

OFFICIAL STATEMENT

Dated January 11, 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 excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. 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.



\$8,670,000
TOWN OF ADDISON, TEXAS
(Dallas County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

Dated Date: **January 1, 2022**

Due: February 15, as shown on page 2

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$8,670,000 Town of Addison, Texas, General Obligation Refunding 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 August 15, 2022, 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 The Bank of New York Mellon Trust Company, 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 1207, Texas Government Code, as amended, 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 BONDS - Authority for Issuance" and "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding ad valorem tax obligations of the Town as described in Schedule I - Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuance of the Bonds.

MATURITY SCHEDULE - BONDS

See page 2

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 February 16, 2022.

MATURITY SCHEDULE

CUSIP Prefix⁽¹⁾: 006644

<u>Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield/Price</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield/Price</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 725,000	2023	4.000%	0.400%	X52	\$ 455,000	2031	3.000%	1.360%	Y51
760,000	2024	4.000%	0.550%	X60	465,000	2032	3.000%	1.450%	Y69
785,000	2025	4.000%	0.660%	X78	480,000	2033	3.000%	1.510%	Y77
815,000	2026	2.000%	0.780%	X86	495,000	2034	3.000%	1.570%	Y85
845,000	2027	4.000%	0.920%	X94	515,000	2035	3.000%	1.640%	Y93
400,000	2028	4.000%	1.080%	Y28	525,000	2036	3.000%	1.700%	Z27
420,000	2029	4.000%	1.200%	Y36	545,000	2037	3.000%	1.760%	Z35
440,000	2030	4.000%	1.290%	Y44					

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

This Official Statement, which includes the cover page, Schedule I, 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 BONDS 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 Bonds 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 Bonds is to be construed as constituting an agreement with the initial purchasers of the Bonds. 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 Bonds 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 \$8,670,000 General Obligation Refunding Bonds, Series 2022 (the "Bonds") are scheduled to mature on February 15 in the years 2023 through 2037 (see "THE BONDS - Description of the Bonds").
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the Delivery Date, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable August 15, 2022, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of The Bonds " and "THE BONDS – Optional Redemption").
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and a bond ordinance passed by the City Council of the Town (the "Bond Ordinance") (see "THE BONDS - Authority for Issuance").
- 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 BONDS - Security and Source of Payment").
- OPTIONAL REDEMPTION** The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
- TAX STATUS** In the opinion of Bond Counsel, under existing law, 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, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding ad valorem tax obligations of the Town as described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuance of the Bonds.
- RATINGS** The Bonds 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 Bonds 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial 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").
- 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	% of Total
						Tax Debt to Taxable Assessed Valuation	Tax Collections to Tax Levy
2018	15,760	\$ 4,450,533,504	\$ 282,394	\$ 68,479,148	\$ 4,345	1.54%	99.62%
2019	15,790	4,725,759,169	299,288	61,985,000	3,926	1.31%	99.52%
2020	15,790	4,819,907,442	305,251	86,685,000	5,490	1.80%	99.33%
2021	16,320	4,925,943,024	301,835	96,870,000	5,936	1.97%	100.11%
2022	16,320	5,075,396,106	310,992	90,395,000 ⁽³⁾	5,539	1.78%	N/A

(1) Source: North Central Texas Council of Governments ("NCTCOG"). NCTCOG publishes its current population estimates in April of each year. Due to the fact that the most recent year's estimated population is not currently available, the Town has chosen to show the estimated population for 2022 equal to the NCTCOG's published 2021 estimated population figure for the Town.

(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 Bonds. Excludes Self-Supporting Debt and the Refunded Obligations.

For additional information regarding the Town, please contact:

Wesley Pierson Steven Glickman Town of Addison P.O. Box 9010 Addison, Texas 75001 (972) 450-7001	or	Nick Bulaich Adam LanCarte Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
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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	13 Years	May, 2023	Business Owner/Insurance Agent
Guillermo Quintanilla Mayor Pro Tem	2 Years	May, 2022	Small Business Owner
Paul Walden Deputy Mayor Pro Tem	4 Years	May, 2022	Business Developer Specialist
Tom Braun Councilmember	10 Years	May, 2023	Business Owner
Lori Ward Councilmember	4 Years	May, 2023	Commercial Business Development & Management
Kathryn Wheeler Councilmember	5 Months	May, 2023	Interior Designer
Marlin Willesen Councilmember	2 Years	May, 2022	Retired

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Wesley Pierson	City Manager	6 Years
Steven Glickman	Chief Financial Officer	1 Year

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
\$8,670,000
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Schedule I and Appendices hereto, provides certain information regarding the issuance of the \$8,670,000 Town of Addison, Texas, General Obligation Refunding Bonds, Series 2022 (the "Bonds"). The Bonds are being authorized for issuance by an ordinance (the "Bond Ordinance"), adopted by the Town.

There follows in this Official Statement descriptions of the Bonds 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 2010. 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 OF THE BONDS . . . Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding ad valorem tax obligations of the Town as described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuance of the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Deposit Bond Agreement (the "Deposit Agreement") between the City and the paying agent/registrar for the Refunded Obligations. The Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser, the Town will deposit with the paying agent/registrar for the Refunded Obligations the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the paying agent/registrar for the Refunded Obligations in a special account used to defease and redeem the Refunded Obligations on their redemption date.

The Town's financial advisor or the paying agent/registrar for the Refunded Obligations will execute a certificate verifying that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Obligations or their respective redemption dates (the "Sufficiency Certificate").

By the deposit of cash with the paying agent/registrar for the Refunded Obligations pursuant to the Deposit Agreement, the Town will have affected the defeasance of all the Refunded Obligations in accordance with he law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the paying agent/registrar for the Refunded Obligations and such Refunded Obligations will not be deemed as being outstanding obligations of the Town payable-from taxes nor for the purpose of applying any limitation on the issuance of debt.

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

Sources:	
Principal Amount	\$ 8,670,000.00
Original Issue Premium	913,092.78
Transfers from Prior Issue Debt Service Funds	8,052.63
Total Sources of Funds	\$ 9,591,145.41
Uses:	
Deposit to Escrow Fund	\$ 9,477,584.69
Costs of Issuance	113,560.72
Total Uses of Funds	\$ 9,591,145.41

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 1, 2022 and mature on February 15 in each of the years and in the amounts shown on pages 2 hereof. Interest for the Bonds 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 August 15, 2022, until maturity or prior redemption. The definitive Bonds 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 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.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and a bond ordinance passed by the City Council of the Town of Addison, Texas (the "Town") (the "Bond Ordinance") (see "THE BONDS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT . . . 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.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2032 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Town may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, 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.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, 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 Bonds 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 BONDS 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 Bonds 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 Bonds 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 Ordinance provides that the Town may discharge its obligations to the registered owners of any or all of the Bonds, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, 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 Bonds 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 Bonds; 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 Bonds, as the case may be.

