	-	-	530,000	-	-	530,000
Gross Receivables	\$ 5,491,161	\$ 746,839	\$ 299,660	\$ 1,148,646	\$ 51,464	\$ 28,627	\$ 7,766,397
Less: Allowance for Uncollectibles	1,763,197	-	179,823	5,960	24,570	-	1,973,550
Net Receivables	<u>\$ 3,727,964</u>	<u>\$ 746,839</u>	<u>\$ 119,837</u>	<u>\$ 1,142,686</u>	<u>\$ 26,894</u>	<u>\$ 28,627</u>	<u>\$ 5,792,847</u>

The above allowance for uncollectible accounts represents reserves for ambulance (\$556,379), court warrants (\$746,625), alarm (\$70,875), and property taxes (\$599,671).

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

In the proprietary funds at September 30, 2021 the Airport fund has \$149,745 rent receivable and \$57,000 grant receivable with no associated allowance accounts. The Utility fund has \$2,497,956 in water and sewer sales receivable, net of an allowance of \$59,202. The Stormwater fund has stormwater fees receivable of \$360,589 net of an allowance of \$17,227.

D. Capital Assets

Capital Asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	\$ 67,194,694	\$ 2,487,873	\$ -	\$ -	\$ 69,682,567
Intangible Assets	858,063	-	-	4,158	862,221
Construction in Progress	11,039,270	7,239,646	(34,950)	(6,206,118)	12,037,848
<i>Total Capital Assets, not Depreciable</i>	<u>79,092,027</u>	<u>9,727,519</u>	<u>(34,950)</u>	<u>(6,201,960)</u>	<u>82,582,636</u>
Capital Assets, Depreciable:					
Buildings	23,297,688	23,882	(13,375)	342,944	23,651,139
Improvements other than Buildings	196,596,050	314,727	-	3,632,903	200,543,680
Machinery and Equipment	21,823,428	1,695,302	(1,916,216)	2,282,127	23,884,641
<i>Total Capital Assets, Depreciable</i>	<u>241,717,166</u>	<u>2,033,911</u>	<u>(1,929,591)</u>	<u>6,257,974</u>	<u>248,079,460</u>
Less Accumulated Depreciation for:					
Buildings	(14,950,816)	(614,468)	6,691	-	(15,558,593)
Improvements other than Buildings	(122,969,319)	(6,764,101)	-	-	(129,733,420)
Machinery and Equipment	(10,933,684)	(2,124,736)	1,828,363	-	(11,230,057)
<i>Total Accumulated Depreciation</i>	<u>(148,853,819)</u>	<u>(9,503,305)</u>	<u>1,835,054</u>	<u>-</u>	<u>(156,522,070)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>92,863,347</u>	<u>(7,469,394)</u>	<u>(94,537)</u>	<u>6,257,974</u>	<u>91,557,390</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 171,955,374</u>	<u>\$ 2,258,125</u>	<u>\$ (129,487)</u>	<u>\$ 56,014</u>	<u>\$ 174,140,026</u>
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	\$ 17,258,730	\$ -	\$ -	\$ -	\$ 17,258,730
Construction in Progress	13,187,545	3,647,947	(103,477)	(5,376,064)	11,355,951
<i>Total Capital Assets, not Depreciable</i>	<u>30,446,275</u>	<u>3,647,947</u>	<u>(103,477)</u>	<u>(5,376,064)</u>	<u>28,614,681</u>
Capital Assets, Depreciable:					
Buildings	9,524,089	42,568	-	-	9,566,657
Improvements other than Buildings	114,070,864	133,806	-	5,267,030	119,471,700
Machinery and Equipment	4,870,582	460,112	(741,771)	53,020	4,641,943
<i>Total Capital Assets, Depreciable</i>	<u>128,465,535</u>	<u>636,486</u>	<u>(741,771)</u>	<u>5,320,050</u>	<u>133,680,300</u>
Less Accumulated Depreciation for:					
Buildings	(3,129,864)	(190,913)	-	-	(3,320,777)
Improvements other than Buildings	(60,320,763)	(3,598,735)	-	-	(63,919,498)
Machinery and Equipment	(2,447,446)	(369,546)	730,589	-	(2,086,403)
<i>Total Accumulated Depreciation</i>	<u>(65,898,073)</u>	<u>(4,159,194)</u>	<u>730,589</u>	<u>-</u>	<u>(69,326,678)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>62,567,462</u>	<u>(3,522,708)</u>	<u>(11,182)</u>	<u>5,320,050</u>	<u>64,353,622</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 93,013,737</u>	<u>\$ 125,239</u>	<u>\$ (114,659)</u>	<u>\$ (56,014)</u>	<u>\$ 92,968,303</u>

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Depreciation expense was charged to departments of the Town as follows:

	Governmental Activities	Business-type Activities
General Government	\$ 301,749	\$ -
Public Safety	564,834	-
Development Services	3,931	-
Streets	5,852,854	-
Parks and Recreation	1,073,399	-
Visitor Services	505,231	-
IT Replacement	272,565	-
Capital Replacement	928,742	-
Airport Fund	-	2,432,704
Utility Fund	-	1,582,552
Stormwater Fund	-	143,938
	<u>\$ 9,503,305</u>	<u>\$ 4,159,194</u>

The following tabulation presents the estimated significant commitments under unfinished capital construction and equipment contracts that are fully funded as of September 30, 2021:

Project	Estimated Commitments	Less Expenditures to Date	Total Commitment Remaining
<u>Governmental Activities</u>			
Vitruvian Public Infrastructure	\$ 16,802,019	\$ 10,573,503	\$ 6,228,516
Midway Road Rehabilitation	40,856,038	7,038,683	33,817,355
2019 Prop C&D AAC Improvements	5,126,667	369,719	4,756,948
Airport Parkway Reconstruction	9,400,000	551,350	8,848,650
2019 Bond Prop D - Non-AAC Roof Replacement	1,562,500	31,001	1,531,499
License Plate Recognition System	2,000,000	1,054,908	945,092
Keller Springs Reconstruction	12,900,000	736,796	12,163,204
	<u>\$ 88,647,224</u>	<u>\$ 20,355,960</u>	<u>\$ 68,291,264</u>
<u>Business Type Activities</u>			
Customs Facility Construction	\$ 10,046,111	\$ 8,989,707	1,056,404
Kellway Lift Station Rehabilitation & Repair	1,510,000	487,186	1,022,814
Celestial Ground Storage Tank	1,540,000	1,363,290	176,710
Chlorine Booster Station	1,233,143	199,774	1,033,369
Rawhide Creek Basin Drainage Improvement	3,350,000	188,067	3,161,933
Basin I Sanitary Sewer Reroute	2,334,136	2,270,809	63,327
	<u>\$ 20,013,390</u>	<u>\$ 13,498,833</u>	<u>\$ 6,514,557</u>

As mentioned in Note IIA, the Town employs encumbrance accounting. The Town had the following outstanding encumbrances related to capital projects at September 30, 2021. The Airport fund had \$13,337 related to the construction of the customs facility and \$200,000 for the license plate recognition project, the Stormwater fund had \$306,463 for drainage improvements, the Utility fund had \$872,865 for pump station and sewer line improvements, and the Capital Project fund had \$30,104,010 for various streets, facilities, and parks projects.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interlocal Sanitary Sewer Interceptor Agreement

The Town is party to an interlocal agreement, which established a non-profit water supply corporation (North Dallas County Water Supply Corporation) for the purpose of constructing, maintaining, and operating a joint sanitary sewer interceptor with the City of Farmers Branch. The non-profit water supply corporation is governed by a six-member board composed of three appointees from each entity. The Town was obligated for construction costs of the project in proportion to its percentage of allocated flows for each specific portion of the project as set forth in the agreement. The Town is also obligated to pay 55% of all general overhead costs. Operating and maintenance costs since the project became operational shall be paid in accordance with respective percentages of allocated flows as set forth in the agreement.

The Town's net investment and its share of general overhead expenses are reported in the Town's Utility Fund (an enterprise fund). The Town's equity interest in the North Dallas County Water Supply Corporation of \$6,310,687 is included in Unrestricted Net Position. This joint venture provides audited financial statements bi-annually. The most recent audit report available is for the year ended September 30, 2021. Complete financial statements for the North Dallas County Water Supply Corporation can be obtained from Charles Cox, Secretary/Treasurer, North Dallas County Water Supply Corporation, 13000 William Dodson Parkway, Farmers Branch, Texas.