If any of the Bonds 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 Bonds 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 Bonds 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 Bonds have been made as described above, all rights of the Town to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds 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 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds 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 Bonds, 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 Bonds), 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 Bonds. The Bonds 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 Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds shall be sent to DTC. If less than all of the Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Bonds 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 Bonds, 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 Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, 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 Bonds 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 Bonds. 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 Bonds, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bond certificates will be delivered to the registered owners of the Bonds and thereafter the Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. 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 Bonds 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 Ordinance authorizing the issuance of the Bonds establish the following Events of Default with respect to the Bonds: (i) failure to make payment of principal of or interest on any of the Bonds 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 Bonds 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 Bonds, 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 Bonds 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 Bonds would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 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 Bonds 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 Bonds.

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 Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds 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 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

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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 Bonds.

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	<u>43,471</u>	<u>551,933,888</u>
2021/22 Taxable Assessed Valuation		<u><u>\$ 5,075,396,106</u></u>
Town Funded Debt Payable from Ad Valorem Taxes (as of 11-1-2021)		
General Obligation Bonds	\$ 82,325,000	
Certificates of Obligation	35,385,000 ⁽²⁾	
The Bonds	<u>8,670,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 126,380,000
Less Self-Supporting Debt: ⁽³⁾		
Airport Fund General Obligation Debt	8,705,000	
Drainage Fund General Obligation Debt	5,410,000	
Water and Sewer System General Obligation Debt	<u>16,200,000</u>	<u>30,315,000</u>
Net Funded Debt Payable from Ad Valorem Taxes		<u><u>\$ 96,065,000</u></u>
Interest and Sinking Fund as of 11-1-2021		\$ 780,709
Ratio Total Funded Debt to Taxable Assessed Valuation		2.49%
Ratio Net Funded Debt to Taxable Assessed Valuation		1.89%

2022 Estimated Population - 16,320
Per Capita Taxable Assessed Valuation - \$310,992
Per Capita Total Funded Debt \$7,744
Per Capita Net Funded Debt - \$5,886

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

(2) Excludes the Refunded Obligations.

(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.

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	(551,933,888)		(501,167,031)		(496,882,188)	
Taxable Assessed Value	\$ 5,075,396,106		\$ 4,925,943,024		\$ 4,819,907,442	

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	(481,462,821)		(459,532,446)	
Taxable Assessed Value	\$ 4,725,759,169		\$ 4,450,533,504	

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	16,320	5,075,396,106	310,992	90,395,000 ⁽³⁾	1.78%	5,539

- (1) Source: North Central Texas Council of Governments ("NCTCOG"). NCTCOG publishes its current population estimates in April of each year. Due to the fact that the most recent year's estimated population is not currently available, the Town has chosen to show the estimated population for 2022 equal to the NCTCOG's published 2021 estimated population figure for the Town.
- (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 Bonds. Excludes the Refunded Obligations and 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%	99.62%
2019	0.5500	0.4074	0.1426	26,050,652	97.04%	99.52%
2020	0.5835	0.4341	0.1494	28,199,326	96.89%	99.33%
2021	0.6087	0.4411	0.1676	29,983,033	100.11% ⁽¹⁾	100.11% ⁽¹⁾
2022	0.6146	0.4411	0.1735	30,551,000	In Process of Collection	⁽²⁾

- (1) Collections as of November 1, 2021. Preliminary, subject to change.
- (2) Tax Bills are mailed in October of each year and become delinquent on February 1 of the following year.

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 BONDS - 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 - 2041	\$ 5,945,500
\$0.1205 Tax Rate at 97.23% Collection Produces	\$ 5,946,443
Maximum Net Principal and Interest Requirements for Debt, 2022	\$ 8,482,055
\$0.1719 Tax Rate at 97.23% Collection Produces	\$ 8,482,934

(1) Includes the Bonds. Less self-supporting debt and excludes the Refunded Obligations (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	2021/22	Total	Estimated	Overlapping	Authorized
	Taxable					Tax
	Assessed	Rate	G.O.	%	G.O. Debt	Debt as of
	Value		Debt	Applicable	As of 11/1/2021	11/1/2021
Town of Addison	\$ 5,075,396,106	\$ 0.61460	\$ 96,065,000 ⁽²⁾	100.00%	\$ 96,065,000 ⁽²⁾	\$ 65,390,000
Carrollton/Farmers Branch Independent School District	25,845,286,631	1.20125	375,315,000	1.39%	5,216,879	-
Dallas County	263,171,536,372	0.24000	116,665,000	1.49%	1,738,309	-
Dallas County Community College District	271,168,476,338	0.12400	166,750,000	1.49%	2,484,575	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	16,679,652	1.49%	248,527	-
Dallas Independent School District	147,086,638,003	1.29700	3,259,600,000	2.95%	<u>96,158,200</u>	3,545,375,000
Total Direct and Overlapping G.O. Debt					<u>\$ 210,486,886</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation						4.15%

- (1) Based on fiscal year 2021-22 taxable values and tax rates for overlapping entities.
 (2) Includes the Bonds. Excludes the self-supporting debt and the Refunded Obligations.

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt Service Requirements ⁽¹⁾		The Bonds ⁽²⁾		Total Debt Service Requirements	Less	Less	Less	Total	% of Principal Retired
	Principal	Interest	Principal	Interest		Amount Supported by Airport Fund	Amount Supported by Water and Sewer System	Amount Supported by Drainage Fund	Net Tax Supported Debt Service Requirements	
2022	\$ 7,415,000	\$ 3,634,775	\$ -	\$ 147,029	\$ 11,196,804	\$ 696,993	\$ 1,525,281	\$ 492,474	\$ 8,482,055	
2023	6,860,000	3,286,295	725,000	281,200	11,152,495	697,834	1,532,756	490,390	8,431,515	
2024	7,045,000	3,081,259	760,000	251,500	11,137,759	689,909	1,535,131	488,590	8,424,129	
2025	7,275,000	2,880,734	785,000	220,600	11,161,334	689,809	1,536,331	494,240	8,440,954	
2026	7,520,000	2,654,209	815,000	196,750	11,185,959	692,909	1,542,831	494,815	8,455,404	31.02%
2027	7,755,000	2,409,119	845,000	171,700	11,180,819	694,134	1,544,047	495,340	8,447,299	
2028	8,030,000	2,149,181	400,000	146,800	10,725,981	693,099	1,546,325	490,503	7,996,055	
2029	7,860,000	1,877,167	420,000	130,400	10,287,567	699,269	1,442,119	494,695	7,651,484	
2030	8,130,000	1,607,776	440,000	113,200	10,290,976	695,986	1,444,375	492,988	7,657,627	
2031	8,350,000	1,339,468	455,000	97,575	10,242,043	698,579	1,445,459	490,740	7,607,265	64.79%
2032	8,595,000	1,072,103	465,000	83,775	10,215,878	690,444	1,443,194	492,900	7,589,341	
2033	7,535,000	808,026	480,000	69,600	8,892,626	696,474	1,442,718	494,410	6,259,024	
2034	4,745,000	603,119	495,000	54,975	5,898,094	499,975	1,007,356	-	4,390,762	
2035	3,395,000	484,650	515,000	39,825	4,434,475	496,325	444,169	-	3,493,981	
2036	3,480,000	395,128	525,000	24,225	4,424,353	496,994	446,328	-	3,481,031	88.71%
2037	3,570,000	302,641	545,000	8,175	4,425,816	496,891	447,744	-	3,481,181	
2038	3,670,000	206,956	-	-	3,876,956	495,988	448,388	-	2,932,581	
2039	3,780,000	107,238	-	-	3,887,238	498,881	447,975	-	2,940,381	
2040	1,770,000	38,047	-	-	1,808,047	-	-	-	1,808,047	
2041	930,000	9,881	-	-	939,881	-	-	-	939,881	100.00%
	<u>\$ 117,710,000</u>	<u>\$ 28,947,772</u>	<u>\$ 8,670,000</u>	<u>\$ 2,037,329</u>	<u>\$ 157,365,101</u>	<u>\$ 11,320,490</u>	<u>\$ 21,222,528</u>	<u>\$ 5,912,084</u>	<u>\$ 118,909,999</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt and excludes the Refunded Obligations.