F. Long-Term Debt

The long-term debt of the Town consisted of the following as of September 30, 2021:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Combination Tax and Revenue Certificates of Obligation Series of 2012		
A series of 2,967 bonds at \$5,000 each dated August 15, 2012. The bonds were issued for the purpose of (i) acquiring and installing radio and telecommunication equipment for Town public safety operations, (ii) designing, acquiring, improving, constructing, and renovating water, wastewater and street infrastructure improvements, including drainage infrastructure, within the Vitruvian Park area of the Town; and (iii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the certificates. The bonds mature serially through 2032 with interest rates ranging from 1.5% to 4%. The bonds are callable at par value plus accrued interest on or after February 15, 2022 in whole or in part in principal amounts of \$5,000. Bonds and interest are payable from a combination of Ad Valorem taxes and a limited pledge (not to exceed \$1,000) of surplus net revenues of the Town's Utility Fund.	\$ 10,230,000	\$ -
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Refunding and Improvement Bonds Series of 2012		
<p>A series of 4,518 bonds at \$5,000 each dated August 15, 2012. The bonds were issued to fund various public improvement projects up to \$19,830,000 to include construction, engineering, and other professional services; refund the Town's outstanding General Obligation Bonds, Series 2004, and General Obligation Refunding and Improvement Bonds, Series 2005; and pay the costs of issuance associated with the sale of the bonds. The bonds mature serially through 2032 with interest rates ranging from 2% to 5%. The bonds are callable at par plus accrued interest on or after February 15, 2022 in whole or in part in principal amounts of \$5,000. Bonds and interest are payable from Ad Valorem taxes.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured</p>	\$ 875,000	\$ -
General Obligation Bonds, Tax-Exempt Series of 2013		
<p>A series of 933 bonds at \$5,000 each dated July 15, 2013. The bonds were issued to provide funds to (i) engineer, construct, improve, repair, develop, extend and expand streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting and the acquisition of land therefore; (ii) acquire and improve land and interest in land to provide improvements, additions and access to the Addison Municipal Airport, and (iii) pay the costs of issuing the Tax-Exempt Bonds. The bonds mature serially through 2023 with interest rates ranging from 2% to 5%. The bonds are callable at par plus accrued interest on or after February 15, 2023 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ 425,000	\$ -
General Obligation Bonds Series 2013A (AMT)		
<p>A series of 375 bonds at \$5,000 each dated July 15, 2013. The bonds were issued to provide funds to: (i) acquire and improve of land and interests in land to provide improvements, additions and access to the Addison Municipal Airport, and (ii) pay the costs of issuing the AMT bonds. The bonds mature serially through 2023 with interest rates ranging from 2% to 2.25%. The bonds are not callable.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ 175,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds Taxable Series of 2013B		
<p>A series of 250 bonds at \$5,000 each dated July 15, 2013. The bonds, used together with other available Town funds, were issued to provide funds to: (i) acquire and improve land and interests in land to provide improvements, additions and access to the Addison Municipal Airport, and (ii) pay the costs of issuing the Taxable Bonds. The bonds mature serially through 2023 with interest rates ranging from 3.75% to 5%. The bonds are callable at par plus accrued interest on or after February 15, 2023 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ 115,000	\$ -
Combination Tax and Revenue Certificates of Obligation Series of 2013		
<p>A series of 2,037 bonds at \$5,000 each dated July 15, 2013. The Certificates were issued for (i) (a) designing, acquiring, improving, constructing and renovating facilities and infrastructure at the Addison Municipal Airport and the acquisition and improvement of land and interests in land to provide improvements, additions and access to the airport, (b) designing, acquiring, improving, constructing, and renovating City drainage and stormwater infrastructure and facilities ((a) and (b) together, the "Project") and (ii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. The bonds mature serially through 2023 with interest rates ranging from 2% to 5%. The bonds are callable at par plus accrued interest on or after February 15, 2023 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ -	\$ 920,000
General Obligation Bonds, Tax-Exempt Series 2014		
<p>A series of 2,400 bonds at \$5,000 each dated February 15, 2014. The bonds were issued to provide funds for: (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; relocating utilities currently located in or adjacent to the Belt Line Road right-of-way and acquiring, constructing, and developing Belt Line Road roadway and streetscape improvements and the acquisition of land therefor; and (iii) for the payment of the costs of issuing the Tax-Exempt Bonds. The bonds mature serially through 2034 with interest rates ranging from 3% to 3.625%. The bonds are callable at par plus accrued interest on or after February 15, 2024 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ 9,255,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Certificates of Obligation Series 2014		
A series of 1,513 bonds at \$5,000 each dated February 15, 2014. The Certificates were issued for (i) designing, constructing, installing, acquiring and equipping additions, extensions and improvements to the Town's water and wastewater system, and the acquisition of land and interests in land for such projects, (the "Project") and (ii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. The bonds mature serially through 2034 with interest rates ranging from 1% to 4%. The bonds are callable at par plus accrued interest on or after February 15, 2024 in whole or in part in principal amounts of \$5,000.	\$ -	\$ 5,680,000
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
General Obligation Refunding Bonds Series 2016		
A series of 4,712 bonds at \$5,000 each dated May 13, 2016. The bonds were issued to refund a portion of the Town's outstanding debt for debt service savings and to pay the costs associated with the issuance of the bonds. The bonds mature serially through 2033 with interest rates ranging from 3% to 5%. The bonds are callable at par plus accrued interest on or after February 15, 2026 in whole or in part in principal amounts of \$5,000.	\$ 15,000,000	\$ 4,645,000
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
Combination Tax and Revenue Certificates of Obligation Series 2018		
A series of 2,623 bonds at \$5,000 each dated December 11, 2018. The bonds were issued for the purpose of (i) designing, constructing, installing, acquiring and equipping additions, extensions and improvements to the Town's water and wastewater system, and the acquisition of land and interests in land for such projects, (ii) designing, acquiring, improving, constructing, and renovating facilities and infrastructure at the Addison Municipal Airport related to constructing and equipping a new customs and airport administration facility, and (iii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the certificates. The bonds mature serially through 2039 with interest rates ranging from 3% to 5%. The bonds are callable at par value plus accrued interest on or after February 15, 2028 in whole or in part in principal amounts of \$5,000. Bonds and interest are payable from a combination of Ad Valorem taxes and a limited pledge (not to exceed \$1,000) of surplus net revenues of the Town's Utility Fund.	\$ -	\$ 12,425,000
Ratings: Moody's "Aaa"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	Governmental Activities	Business-type Activities
Combination Tax and Revenue Certificates of Obligation Series 2019		
<p>A series of 3,380 bonds at \$5,000 each dated September 10, 2019. The bonds were issued for the purpose of (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor, (ii) improvements to a groundwater well to supply water to the Town's Vitruvian Park, and (iii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the certificates. The bonds mature serially through 2039 with interest rates ranging from 3% to 4%. The bonds are callable at par value plus accrued interest on or after February 15, 2028 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aaa"; Standard & Poor's "AAA"</p>	\$ 15,605,000	\$ -
General Obligation Bonds Series 2020		
<p>A series of 2,727 bonds at \$5,000 each dated August 11, 2020. The bonds were issued for the purpose of (i) constructing and improving Keller Springs Road and Airport Parkway, including sidewalks, bridges, landscaping, streetlighting, right-of-way protection, and related storm drainage improvements and acquiring rights-of-way in connection therewith, (ii) acquiring, developing, renovating and improving parks, park facilities, including the Addison Athletic Club, and open spaces for park and recreation purposes in and for the Town, including the acquisition of land therefor, (iii) renovating, repairing, improving, and equipping existing Town service, public safety, conference and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, facade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws, (iv) improving, acquiring and equipping advanced traffic control systems and facilities, and (v) paying of the costs of issuance of the Bonds. The bonds mature serially through 2040 with interest rates ranging from 2% to 5%. The bonds are callable at par value plus accrued interest on or after August 15, 2029 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aaa"; Standard & Poor's "AAA"</p>	\$ 13,100,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Refunding Bonds Taxable Series 2020		
<p>A series of 2,641 bonds at \$5,000 each dated August 11, 2020. The bonds were issued for the purpose of (i) refund the Refunded Bonds, and (ii) pay of the costs of issuance of the Bonds. The bonds mature serially through 2032 with interest rates ranging from 0.2% to 2%. The bonds are callable at par value plus accrued interest on or after August 15, 2029 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aaa"; Standard & Poor's "AAA"</p>	\$ 12,925,000	\$ -
General Obligation Bonds Series 2021		
<p>A series of 2,970 bonds at \$5,000 each dated August 1, 2021. The bonds were issued for the purpose of (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, intersections, grade separations, sidewalks, and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting and the acquisition of land therefor, (ii) acquiring, developing, renovating and improving parks, park facilities, recreation facilities, including the Addison Athletic Club, and open spaces for park and recreation purposes in and for the Town, including the acquisition of land therefor, (iii) renovating, repairing, improving, and equipping existing Town service, public safety, conference and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, facade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws, (iv) improving, acquiring and equipping advanced traffic control systems and facilities, and (v) paying of the costs of issuance of the Bonds. The bonds mature serially through 2041 with interest rates ranging from 2% to 5%. The bonds are callable at par value plus accrued interest on or after August 15, 2030 in whole or in part in principal amounts of \$5,000.</p> <p>Ratings: Moody's "Aaa"; Standard & Poor's "AAA"</p>	\$ 14,850,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Refunding Bonds Taxable Series 2021		
A series of 2,192 bonds at \$5,000 each dated August 1, 2021. The bonds were issued for the purpose of (i) to refund certain outstanding ad valorem tax obligations of the Town as described in Schedule I - Schedule of Refunding Obligations for debt service savings, and (ii) for payment of the costs of issuance of the Taxable Bonds. The bonds mature serially through 2033 with interest rates ranging from 1.15% to 3%. The bonds are callable at par value plus accrued interest on or after August 15, 2030 in whole or in part in principal amounts of \$5,000. Ratings: Moody's "Aaa"; Standard & Poor's "AAA"	\$ 4,315,000	\$ 6,645,000
TOTAL LONG-TERM DEBT OUTSTANDING	<u>\$ 96,870,000</u>	<u>\$ 30,315,000</u>