(2) Average life of the issue – 7.279 years. Interest on the Bonds has been calculated at the rates shown on page 2 hereof.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

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	\$ 402,070	
Budgeted Interest and Sinking Fund Tax Levy Collection	8,500,108	
Other Revenues and Income	<u>2,500</u>	<u>8,904,678</u>
Projected Ending Fund Balance, 9/30/22		<u><u>\$ 422,623</u></u>

(1) Source: Town's 2021 Budget.

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⁾	\$ 1,974,934
Less: Waterworks and Sewer System General Obligation Bond Requirements, 2022 Fiscal Year	<u>1,525,281</u>
Balance	<u><u>\$ 449,653</u></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⁾	\$ 1,892,354
Less: Airport Fund General Obligation Bond Requirements, 2022 Fiscal Year	<u>696,993</u>
Balance	<u><u>\$ 1,195,361</u></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⁾	\$ 1,882,799
Less: Drainage Fund General Obligation Bond Requirements, 2022 Fiscal Year	<u>492,474</u>
Balance	<u><u>\$ 1,390,325</u></u>

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

(1) Preliminary numbers provided by Town staff.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount	Amount	Unissued Balance
			Previously Issued	Being Issued	
Street Improvements	5/12/2012	\$ 29,500,000	\$ 14,500,000	\$ -	\$ 15,000,000
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>\$ -</u>	<u>\$ 65,390,000</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The Town anticipates issuing an additional \$15 million in general obligation debt 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 Employeee):	2 to 1
A member is vested after:	5 years

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receving Benefits	216
Inactive Employees Entitled to But Not Yet Receving Benefits	233
Active Employees	<u>270</u>
	719

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 2019 of 10.86%. Accordingly, contributions to TMRS for the year ended September 30, 2020 were \$2,259,912 and were equal to the required contribution.

Net Pension Liability . . . The Town’s Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% 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, 2019, 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, 2019. 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	Plan Fiduciary	Net Pension
	Pension Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 10/1/2019	\$ 130,237,725	\$ 118,484,627	\$ 11,753,098
Changes for the year:			
Service cost	3,261,975	-	\$ 3,261,975
Interest	8,672,125	-	8,672,125
Difference between expected and actual experience	857,318	-	857,318
Changes of assumptions	402,607	-	402,607
Contributions - employer	-	2,259,912	(2,259,912)
Contributions - employee	-	1,480,167	(1,480,167)
Net investment income	-	18,296,106	(18,296,106)
Benefit payments, including refunds of employee contributions	(6,785,567)	(6,785,567)	-
Administrative expense	-	(103,502)	103,502
Other changes	-	(3,109)	3,109
Net changes	<u>6,408,458</u>	<u>15,144,007</u>	<u>(8,735,549)</u>
Balance at 9/30/2020	<u>\$ 136,646,183</u>	<u>\$ 133,628,634</u>	<u>\$ 3,017,549</u>

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	\$ 20,869,939	\$ 3,017,549	\$ (11,752,583)

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

For the year ended September 30, 2020, the Town recognized pension expense of \$3,370,643. At September 30, 2020, 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	\$ 945,834	\$ (2,375)
Contributions subsequent to the measurement date	1,716,190	-
Change of assumptions	304,170	-
Difference between expected and actual investment earnings	<u>0</u>	<u>(4,077,799)</u>
Total	\$ 2,966,194	\$ (4,080,174)

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 \$1,716,190 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. 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
2021	\$ (664,796)
2022	(847,600)
2023	714,179
2024	<u>(2,031,953)</u>
Total	<u>\$ (2,830,170)</u>

OTHER POSTEMPLOYMENT BENEFITS

A summary of OPEB related items as of and for the year ended September 30, 2020, 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	\$ 3,160,225	\$ 329,877	\$ (105,012)	\$ 262,050
Business-Type Activities	274,526	28,662	\$ (9,130)	22,787
Supplemental Death Benefits				
Governmental Activities	1,017,049	178,093	(63,291)	78,581
Business-Type Activities	88,350	15,478	(5,503)	6,833
Total	<u>\$ 4,540,150</u>	<u>\$ 552,110</u>	<u>\$ (182,936)</u>	<u>\$ 370,251</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, 2019 was used for the September 30, 2020 liability and expense. The information that follows was determined as of a valuation date of December 31, 2019.

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	44
Active Members	<u>262</u>
Total	306

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 2020 contribute \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2020, total retiree contributions were \$140,437.

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 \$3,434,751 was measured as of December 31, 2019.

The Town's total OPEB Liability in the December 31, 2018 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

	<u>Total OPEB Liability</u>
Balance as of 10/1/19	\$ 3,160,157
Changes for the year:	
Service Cost	151,275
Interest on OPEB Liability	117,504
Effect of difference in expected & actual experience	(1,268)
Effect of assumptions (change in discount rate)	144,221
Benefit payments	(137,138)
Change in total OPEB Liability	<u>274,594</u>
Balance as of 9/30/20	<u>\$ 3,434,751</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 2.75% 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
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:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,145,471	\$ 3,434,751	\$ 3,784,038

For the year ended September 30, 2020, the Town recognized OPEB expense of \$284,837. At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (39,586)
Change of assumptions	233,071	(74,556)
Benefit payments made subsequent to measurement date	<u>125,468</u>	<u>-</u>
Total	\$ 358,539	\$ (114,142)

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 \$125,468 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2021. 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
2021	\$ 16,058
2022	16,058
2023	16,058
2024	16,058
2025	16,058
Thereafter	38,639
Total	<u>\$ 118,929</u>

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2021 ⁽²⁾	2020	2019	2018	2017
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 4,795,439	\$ 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	863,538	1,346,316	1,707,358	1,151,297	4,209,687
Total Revenues	<u>\$ 59,588,531</u>	<u>\$ 53,196,219</u>	<u>\$ 56,689,287</u>	<u>\$ 56,219,334</u>	<u>\$ 58,498,532</u>
Expenses:					
General Government	\$ 9,421,030	\$ 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	<u>\$ 54,408,011</u>	<u>\$ 55,440,193</u>	<u>\$ 56,483,048</u>	<u>\$ 51,886,985</u>	<u>\$ 33,780,771</u>
Increase (Decrease) in Net Position	\$ 5,180,520	\$ (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>\$ 162,049,897</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".