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

A summary of long-term liability activity for the year ended September 30, 2021 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 59,500	\$ 19,165	\$ (7,630)	\$ 71,035	\$ 4,280
Premium on General Obligation Bonds	4,237	1,352	(821)	4,768	-
Discount on General Obligation Bonds	(7)	(6)	1	(12)	-
Certificates of Obligation	27,185	-	(1,350)	25,835	1,390
Premium on Certificates of Obligation	1,113	-	(104)	1,009	-
Discount on Certificates of Obligation	(75)	-	5	(70)	-
Net Pension Liability	2,820	12,653	(13,354)	2,119	-
Compensated Absences	1,199	231	(185)	1,245	150
Total OPEB Liability	4,177	692	(274)	4,595	206
Long-Term Liabilities – Governmental Activities	<u>\$ 100,149</u>	<u>\$ 34,087</u>	<u>\$ (23,712)</u>	<u>\$ 110,524</u>	<u>\$ 6,026</u>
Business-type Activities:					
General Obligation Refunding Bonds	\$ 4,965	\$ 6,645	\$ (320)	\$ 11,290	\$ 465
(Payable from airport and utility system revenues)					
Premium on General Obligation Refunding Bonds	651	-	(98)	553	-
Discount on General Obligation Refunding Bonds	-	(9)	-	(9)	-
Combination Tax and Revenue Certificates of Obligation	8,945	-	(2,130)	6,815	390
(Payable from airport revenues)					
Premium on Combination Tax and Revenue C.O.	291	-	(84)	207	-
Combination Tax and Revenue Certificates of Obligation	12,105	-	(550)	11,555	570
(Payable from utility system revenues)					
Premium on Combination Tax and Revenue C.O.	227	-	(21)	206	-
Combination Tax and Revenue Certificates of Obligation	5,365	-	(4,710)	655	320
(Payable from storm water system revenues)					
Premium on Combination Tax and Revenue C.O.	163	-	(156)	7	-
Note Payable	57	-	(57)	-	-
Net Pension Liability	197	735	(775)	157	-
Compensated Absences	95	122	(26)	191	25
Total OPEB Liability	363	60	(24)	399	-
Long-Term Liabilities – Business-type Activities	<u>\$ 33,424</u>	<u>\$ 7,553</u>	<u>\$ (8,951)</u>	<u>\$ 32,026</u>	<u>\$ 1,770</u>

During the current fiscal year, the Town refunded \$10,155,000 of governmental GO's with a \$318,677 unamortized premium in a taxable refunding issuance entitled GO Refunding Bonds, Taxable Series 2021. No additional proceeds were received, and the Town paid \$47,251 in issuance costs and underwriter discounts from the General Obligation Debt Service Fund. The new issuance resulted in \$10,960,000 governmental GO refunding bonds with a discount of \$15,152. As a result of the taxable refunding, the Town reduced its total debt service requirements by \$1,468,772, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,328,239.

The Town intends to retire all of its general obligation bonds (other than those recorded in the enterprise funds), plus interest, from future Ad Valorem tax levies, interest income, and transfers from other funds. The Town is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. There is \$573,411 available in the General Obligation Debt Service Fund to service the general obligation bonds.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Proprietary fund-type debt is to be repaid from net revenues of the enterprise funds and is, accordingly, recorded as enterprise fund debt.

Bonded debt is direct obligations and pledge the full faith and credit of the government for both governmental and business-type activities. There are a number of limitations and restrictions contained in the various general obligations, certificates of obligation, and revenue bond indentures. The Town is in compliance with all significant limitations and restrictions at September 30, 2021.

For the governmental activities, compensated absences are generally liquidated in the General Fund, Economic Development Fund and Hotel Fund. Also for governmental activities, the net pension liability and total OPEB liability is generally liquidated from the General Fund.

The debt service requirements on the aforementioned bonded debt are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
General Obligation Bonds:				
2022	\$ 4,280,000	\$ 2,008,570	\$ 465,000	\$ 293,998
2023	4,385,000	1,911,265	475,000	283,855
2024	4,495,000	1,790,679	965,000	264,655
2025	4,640,000	1,666,604	990,000	243,705
2026	4,790,000	1,524,304	1,020,000	219,955
2027-2031	25,360,000	5,135,181	5,185,000	685,338
2032-2036	15,290,000	1,534,064	2,190,000	66,565
2037-2041	7,795,000	371,372	-	-
	<u>\$ 71,035,000</u>	<u>\$ 15,942,039</u>	<u>\$ 11,290,000</u>	<u>\$ 2,058,071</u>
Certificates of Obligation:				
2022	\$ 1,390,000	\$ 811,538	\$ 1,280,000	\$ 675,750
2023	1,445,000	758,613	1,335,000	627,125
2024	1,505,000	699,612	895,000	588,975
2025	1,560,000	642,512	925,000	561,675
2026	1,620,000	587,463	960,000	530,600
2027-2031	6,935,000	2,261,338	5,455,000	2,042,319
2032-2036	7,535,000	1,190,363	5,485,000	909,722
2037-2040	3,845,000	157,819	2,690,000	145,866
	<u>\$ 25,835,000</u>	<u>\$ 7,109,258</u>	<u>\$ 19,025,000</u>	<u>\$ 6,082,032</u>

At September 30, 2021, the Town had \$65,390,000 authorized but unissued general obligation bonds.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2021 is as follows, and it has been classified as internal balances within the government-wide statement of net position:

	Interfund Receivables	Interfund Payables	
Capital Project Fund	\$ 530,000	\$ -	
Airport Fund	-	530,000	Loan for AFRR, reimbursement expected in subsequent years
Total	<u>\$ 530,000</u>	<u>\$ 530,000</u>	

Transfers between funds during the year ended September 30, 2021 were comprised of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ -	\$ 3,460,950	For capital projects
Capital Project Fund	3,460,950	-	For capital projects
Hotel Fund	-	384,000	For economic development
Economic Development Fund	384,000	-	For economic development
Airport Fund	-	17,940	For assests transferred to Internal Svc Fund
Utility Fund	-	38,074	For assests transferred to Internal Svc Fund
Internal Service Fund	17,940	-	For assests transferred to Internal Svc Fund
Internal Service Fund	38,074	-	For assests transferred to Internal Svc Fund
Internal Service Fund	-	183,255	For purchase of assets in Internal Svc Fund
Internal Service Fund	-	130,809	For purchase of assets in Internal Svc Fund
Internal Service Fund	-	19,720	For purchase of assets in Internal Svc Fund
Airport Fund	183,255	-	For purchase of assets in Internal Svc Fund
Utility Fund	130,809	-	For purchase of assets in Internal Svc Fund
Airport Fund	19,720	-	For purchase of assets in Internal Svc Fund
Total Transfers	<u>\$ 4,234,748</u>	<u>\$ 4,234,748</u>	

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION

A. Risk Management

The Town 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. During fiscal year 2021, the Town maintained workers compensation, general liability and property coverage through the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). The Town pays an annual premium to TMLIRP for such coverage. TMLIRP purchases reinsurance and the Town does not retain risks of loss exceeding deductibles. The Town's general liability coverage is \$5,000,000 and \$10,000,000 in the aggregate. Settled claims have not exceeded insurance coverage in each of the past five years.

For the period of October 2020 to September 2021, the Town offered health benefits through one of two plans operated by Blue Cross Blue Shield. Employees were able to choose either an HSA (health savings account) plan or a PPO (preferred provider organization) plan. The Town also offers a dental plan through Delta Dental and a vision plan through Blue Cross Blue Shield of Texas Vision. The HSA, PPO, and dental plans are funded by joint contributions from the employees and the Town and are accounted for in the respective operating funds. The vision plan is solely from employee contributions.

Blue Cross and Delta Dental plans are fully insured contracts. Monthly premiums paid to Blue Cross and Delta Dental were based upon fixed employee and dependent rates that are established each year.

B. Employee's Retirement System

1) Pension Plan

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Town specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Town's net pension liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

Plan Description

The Town provides pension benefits for all of its full-time employees through a nontraditional, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 890 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. 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 (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

TMRS issues a publicly available Annual Comprehensive Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The report is also available on the System's web site at: <http://www.tmr.com/publications.php>.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

Benefits depend upon the sum of the employee's contributions to the plan and the Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for services rendered before the plan began based on an amount equal to two times what would have been contributed by the employee plus interest. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions. Beginning in 1994, the Town adopted an annually repeating type of monetary credit referred to as an updated service credit which when added to the employee's accumulated contributions and the monetary credits for service since the plan began would be the total monetary credits and employee contributions accumulated with interest, if the current employee contribution rate and Town matching percent had always been in existence. The calculation included a three-year exponential average of the actual salaries paid during the prior fiscal years.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits plus interest were used to purchase an annuity. Also, in 1994, the Town adopted annually repeating annuity increases for its retirees equal to 70% of the change in the consumer price index. The Town discontinued the annual increases in January 2009 and began doing ad hoc increases through 2014, still at 70%. The Town has not adopted an ad hoc COLA since 2014.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at certain ages, based on the years of service with the Town. The service retirement eligibilities for the Town are: 5 years/age 60, 20 years/any age. Plan provisions for the Town are as follows:

Deposit Rate:	7%
Matching Ratio (Town to Employee):	2 to 1
A member is vested after:	5 years

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	232
Inactive employees entitled to but not yet receiving benefits	236
Active employees	<u>278</u>
Total	<u>746</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for the Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Since the Town needs to know its contribution rates 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.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The Town elected to contribute at the full rates for calendar year 2020 of 11.22%. Accordingly, contributions to TMRS for the year ended September 30, 2021 were \$2,450,696 and were equal to the required contribution.

Net Pension Liability

The Town's Net Pension Liability was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year including inflation
Investment rate of return	6.75% net of pension plan investment expense including inflation

Salary increases were based on service-related tables. Mortality rates for active members and retirees were multiplied by 107.5% for both males and females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the same table as healthy retirees is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2020, valuation were based on the actuarial investigation of experience of TMRS. This investigation was for the period December 31, 2014 through December 31, 2018.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Location</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100.0%</u>	

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%. A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the Town's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Town. The projection of cash flows used to determine the single discount rate for the Town assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the Town will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 10/1/2020	\$ 136,646,183	\$ 133,628,634	\$ 3,017,549
Changes for the year:			
Service cost	3,442,943	-	3,442,943
Interest	9,077,037	-	9,077,037
Difference between expected and actual experience	800,065	-	800,065
Contributions - employer	-	2,450,696	(2,450,696)
Contributions - employee	-	1,551,077	(1,551,077)
Net investment income	-	10,128,771	(10,128,771)
Benefit payments, including refunds of employee contributions	(7,786,079)	(7,786,079)	-
Administrative expense	-	(65,634)	65,634
Other	-	(2,561)	2,561
Net changes	5,533,966	6,276,270	(742,304)
Balance at 9/30/2021	\$ 142,180,149	\$ 139,904,904	\$ 2,275,245

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75% as well as what the Town's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Town's net pension liability	\$ 20,889,590	\$ 2,275,245	\$ (13,120,559)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the Town recognized pension expense of \$1,330,118. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ 1,096,331	\$ -
Contributions subsequent to the measurement date	1,998,885	-
Change of assumptions	205,733	-
Difference between projected and actual investment earnings	-	(3,753,959)
Total	<u>\$ 3,300,949</u>	<u>\$ (3,753,959)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date but before the end of the Town's reporting period of \$1,998,885 will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30	Net deferred outflows (inflows) of resources
2022	\$ (869,851)
2023	691,928
2024	(2,054,204)
2025	(219,768)
Total	<u>\$ (2,451,895)</u>

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll.

2) Deferred Compensation Plan

The Town offers all employees a deferred compensation plan through Mission Squared (Trustee) in accordance with Internal Revenue Code Section 457. The ICMA-RC 457 plan provides employees the option to supplement their TMRS retirement benefits by making pre-tax contributions to their plan. The Town matches 2.67% of employee contributions up to 4.0% of their base salaries. The 457 plan contribution maximums for 2021 are \$20,500 for individuals under 50, \$26,000 for age 50 catch-up, and \$39,000 for the regular catch-up provision. Employees may enroll in the plan and/or change their contribution amounts at any time. The total amount contributed by the Town for fiscal year 2021 was \$621,775.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

3) Other Postemployment Benefits

A summary of OPEB related items as of and for the year ended September 30, 2021, is presented below.

Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 3,363,184	\$ 468,912	\$ (158,168)	\$ 317,623
Business-Type Activities	292,183	40,738	(13,756)	27,619
Supplemental Death Benefits				
Governmental Activities	1,231,852	277,615	(56,764)	114,833
Business-Type Activities	107,020	24,145	(4,934)	9,985
Total	<u>\$ 4,994,239</u>	<u>\$ 811,410</u>	<u>\$ (233,622)</u>	<u>\$ 470,060</u>

Retiree Health Care Plan Description

In addition to the pension benefits described above, as required by state law and defined by Town Policy, the Town makes available health care benefits to all employees who retire from the Town and who are receiving benefits from a Town-sponsored retirement program (Texas Municipal Retirement System and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit healthcare plan. This healthcare plan provides lifetime insurance, or until age 65 if eligible for Medicare, to eligible retirees, their spouses and dependents through the Town's group health insurance plan, which covers both active and retired members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

Current retirees in the health plan and active employees with 20 years or more of service or at age 60 or more with five years or more of service at retirement are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report. Benefit provisions for retirees are not mandated by any form of employment agreement. The continued provision of these benefits is based entirely on the discretion of the Town of Addison City Council.