(2) Preliminary numbers provided by Town staff.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

Revenues	Fiscal Year Ended September 30,				
	2021 ⁽¹⁾	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	-	-	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	\$ 41,206,868	\$ 39,797,915	\$ 40,239,016	\$ 40,276,219	\$ 36,611,512
Expenditures					
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	\$ 38,640,868	\$ 36,664,323	\$ 36,155,159	\$ 34,506,612	\$ 32,904,207
Revenues Over (Under) Expenditures	\$ 2,566,000	\$ 3,133,592	\$ 4,083,857	\$ 5,769,607	\$ 3,707,305
Other Sources (Uses), Net	(2,456,764)	(3,587,397)	(4,458,569)	(1,174,689)	(230,066)
Change in Fund Balance	\$ 109,236	\$ (453,805)	\$ (374,712)	\$ 4,594,918	\$ 3,477,239
Beginning Fund Balance	20,134,439	20,588,244	20,962,956	16,368,038	12,890,799
Ending Fund Balance	\$ 20,243,675	\$ 20,134,439	\$ 20,588,244	\$ 20,962,956	\$ 16,368,038

(1) Preliminary numbers provided by Town staff.

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 Bonds. 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	67.06%	\$ 0.3696	\$ 1,044
2019	15,017,082	57.65%	0.3178	951
2020	14,302,624	50.72%	0.2967	906
2021	14,881,277 ⁽²⁾	49.63%	0.3021	912
2022	1,273,977 ⁽¹⁾	04.17%	0.0251	78

(1) Collections through November 1, 2021. Preliminary, subject to change.

(2) Preliminary numbers provided by Town staff.

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 October 31, 2021, the Town's investable funds were invested in the following categories:

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
TexPool	0.82%	\$ 1,000,111	\$ 1,000,111
TexStar	0.82%	1,000,052	1,000,052
Logic	8.25%	10,081,807	10,081,807
Texas CLASS	23.40%	28,592,299	28,592,299
Brokered CD's	1.42%	1,730,619	1,733,711
Agency Securites	27.69%	33,831,691	33,700,028
Municipal Bonds	37.60%	45,934,751	45,534,037
	<u>100.00%</u>	<u>\$ 122,171,330</u>	<u>\$ 121,642,045</u>

(1) Source: Town Officials.

TAX MATTERS

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, 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 (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, 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 Bonds 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 Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will 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 acquisition, ownership or disposition of, the Bonds.

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 Bonds. 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 Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Bonds 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 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds 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 Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") 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 Bonds 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 Bonds 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 Bonds.

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 Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds 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 Bonds. The Town is required to observe the agreement while it remains obligated to advance funds to pay such Bonds. 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 2021 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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds. 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 Bonds in the primary offering of the Bonds. 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 Bonds 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 Bonds.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds 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 Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds (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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. No review by the Town has been made of the laws in other states to determine whether the Bonds 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 Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds 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 Bonds 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 BONDS" 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 Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds 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 Bonds, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Bonds. 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 Bonds 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 Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Bonds 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 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds, 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 Stifel, Nicolaus & 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 \$913,092.78. 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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. On March 2, 2021, the Governor issued Executive Order GA-34, effective March 10, 2021, which among other things rescinds and supersedes various prior executive orders and provides that (i) in all counties not in an "area with high hospitalization" (as defined in Executive Order GA 34) there are no COVID-19 related operating limits for any business or other establishment and (ii) no person may be required by any jurisdiction to wear or to mandate the wearing of a face covering. In "areas with high hospitalizations" a county judge may impose COVID-19 related mitigation strategies, including reinstating business occupancy limits. The Governor retains the right to impose additional restrictions on activities. 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 Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. See "AD VALOREM PROPERTY TAXATION – Table 2 – Taxable Assessed Valuation by Category." In addition, sales tax revenues are an important part of the City's revenues and sales tax revenues may be negatively affected by the pandemic and therefore have a negative effect on the City's budget and operations. **The Bonds are secured by ad valorem tax, levied within the limited prescribed by law, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's share of operations and maintenance expenses payable from ad valorem taxes.**

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, 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 Bonds, 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 Bonds 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 Bonds by the Initial Purchaser.

SCHEDULE OF REFUNDED OBLIGATIONS*

Combination Tax & Revenue Certificates of Obligation, Series 2012

<u>Original Dated Date</u>	<u>Original Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
8/15/2012	2/15/2023	4.000%	\$ 780,000	\$ 780,000
	2/15/2024	4.000%	815,000	815,000
	2/15/2025	3.000%	840,000	840,000
	2/15/2026	3.000%	870,000	870,000
	2/15/2027	3.000%	900,000	900,000
	2/15/2028	3.000%	455,000	455,000
	2/15/2029	3.000%	470,000	470,000
	2/15/2030	3.000%	485,000	485,000
	2/15/2031	3.000%	500,000	500,000
	2/15/2032	3.125%	515,000	515,000
	2/15/2033 ⁽¹⁾	3.250%	530,000	530,000
	2/15/2034 ⁽¹⁾	3.250%	550,000	550,000
	2/15/2035 ⁽²⁾	3.375%	570,000	570,000
	2/15/2036 ⁽²⁾	3.375%	585,000	585,000
	2/15/2037 ⁽²⁾	3.375%	610,000	610,000
			<u>\$ 9,475,000</u>	<u>\$ 9,475,000</u>

The 2023 – 2037 maturities will be redeemed prior to original maturity on February 18, 2022 at par.

(1) Represent mandatory sinking fund installments of a Term Bond with a final maturity of February 15, 2034.

(2) Represent mandatory sinking fund installments of a Term Bond with a final maturity of February 15, 2037.

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 2021 population to be 15,790.

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:

<u>Company</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
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 2019 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

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Value</u>
2017	1,390	\$ 200,316,063	\$ 2,745,991	\$ 203,062,054
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⁾	1,199	57,260,135	12,026,759	69,286,894

(1) As of May 31, 2021.

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APPENDIX B

EXCERPTS FROM THE
TOWN OF ADDISON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the Town of Addison, Texas Annual Financial Report for the Year Ended September 30, 2020, 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, 2020, 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.

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, 2020, 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
Members of the Town Council
Town of Addison, Texas
Page 3

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 5, 2021, 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 5, 2021

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, 2020. 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