A measurement date of December 31, 2020 was used for the September 30, 2021 liability and expense. The information that follows was determined as of a valuation date of December 31, 2020.

Employees covered by benefit terms

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	53
Active Members	<u>278</u>
Total	<u>331</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Contributions

Before age 65, the Town will pay a \$150 monthly stipend toward the retiree’s healthcare premium if the retiring employee meets the eligibility criteria at the time of termination and elects coverage in the health plan. For members who retire after 65 or were eligible for the \$150 stipend before age 65, the Town will pay a \$75 monthly stipend directly to the retiree. Current retirees contribute to the health plan the total blended premium for active and retired participants, less the \$150 stipend provided by the Town. The Town contribution to the health plan consists of total premiums in excess of retiree contributions.

Retirees receiving medical benefits during fiscal year 2021 contributed \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2021, total retiree contributions were \$155,626.

Total OPEB Liability for Retiree Health Care Plan

The Town of Addison utilized the actuarial services of Gabriel, Roeder, Smith & Company (GRS), a company who has been providing actuarial consulting services since 1938, under the shared services arrangement provided by GRS and North Central Texas Council of Governments. The Town's total OPEB liability for healthcare benefits of \$3,655,367 was measured as of December 31, 2020.

Actuarial assumptions

The Town's total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

Inflation	2.50% per year
Salary Increases	3.50% to 11.50%, including inflation
Discount rate	2.0% (2.75% in prior year)
Healthcare cost trend rates	7.0% for 2021, declining to 4.25% after 13 years
Participation rates	50% of employees who retire before age 65 and 90% of employees who retire at age 65 or older (100% of employees who retire at age 65 or older in prior year)

For plans that do not have a formal trust that meets the GASB's requirements, the discount rate is equal to the tax-exempt municipal bond rate based on a 20-year general obligation AA bond rating as of the measurement date. The rate of 2.00 percent is based on the daily rate closest to but not later than the measurement date using the Fidelity 20-Year Municipal G.O. AA Index.

Mortality rates were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Changes in the Total OPEB Liability for Retiree Health Care Plan

	Total OPEB Liability
Balance as of 10/1/20	\$ 3,434,751
Changes for the year:	
Service cost	223,105
Interest on OPEB Liability	94,810
Effect of difference in expected & actual experience	(82,782)
Effect of changes of assumptions	182,815
Benefit payments	(197,332)
Change in total OPEB Liability	220,616
Balance as of 9/30/21	\$ 3,655,367

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability of the Town, calculated using a discount rate of 2.00% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 4,041,825	\$ 3,655,367	\$ 3,315,933

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the plan's total OPEB liability of the Town, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB liability	\$ 3,366,433	\$ 3,655,367	\$ 4,004,584

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the Town recognized OPEB expense of \$345,242. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ -	\$ (107,582)
Change of assumptions	363,558	(64,342)
Benefit payments made subsequent to measurement date	146,092	-
Total	<u>\$ 509,650</u>	<u>\$ (171,924)</u>

Deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date but before the end of the Town's reporting period of \$146,092 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30	Net deferred outflows (inflows) of resources
2022	\$ 27,327
2023	27,327
2024	27,327
2025	27,327
2026	27,327
Thereafter	54,999
Total	<u>\$ 191,634</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Supplemental Death Benefits Fund Description

Texas Municipal Retirement System ("TMRS") administers an agent multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

A measurement date of December 31, 2020 was used for the September 30, 2021 liability and expense. The information that follows was determined as of a valuation date of December 31, 2020.

Employees covered by benefit terms

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	172
Inactive employees entitled to but not yet receiving benefits	62
Active employees	<u>278</u>
Total	<u>512</u>

Contributions

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contribution for retirees. The Town's Supplemental Death Benefit Plan contributions for 2021 were \$6,634.

Total OPEB Liability for Supplemental Death Benefits

The Town's total OPEB liability for supplemental death benefits of \$1,338,872 was measured as of December 31, 2020.

Actuarial assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Discount rate	2.00% (2.75% in prior year)

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

For plans that do not have a formal trust that meets the GASB's requirements, the discount rate is equal to the tax-exempt municipal bond rate based on a 20-year general obligation AA bond rating as of the measurement date. The rate of 2.00 percent is based on the daily rate closest to but not later than the measurement date using the Fidelity 20-Year Municipal G.O. AA Index.

Mortality rates were based on the 2019 Municipal Retirees of Texas Mortality Tables and projected on a fully generational basis with scale UMP.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability for supplemental death benefits

	Total OPEB Liability
Balances as of 10/1/20	\$ 1,105,399
Changes for the year:	
Service cost	37,592
Interest on OPEB Liability	30,824
Effect of difference in expected & actual experience	(11,779)
Effect of changes in assumptions or other inputs	183,470
Benefit payments	(6,634)
Change in OPEB Liability	233,473
Balances as of 9/30/21	\$ 1,338,872

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability of the Town, calculated using a discount rate of 2.00% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 1,649,052	\$ 1,338,872	\$ 1,101,755

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the Town recognized OPEB expense of \$124,818. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (27,559)
Change of assumptions	301,760	(34,139)
Total	\$ 301,760	\$ (61,698)

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30	Net deferred outflows (inflows) of resources
2022	\$ 56,402
2023	56,006
2024	43,752
2025	58,418
2026	25,484
Total	<u>\$ 240,062</u>

C. Contingencies

The Town is party to various legal actions arising in the ordinary course of business, none of which is believed by the Town's management to have a material impact on the financial condition of the Town. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The Town of Addison has a \$5,000,000 loan from the North Central Texas Council of Governments (NCTCOG) for Addison's future contribution to Dallas Area Rapid Transit (DART) for the Cotton Belt, also known as the Silver Line. NCTCOG transferred the \$5,000,000 to DART in 2019. The loan is to be repaid over 10 years at 1.8% interest, starting after the completion of the Cotton Belt. The Town of Addison is not responsible for any repayment of the loan unless and until the Cotton Belt is finished. If the Cotton Belt fails to materialize, the Town has no obligation to repay the loan. Completion is currently anticipated in 2024.