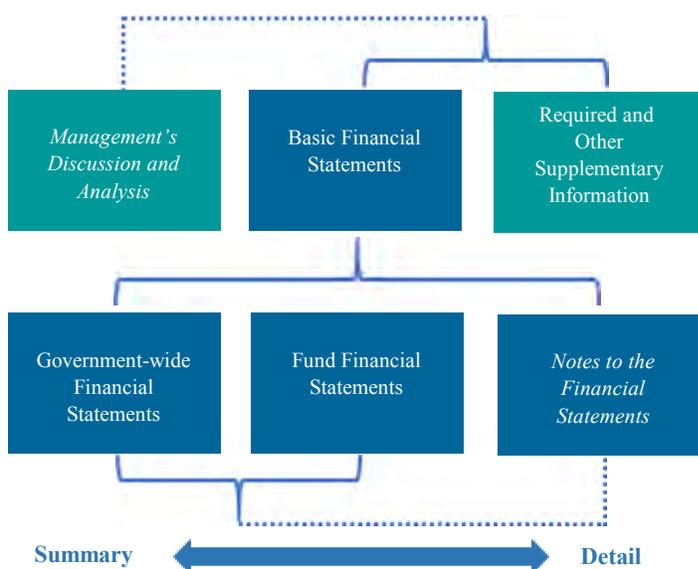
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the 2020 fiscal year by \$251,573. This amount represents a decrease over the previous year of \$138. The slight decrease is due to decreased revenues offset by controlled spending to preserve fund balance during the Coronavirus pandemic to prepare for potential declining revenues in the upcoming year.
- As of September 30, 2020, the Town's governmental funds reported combined ending fund balances of \$75,501, an increase of \$29,051. The majority of the increase is due to the issuance of \$16,900 in new Certificates of Obligation and \$13,635 in new General Obligation bonds.
- At the end of the 2020 fiscal year, the fund balance for the General Fund was \$20,134, or 55 percent of total fund expenditures. Fund balance decreased \$454 during the year.
- At year-end, the Town of Addison's outstanding debt totals \$133,573, an increase of \$18,628 from the previous year, which is attributed to the issuance of additional debt during the 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	* Statement of net position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances * Budget and actual	* 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, and its technological information systems. Both 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, both 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 35-71 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 77-88.

Government-wide Financial Analysis

As of the close of the 2020 fiscal year, the Town's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$251,573 (see Table A-1). Of this amount \$190,501, or 76 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 (\$63), promotion of tourism and hotel industry (\$3,239) and other restrictions (\$711). The remaining amount of net position is labeled as unrestricted and totals \$57,059. 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.

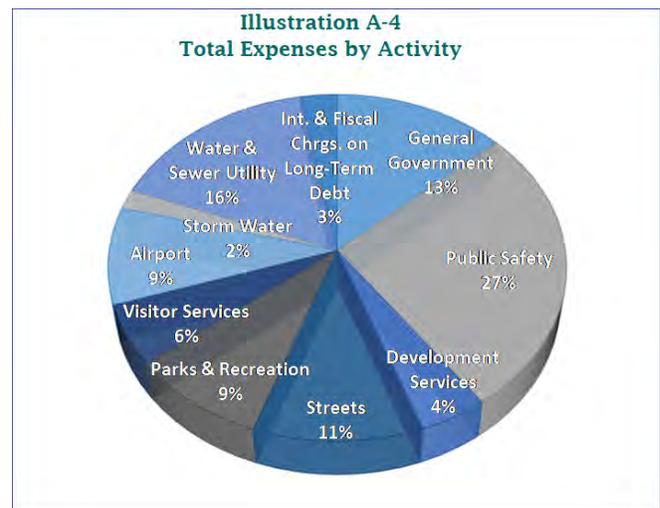
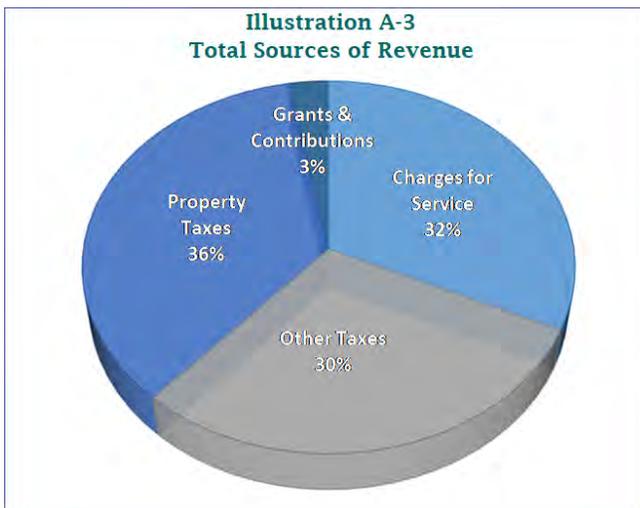
**Table A-1
Town of Addison's Net Position (000's)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and Other Assets	\$ 90,354	\$ 60,424	\$ 39,273	\$ 44,785	\$ 129,627	\$ 105,209
Capital Assets	171,956	176,504	93,013	81,653	264,969	258,157
Total Assets	262,310	236,928	132,286	126,438	394,596	363,366
Deferred Outflows of Resources:						
Deferred Charges on Refundings	1,137	1,372	340	369	1,477	1,741
Deferred Outflows on Pensions	2,785	8,188	181	627	2,966	8,816
Deferred Outflows on OPEB	508	259	44	22	552	281
Total Deferred Outflows of Resources	4,430	9,819	565	1,018	4,995	10,837
Liabilities:						
Long-Term Liabilities Outstanding	100,149	79,034	33,423	35,911	133,572	114,945
Other Liabilities	5,754	4,594	4,429	2,660	10,183	7,254
Total Liabilities	105,903	83,628	37,852	38,571	143,755	122,199
Deferred Inflows of Resources:						
Deferred Inflows on Pensions	3,856	84	224	6	4,080	90
Deferred Inflows on OPEB	168	187	15	16	183	203
Total Deferred Inflows of Resources	4,024	271	239	22	4,263	293
Net Position:						
Net Investment in Capital Assets	121,008	125,522	69,493	63,425	190,501	188,947
Restricted :						
Debt Service	63	84	-	-	63	84
Tourism/Hotel	3,239	3,449	-	-	3,239	3,449
Child Safety	111	91	-	-	111	91
Justice Administration	57	53	-	-	57	53
Court Technology	27	28	-	-	27	28
Public Safety	124	101	-	-	124	101
Court Security	33	37	-	-	33	37
Other Purposes	359	303	-	-	359	303
Unrestricted	31,792	33,180	25,267	25,438	57,059	58,618
Total Net Position	\$ 156,813	\$ 162,848	\$ 94,760	\$ 88,863	\$ 251,573	\$ 251,711

As reflected in Table A-2, the Town's net position decreased \$138 during the 2020 fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,714	\$ 5,362	\$ 20,533	\$ 20,811	\$ 24,247	\$ 26,173
Capital Grants & Contributions	-	130	1,358	457	1,358	587
Operating Grants & Contributions	634	101	207	69	841	170
General Revenues:						
Property Taxes	27,005	25,181	-	-	27,005	25,181
Other Taxes	20,496	24,208	-	-	20,496	24,208
Other	1,368	1,708	626	903	1,994	2,611
Total Revenues	53,195	56,690	22,724	22,240	75,919	78,930
Expenses:						
General Government	10,206	10,150	-	-	10,206	10,150
Public Safety	20,337	19,855	-	-	20,337	19,855
Development Services	3,321	3,138	-	-	3,321	3,138
Streets	8,327	7,678	-	-	8,327	7,678
Parks & Recreation	6,784	6,840	-	-	6,784	6,840
Visitor Services	4,311	6,884	-	-	4,311	6,884
Interest and Fiscal Charges on Long-Term Debt	2,154	1,938	-	-	2,154	1,938
Airport	-	-	6,894	6,574	6,894	6,574
Storm water	-	-	1,362	1,428	1,362	1,428
Water & Sewer Utility	-	-	12,361	12,329	12,361	12,329
Total Expenses	55,440	56,483	20,617	20,331	76,057	76,814
Increase (decrease) in net position	(2,245)	207	2,107	1,909	(138)	2,115
Transfers	(3,790)	500	3,790	(500)	-	-
Change in Net Position	(6,035)	707	5,897	1,409	(138)	2,116
Change in Accounting Principle	-	-	-	-	-	-
Net Position - Beginning of year	162,848	162,141	88,863	87,454	251,711	249,595
Net Position - End of year	\$ 156,813	\$ 162,848	\$ 94,760	\$ 88,863	\$ 251,573	\$ 251,711