D. Tax Incentive Rebates

The Town of Addison has two active Commercial Development and Job Related Incentive Rebates that develop or redevelop a particular property attracting businesses that generate incremental tax revenues. In addition to GASB 77, the agreements are subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity and business stimulation. City Council approves the agreements via resolution. As part of the agreements, the Town agrees to rebate a portion of the ad valorem or sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreements in a particular year, the businesses forego the rebates in that year.

The agreement with one entity, executed March 4, 2016, provides a rebate for 50% of business personal property (ad valorem) tax for ten years and a total amount of \$50,000 for waiver of permit fees. The entity did not meet the eligibility criteria to receive the incentive in the year ended September 30, 2021, and the amount forgone was \$17,375. Over the life of the contract, the entity has forgone \$86,873.

The agreement with the other entity provides a rebate for 75% of sales tax over a threshold amount, of which the calculation is outlined in the contract. The Town paid \$394,783 during the fiscal year ended September 30, 2021, and has paid \$1,752,395 over the life of the contract. Also, the contract allows for the Town of Addison to commission an independent traffic study regarding an area specified in the contract, and if warranted, the Town will pay for capital expenses related to potential signalization or other needed improvements in the specified area.

No traffic study has been warranted or commissioned as of September 30, 2021. Also, the contract requires a tree mitigation amount of \$424,385 to be paid in five installments starting the 10th anniversary of the contract execution date, which was in August 2012.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

E. New Accounting Pronouncements

The town has adopted and implemented the following statements during the fiscal year 2021.

Statement No. 84, *Fiduciary Activities* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* – These statements improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The adoption of GASB 84 and GASB 97 had no impact on the Town's net position.

Statement No. 90, *Majority Equity Interests* – This statement aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The adoption had no impact on the Town's net position.

Statement No. 98, *The Annual Comprehensive Financial Report* – This statement establishes the new term annual comprehensive financial report and the acronym ACFR. The adoption had no impact on the Town's net position.

The GASB has issued the following statements which will become effective in a future year.

Statement No. 87, *Leases* – This statement establishes a single approach to accounting for and reporting leases by state and local governments. This statement will be effective for the Town in fiscal year 2022. The Town will evaluate the potential impact on the Town's net position.

Statement No. 91, *Conduit Debt Obligations* – This statement provides a single method of reporting conduit debt and clarifies that these obligations are not government liabilities. This statement will be effective for the Town in fiscal year 2023. The Town will evaluate the potential impact on the Town's net position.

Statement No. 92, *Omnibus 2020* – This statement improves comparability and consistency of application of accounting and financial reporting and also authoritative literature. This statement will be effective for the Town in fiscal year 2022. The Town will evaluate the potential impact on the Town's net position.

Statement No. 93, *Replacement of Interbank Offered Rates* – This statement addresses implications caused by the replacement of an IBOR. This statement will be effective for the Town in fiscal year 2022. The Town will evaluate the potential impact on the Town's net position.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – This statement addresses issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). This statement will be effective for the Town in fiscal year 2023. The Town will evaluate the potential impact on the Town's net position.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provides guidance on subscription-based information technology arrangements (SBITAs) to further report on government's obligations and assets from SBITAs. This statement will be effective for the Town in fiscal year 2023. The Town will evaluate the potential impact on the Town's net position.

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. OTHER INFORMATION (CONTINUED)

F. Subsequent Events

On February 18, 2022, the Town refunded 2012 Certificates of Obligation by issuing \$8,670,000 in General Obligation Refunding Bonds, Series 2022 for debt service savings and paying of the costs of issuance of the bonds.

Required Supplementary Information

Town of Addison, Texas

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System

Schedule of the Town's Changes in Net Pension Liability/(Asset) and Related Ratios (Unaudited)

Last Seven Measurement Years (Previous years are not available)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total pension liability:				
Service cost	\$ 2,819,937	\$ 3,120,695	\$ 2,740,122	\$ 2,862,674
Interest (on the Total Pension Liability)	8,660,470	9,031,058	7,721,380	8,023,052
Changes in benefit terms including substantively automatic status	-	-	(20,027,692)	-
Difference between expected and actual experience	(987,858)	(1,253,581)	(37,547)	827,177
Change in assumptions	-	467,077	-	-
Benefit payments, including refunds of employee contributions	(5,193,445)	(5,504,175)	(6,038,979)	(5,993,041)
Net change in total pension liability	5,299,104	5,861,074	(15,642,716)	5,719,862
Total pension liability - beginning	124,907,757	130,206,861	136,067,935	120,425,219
Total pension liability - ending (a)	130,206,861	136,067,935	120,425,219	126,145,081
Plan fiduciary net position:				
Contributions - employer	1,789,255	1,824,122	1,743,443	1,942,088
Contributions - employee	1,224,976	1,257,382	1,266,899	1,323,808
Net investment income	6,157,338	164,587	7,376,667	15,717,180
Benefit payments, including refunds of employee contributions	(5,193,445)	(5,504,175)	(6,038,979)	(5,993,041)
Administrative expense	(64,289)	(100,255)	(83,336)	(81,484)
Other	(5,286)	(4,952)	(4,490)	(4,130)
Net change in plan fiduciary net position	3,908,549	(2,363,291)	4,260,204	12,904,421
Plan fiduciary net position - beginning	107,639,477	111,548,026	109,184,735	113,444,939
Plan fiduciary net position - ending (b)	111,548,026	109,184,735	113,444,939	126,349,360
Net pension liability/(asset) - ending (a) - (b)	\$ 18,658,835	\$ 26,883,200	\$ 6,980,280	\$ (204,279)
Plan fiduciary net position as a percentage of total pension liability	85.67%	80.24%	94.20%	100.16%
Covered payroll	\$ 17,479,153	\$ 17,945,341	\$ 18,098,559	\$ 18,895,541
Net pension liability/(asset) as a percentage of covered payroll	106.75%	149.81%	38.57%	-1.08%

Changes in assumptions: In the 2015 valuation the investment rate of return decreased from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; the experience study for retirement age was updated.

The information in this schedule has been determined as of the measurement date (December 31) of the Town's net pension liability/(asset) and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

Town of Addison, Texas

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System

Schedule of the Town's Changes in Net Pension Liability/(Asset) and Related Ratios, Continued (Unaudited)
Last Seven Measurement Years (Previous years are not available)

	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total pension liability:			
Service cost	\$ 3,028,227	\$ 3,261,975	\$ 3,442,943
Interest (on the Total Pension Liability)	8,365,372	8,672,125	9,077,037
Changes in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	154,569	857,318	800,065
Change in assumptions	-	402,607	-
Benefit payments, including refunds of employee contributions	(7,455,524)	(6,785,567)	(7,786,079)
Net change in total pension liability	4,092,644	6,408,458	5,533,966
Total pension liability - beginning	126,145,081	130,237,725	136,646,183
Total pension liability - ending (a)	130,237,725	136,646,183	142,180,149
Plan fiduciary net position:			
Contributions - employer	2,066,662	2,259,912	2,450,696
Contributions - employee	1,382,710	1,480,167	1,551,077
Net investment income	(3,781,614)	18,296,106	10,128,771
Benefit payments, including refunds of employee contributions	(7,455,524)	(6,785,567)	(7,786,079)
Administrative expense	(73,147)	(103,502)	(65,634)
Other	(3,822)	(3,109)	(2,561)
Net change in plan fiduciary net position	(7,864,734)	15,144,007	6,276,270
Plan fiduciary net position - beginning	126,349,361	118,484,627	133,628,634
Plan fiduciary net position - ending (b)	118,484,627	133,628,634	139,904,904
Net pension liability/(asset) - ending (a) - (b)	\$ 11,753,098	\$ 3,017,549	\$ 2,275,245
Plan fiduciary net position as a percentage of total pension liability	90.98%	97.79%	98.40%
Covered payroll	\$ 19,727,861	\$ 21,140,471	\$ 22,112,672
Net pension liability/(asset) as a percentage of covered payroll	59.58%	14.27%	10.29%

Changes in assumptions: In the 2015 valuation the investment rate of return decreased from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; the experience study for retirement age was updated.

The information in this schedule has been determined as of the measurement date (December 31) of the Town's net pension liability/(asset) and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System
Schedule of Town Contributions (Unaudited)
September 30, 2021

	(1)	(2)	(3) = (2) - (1)	(4)	(5) = (1) / (4)	(6) = (2) / (4)
Fiscal Year	Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contribution excess (deficiency)	Covered payroll	Actuarially determined contributions as a percentage of covered payroll	Contributions as a percentage of covered payroll
2015	1,874,383	1,874,383	-	18,804,927	9.97%	9.97%
2016	1,786,827	1,786,827	-	18,465,892	9.68%	9.68%
2017	1,893,931	1,893,931	-	18,796,558	10.08%	10.08%
2018	2,136,195	2,136,195	-	19,933,808	10.72%	10.72%
2019	2,172,375	2,172,375	-	21,064,448	10.31%	10.31%
2020	2,259,912	2,259,912	-	21,140,471	10.69%	10.69%
2021	2,450,696	2,450,696	-	22,268,039	11.01%	11.01%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumption Used to Determine Contribution Rate for 2021:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: Pub(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

The information in this schedule has been determined as of the Town's fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods for which such information is available are presented.

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Healthcare Plan

Schedule of Changes in the Town's Total OPEB Liability and Related Ratios (Unaudited)
 Last Four Measurement Years (Previous years are not available)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Total OPEB liability - beginning	\$ 2,881,200	\$ 3,152,539	\$ 3,160,157	\$ 3,434,751
Service cost	135,826	176,485	151,275	223,105
Interest on the total OPEB liability	110,017	105,055	117,504	94,810
Difference between expected and actual experience of the total OPEB liability	(4,477)	(45,102)	(1,268)	(82,782)
Changes of assumptions	153,032	(94,984)	144,221	182,815
Benefit payments	(123,059)	(133,836)	(137,138)	(197,332)
Net change in total OPEB liability	271,339	7,618	274,594	220,616
Total OPEB liability - ending	\$ 3,152,539	\$ 3,160,157	\$ 3,434,751	\$ 3,655,367

Covered-employee payroll	\$ 18,897,760	\$ 20,042,555	\$ 21,353,599	\$ 22,268,039
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Total OPEB liability as a percentage of covered-employee payroll	16.68%	15.77%	16.09%	16.42%
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Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020, and revised participation and spouse coverage assumptions.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for this OPEB plan.

The information in the schedule has been determined as of the measurement date (December 31) of the Town's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
 TMRS Supplemental Death Benefits Fund (SDBF)
 Schedule of Changes in the Town's Total OPEB Liability and Related Ratios (Unaudited)
 Last Four Measurement Years (Previous years are not available)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Total OPEB liability - beginning	\$ 794,578	\$ 918,237	\$ 878,424	\$ 1,105,399
Service cost	20,785	25,646	25,369	37,592
Interest on the total OPEB liability	30,321	30,720	32,942	30,824
Differences between expected and actual experience	-	(21,647)	(10,521)	(11,779)
Changes of assumptions	78,222	(68,614)	185,527	183,470
Benefit payments	(5,669)	(5,918)	(6,342)	(6,634)
Net change in total OPEB liability	123,659	(39,813)	226,975	233,473
Total OPEB liability - ending	\$ 918,237	\$ 878,424	\$ 1,105,399	\$ 1,338,872
Covered-employee payroll	\$ 18,895,541	\$ 19,727,861	\$ 21,140,471	\$ 22,112,672
Total OPEB liability as a percentage of covered-employee payroll	4.86%	4.45%	5.23%	6.05%

Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for this OPEB plan.

The information in the schedule has been determined as of the measurement date (December 31) of the Town's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Bond Counsel Opinion]

[Date]

\$10,140,000
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BONDS,
SERIES 2022

WE HAVE represented the Town of Addison, Texas (the “Issuer”) as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

TOWN OF ADDISON, TEXAS, GENERAL OBLIGATION BONDS, SERIES 2022, dated August 11, 2022, in the principal amount of \$10,140,000.

The Bonds mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Bonds and in the bond ordinance adopted by the Town Council of the Town authorizing their issuance (the “Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have also examined executed Bond No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Town and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Town and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the Town, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations; and
- (C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

[Form of Bond Counsel Opinion]

\$12,495,000
TOWN OF ADDISON, TEXAS
COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022

WE HAVE represented the Town of Addison, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

TOWN OF ADDISON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022, dated August 1, 2022, in the principal amount of \$12,495,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the Town Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Certificate No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in

the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's waterworks and sewer system as provided in the Ordinance; and
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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