Governmental Activities

Governmental activities decreased the Town of Addison's net position by \$6,035 in fiscal year 2020 as compared to a \$707 increase in fiscal year 2019. The major changes from 2019 to 2020 are as follows:

1. A transfer in 2020 from the governmental activities to business-type activities of \$3.8 million for completed capital assets
2. Hotel tax revenue decreased by \$2.2 million due to the Coronavirus pandemic
3. Sales tax revenue decreased by \$1.2 million also due to the Coronavirus pandemic
4. Property tax revenue increased by \$1.9 million due to the increased tax levy
5. Visitor Services revenue decreased by \$1.6 million, and their expenses decreased by \$3.3 million due to the cancellation of special events during the pandemic

Business-Type Activities

The Town's business-type activities experienced a \$5,897 increase in net position with the Airport Fund recording an increase of \$39, due mostly to the slight increase in maintenance costs and decrease in rent, fuel flowage fees, and investment income. These were partially offset by the \$1,224 capital grant for land purchase reimbursement. The Utility Fund posted an increase in net position of \$3,446, due mainly to the contribution of capital assets constructed in governmental funds. The Storm Water Fund posted an increase in net position of \$2,029, which is \$1,486 more than the prior year increase in net position. This is due mostly to the contribution of capital assets constructed in the governmental funds.

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, 2020, the Town's governmental funds reported combined ending fund balances of \$75,501, an increase of \$29,051 compared to balances a year earlier. Of the ending balance, \$20,053 or 26.6 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects (\$39,200), promotion of tourism and hotel industry (\$3,149), debt service (\$6) or *committed* for Economic Development (\$1,969) and Capital Projects (\$10,369). Components of the net increase of total fund balance are:

- In the General Fund, expenditures and transfers out totaled \$40,273 compared to revenues of \$39,798. Expenditures increased \$509 from the 2019 fiscal year. This increase is primarily due to the increases in public safety (\$582), development services (\$151), and streets expenditures (\$22). Revenues decreased \$441 from the previous year. The decrease was mainly due to a reduction in sales tax, service fees, investment earnings during the pandemic.
- In the Hotel Fund, expenditures and transfers out to other funds totaled \$4,007 compared to revenues of \$3,707. Fund revenues decreased \$3,648 from the previous year, and expenditures decreased \$3,690 from fiscal year 2019 due in large part to COVID-19 restrictions and the cancellation of several of the Town's special events.
- Capital project funds recorded a net increase in fund balance of \$29,549, primarily due to the issuance of additional general obligation debt and certificates of obligation during 2020. Included in these funds is the Infrastructure Investment Fund with an ending fund balance of \$5,243 as of September 30, 2020. Other balances included are for capital projects funded with bond proceeds such as the 2014 and 2020 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 \$4,718; the Utility Fund reported an unrestricted net position of \$12,275, while the Stormwater Fund reported an unrestricted net position of \$7,716.

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)**:

- Building permit revenue was amended to recognize an increase in building permits. Additionally, \$100,000 was amended for costs associated with health insurance elections being higher than anticipated for the Fire Department. An additional allocation to provide emergency funding to Metrocrest Services for a Resident Assistance Program as part of the CARES Act, as well as an allocation for the grant revenue were made that did not result in a net change to appropriations.

The adjustments resulted in an increase to budgeted revenue of \$100,000 and increased expenditures by \$100,000 or 0.2 percent. \$451,500 was reduced from the transfer to the Self-Funded Project Fund.

The final actuals resulted in revenues of 1.6 percent higher than the revised budget, and expenditures 6.8 percent lower than the revised budget. The savings in expenditures resulted from lower than expected salary expenses due to vacancies, lower than expected expenses for computer software maintenance and licensing, and lower than expected expenses for utilities, including residential trash disposal.

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, 2020, totals \$264,969 (net of accumulated depreciation). This amount represents a \$6,811 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, Airport Facility Improvements, 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 67,194	\$ 66,250	\$ 17,259	\$ 17,046	\$ 84,453	\$ 83,296
Intangible Assets	858	672	-	-	858	672
Buildings	8,347	8,951	6,394	6,585	14,741	15,536
Improvements other than Buildings	73,627	76,702	53,750	48,500	127,377	125,202
Machinery and Equipment	10,890	10,030	2,423	1,815	13,313	11,846
Construction in Progress	11,039	13,900	13,188	7,707	24,227	21,607
Total Capital Assets	\$ 171,955	\$ 176,505	\$ 93,014	\$ 81,653	\$ 264,968	\$ 258,158

Long-term debt – At the end of the 2020 fiscal year, the Town of Addison had total bonded debt outstanding of \$124,665 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 63,730	\$ 51,888	\$ 5,616	\$ 6,411	\$ 69,346	\$ 58,299
Certificates of Obligation	28,223	11,605	27,096	28,121	55,319	39,726
Total Debt Outstanding	\$ 91,953	\$ 63,493	\$ 32,712	\$ 34,532	\$ 124,665	\$ 98,025

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 2021 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 \$4,925,943,024 for fiscal year 2021 which represented a 2.2 percent increase from the previous year. The property tax rate increased to \$0.608676 per \$100 appraised value, from the previous fiscal year. Of the 2021 budget tax rate, \$0.441109 was levied for operation/maintenance and \$0.167567 for debt service.

Sales tax collections for the Town were conservatively budgeted from the amount collected in 2020. Sales tax collections were projected to decrease in fiscal year 2021 compared to the 2020 budget.

Hotel occupancy tax collections were budgeted to decrease by approximately 25.0 percent between fiscal year 2020 and fiscal year 2021.

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

basic financial

STATEMENTS



Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 84,907,620	\$ 30,173,033	\$ 115,080,653
Receivables, Net of Allowances for Uncollectibles	3,941,126	2,706,079	6,647,205
Prepaid Items	60,668	-	60,668
Inventories, at Cost	20,946	-	20,946
Due from Other Funds	615,000	-	615,000
Investment in Joint Venture	809,253	6,393,505	7,202,758
Capital Assets, Net of Accumulated Depreciation			
Land	67,194,694	17,258,730	84,453,424
Intangible Assets	858,063	-	858,063
Buildings	8,346,871	6,394,226	14,741,097
Improvements other than Buildings	73,626,731	53,750,100	127,376,831
Machinery and Equipment	10,889,745	2,423,136	13,312,881
Construction in Progress	11,039,270	13,187,545	24,226,815
Total Assets	262,309,987	132,286,354	394,596,341
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	1,137,575	339,315	1,476,890
Deferred Outflows on Pensions	2,784,828	181,366	2,966,194
Deferred Outflows on OPEB	507,970	44,140	552,110
Total Deferred Outflows of Resources	4,430,373	564,821	4,995,194
LIABILITIES			
Accounts Payable and Accrued Liabilities	5,289,960	2,384,711	7,674,671
Due to Other Funds	-	615,000	615,000
Unearned Revenue	463,010	-	463,010
Customer Deposits	375	1,429,812	1,430,187
Long-Term Liabilities			
Due within One Year	5,256,071	1,633,121	6,889,192
Due in More Than One Year	94,893,105	31,790,334	126,683,439
Total Liabilities	105,902,521	37,852,978	143,755,499
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	3,856,173	224,001	4,080,174
Deferred Inflows on OPEB	168,303	14,633	182,936
Total Deferred Inflows of Resources	4,024,476	238,634	4,263,110
NET POSITION			
Net Investment in Capital Assets	121,008,111	69,493,275	190,501,386
Restricted for:			
Debt Service	63,194	-	63,194
Promotion of Tourism and Hotel Industry	3,239,356	-	3,239,356
Child Safety	110,712	-	110,712
Justice Administration	56,887	-	56,887
Court Technology	27,651	-	27,651
Court Security	32,841	-	32,841
Public Safety	123,730	-	123,730
Other Purposes	359,096	-	359,096
Unrestricted	31,791,785	25,266,288	57,058,073
Total Net Position	\$ 156,813,363	\$ 94,759,563	\$ 251,572,926

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, 2020

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	\$ 10,206,304	\$ 770,105	\$ 431,455	\$ 100	\$ (9,004,644)	\$ -	\$ -	\$ (9,004,644)
Public Safety	20,337,267	889,868	195,133	-	(19,252,266)	-	-	(19,252,266)
Development Services	3,320,919	1,227,095	4,896	-	(2,088,928)	-	-	(2,088,928)
Streets	8,326,816	505,545	-	-	(7,821,271)	-	-	(7,821,271)
Parks and Recreation	6,784,214	34,914	2,598	-	(6,746,702)	-	-	(6,746,702)
Visitor Services	4,310,828	286,892	-	-	(4,023,936)	-	-	(4,023,936)
Interest on Long-Term Debt	2,153,845	-	-	-	(2,153,845)	-	-	(2,153,845)
Total Governmental Activities	55,440,193	3,714,419	634,082	100	(51,091,592)	-	-	(51,091,592)
Business-Type Activities:								
Airport	6,893,786	5,392,936	207,000	1,224,219	-	(69,631)	-	(69,631)
Utilities	12,361,224	12,818,071	-	107,991	-	564,838	-	564,838
Stormwater	1,361,880	2,322,350	-	26,015	-	986,485	-	986,485
Total Business-Type Activities	20,616,890	20,533,357	207,000	1,358,225	-	1,481,692	-	1,481,692
Total Primary Government	\$ 76,057,083	\$ 24,247,776	\$ 841,082	\$ 1,358,325	(51,091,592)	1,481,692	(49,609,900)	(49,609,900)
General Revenues								
Taxes								
Property Taxes, Levied for General Purposes					27,005,415	-	-	27,005,415
Sales Taxes					15,036,200	-	-	15,036,200
Franchise Taxes					2,227,367	-	-	2,227,367
Hotel/Motel Taxes					3,232,320	-	-	3,232,320
Interest on Investments					1,116,915	569,513	-	1,686,428
Gain on Sale of Capital Assets					21,503	24,005	-	45,508
Miscellaneous					207,898	31,014	-	238,912
Transfers					(3,790,232)	3,790,232	-	-
Total General Revenues and Transfers					45,057,386	4,414,764	-	49,472,150
Change in Net Position					(6,034,206)	5,896,456	(137,750)	(137,750)
NET POSITION, Beginning of Year					162,847,569	88,863,107	251,710,676	251,710,676
NET POSITION, End of Year					\$ 156,813,363	\$ 94,759,563	\$ 251,572,926	\$ 251,572,926

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Balance Sheet
September 30, 2020

	General Fund	Hotel	General Obligation Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Pooled Cash and Investments	\$ 21,321,781	\$ 3,141,320	\$ 31,518	\$ 50,059,180	\$ 3,296,694	\$ 77,850,493
Receivables:						
Ad Valorem Taxes, including Interest and Penalties, Net	232,414	-	88,393	3,585	13,810	338,202
Non-Property Taxes	2,377,085	143,398	-	-	-	2,520,483
Franchise Fees	278,667	-	-	-	-	278,667
Service Fees, Net	147,331	-	-	-	-	147,331
Ambulance, Net	221,672	-	-	-	-	221,672
Interest	32,605	4,705	34	61,997	4,967	104,308
Intergovernmental	-	-	-	160,919	4,760	165,679
Other	44,458	62	-	109,577	-	154,097
Prepaid Items	60,668	-	-	615,000	-	615,000
Inventories, At Cost	20,946	-	-	-	-	60,668
Total Assets	\$ 24,737,627	\$ 3,289,485	\$ 119,945	\$ 51,010,258	\$ 3,320,231	\$ 82,477,546

LIABILITIES, DEFERRED INFLOWS OF RESOURCES,

AND FUND BALANCE:

Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 2,796,258	\$ 139,851	\$ 25,217	\$ 1,438,328	\$ 200,589	\$ 4,600,243
Intergovernmental Payable	84,729	-	-	-	-	84,729
Customer Deposits	-	375	-	-	-	375
Unearned Revenue	-	-	-	-	463,010	463,010
Total Liabilities	2,880,987	140,226	25,217	1,438,328	663,599	5,148,357
Deferred Inflows of Resources:						
Unavailable Resources	1,722,201	-	88,393	3,585	13,810	1,827,989
Total Deferred Inflows of Resources	1,722,201	-	88,393	3,585	13,810	1,827,989

Fund Balances:

Nonspendable	20,946	-	-	-	-	20,946
Inventories	60,668	-	-	-	-	60,668
Prepaid Items	-	-	-	-	-	-
Restricted						
Debt Service	-	-	6,335	-	-	6,335
Promotion of Tourism and Hotel Industry	-	3,149,259	-	-	-	3,149,259
Capital Projects	-	-	-	39,199,567	-	39,199,567
Child Safety	-	-	-	-	110,712	110,712
Justice Administration	-	-	-	-	27,994	27,994
Court Technology	-	-	-	-	27,651	27,651
Court Security	-	-	-	-	32,841	32,841
Public Safety	-	-	-	-	115,696	115,696
Governmental Public Education	-	-	-	-	359,096	359,096
Committed	-	-	-	10,368,778	-	10,368,778
Capital Projects	-	-	-	-	1,968,832	1,968,832
Economic Development	-	-	-	-	-	20,052,825
Unassigned	20,052,825	3,149,259	6,335	49,568,345	2,642,822	75,501,200
Total Fund Balance	20,134,439	3,289,485	119,945	51,010,258	3,320,231	82,477,546
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 24,737,627	\$ 3,289,485	\$ 119,945	\$ 51,010,258	\$ 3,320,231	\$ 82,477,546

See accompanying notes to basic financial statements.

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, 2020

Total Fund Balances - Governmental Funds	\$ 75,501,200
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.	13,034,118
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 \$165,721,759, net of accumulated depreciation of \$140,654,112, exclusive of the capital assets of internal service funds with a net carrying value of \$6,233,615, included above, increased net position in the government-wide financial statements.	165,721,759
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.	809,253
Deferred losses on refundings of debt have been reflected net of amortization in the government-wide financial statements.	1,137,575
Bonds payable, contractual obligations, and related premium and discount amounts have not been included in the fund financial statements.	(91,952,110)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(1,198,904)
Total OPEB liability is not reflected in the fund financial statements.	(4,177,274)
Deferred outflows on OPEB, net of amortization, are not reflected in fund financial statements	507,970
Deferred inflows on OPEB, net of amortization, are not reflected in fund financial statements	(168,303)
Deferred outflows on pension costs, net of amortization, are not reflected in fund financial statements	2,784,828
Deferred inflows on pension costs, net of amortization, are not reflected in fund financial statements	(3,856,173)
Net pension liability is not reflected in fund financial statements	(2,820,886)
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.	(337,679)
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.	1,827,989
Net Position of Governmental Activities	<u>\$ 156,813,363</u>

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, 2020**

	General Fund	Hotel	General Obligation Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
Ad Valorem Taxes	\$ 18,617,246	\$ -	\$ 6,881,533	\$ 285,615	\$ 1,092,347	\$ 26,876,741
Non-Property Taxes	15,191,223	3,240,946	-	-	-	18,432,169
Franchise Fees	2,176,562	-	-	-	50,805	2,227,367
Licenses and Permits	1,183,285	-	-	-	-	1,183,285
Intergovernmental	-	-	-	-	471,145	471,145
Service Fees	1,842,055	107,030	-	160,919	47,043	2,157,047
Fines and Forfeitures	227,997	-	-	-	35,149	263,146
Earnings on Investments	402,873	57,131	19,601	592,164	45,146	1,116,915
Rental Charges	9,252	260,749	-	-	-	270,001
Recycling Proceeds	162	-	-	-	-	162
Other	147,260	41,287	-	109,577	8,023	306,147
Total Revenues	39,797,915	3,707,143	6,901,134	1,148,275	1,749,658	53,304,125
EXPENDITURES:						
Current:						
General Government	8,784,547	-	7,152	-	154,602	8,946,301
Public Safety	19,170,964	-	-	-	44,946	19,215,910
Development Services	1,501,596	-	-	-	-	1,501,596
Streets	1,799,513	-	-	-	-	1,799,513
Parks and Recreation	5,407,703	-	-	-	-	5,407,703
Visitor Services	-	3,622,979	-	-	-	3,622,979
Municipal Court	-	-	-	-	19,400	19,400
Economic Development	-	-	-	-	1,647,246	1,647,246
Debt Service:						
Principal Retirement	-	-	4,105,000	-	-	4,105,000
Interest and Fiscal Charges	-	-	2,915,428	-	-	2,915,428
Capital Projects:						
Engineering and Contractual Services	-	-	-	1,780,857	-	1,780,857
Construction and Equipment	-	-	-	6,792,067	-	6,792,067
Total Expenditures	36,664,323	3,622,979	7,027,580	8,572,924	1,866,194	57,754,000
Excess/(Deficiency) of Revenues over Expenditures	3,133,592	84,164	(126,446)	(7,424,649)	(116,536)	(4,449,875)
OTHER FINANCING SOURCES/(USES):						
Transfers In	-	-	-	3,608,900	384,000	3,992,900
Transfers Out	(3,608,900)	(384,000)	-	-	-	(3,992,900)
Proceeds on Asset Sales	21,503	-	-	-	-	21,503
Proceeds from Debt Issuance or Refunding	-	-	13,205,000	30,535,000	-	43,740,000
Payment to Refunded Bonds Escrow Agent	-	-	(13,090,212)	-	-	(13,090,212)
Premium on Issuance	-	-	-	2,829,802	-	2,829,802
Total Other Financing Sources/(Uses)	(3,587,397)	(384,000)	114,788	36,973,702	384,000	33,501,093
Net Change in Fund Balance	(453,805)	(299,836)	(11,658)	29,549,053	267,464	29,051,218
Fund Balances at Beginning of Year	20,588,244	3,449,095	17,993	20,019,292	2,375,358	46,449,982
Fund Balances at End of Year	\$ 20,134,439	\$ 3,149,259	\$ 6,335	\$ 49,568,345	\$ 2,642,822	\$ 75,501,200

**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, 2020**

Total Net Change in Fund Balances - Governmental Funds		\$	29,051,218
<p>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.</p>			
			508,485
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase net position.</p>			
			6,925,278
<p>Capital asset donations are not recognized in fund financial statements.</p>			
			100
<p>Losses on disposals of capital assets are not recognized in fund financial statements.</p>			
			(180,400)
<p>Capital assets purchased with governmental bonds and contributed to enterprise funds are not recognized in fund financial statements. The government-wide statement of activities will reflect a transfer out.</p>			
			(3,790,232)
<p>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 \$1,090,551 depreciation in the internal service funds.</p>			
			(8,036,170)
<p>The Town's share of net loss from Investment in Joint Venture is not reflected in fund financials.</p>			
			(88,149)
<p>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:</p>			
Bond issuances		(46,567,002)	
Bond repayments		17,195,212	
Amortization		677,749	
		(28,694,041)	(28,694,041)
<p>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.</p>			
			(280,342)
<p>The current year increase in the total OPEB liability of \$461,443, amortization of deferred inflows and outflows on OPEB of \$268,417 are not shown in the fund financial statements. The effect of recording these amounts is to decrease net position.</p>			
			(193,026)
<p>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.</p>			
			(37,654)
<p>Decrease in pension liability of \$8,085,766 and amortization of deferred inflows and outflows on pensions of (\$9,175,530), decrease net position by increasing the pension expense in each function.</p>			
			(1,089,764)
<p>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.</p>			
			(129,509)
Change in Net Position of Governmental Activities			\$ (6,034,206)

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, 2020

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Ad Valorem Taxes:				
Current	\$ 18,781,674	\$ 18,781,674	\$ 18,925,819	\$ 144,145
Delinquent	(70,000)	(70,000)	(356,413)	(286,413)
Penalties and Interest	40,500	40,500	47,840	7,340
Total Ad Valorem	<u>18,752,174</u>	<u>18,752,174</u>	<u>18,617,246</u>	<u>(134,928)</u>
Non-Property Taxes:				
Sales Tax	13,700,000	13,700,000	14,302,624	602,624
Alcoholic Beverage Tax	1,140,000	1,140,000	888,599	(251,401)
Total Non-Property Taxes	<u>14,840,000</u>	<u>14,840,000</u>	<u>15,191,223</u>	<u>351,223</u>
Total Taxes	<u>33,592,174</u>	<u>33,592,174</u>	<u>33,808,469</u>	<u>216,295</u>
Franchise Fees:				
Electric Franchise	1,560,000	1,560,000	1,459,652	(100,348)
Gas Franchise	216,600	216,600	204,919	(11,681)
Telephone Franchise	400,000	400,000	316,471	(83,529)
Cable Franchise	150,000	150,000	196,520	46,520
Street Rental Franchise	5,500	5,500	(1,000)	(6,500)
Total Franchise Fees	<u>2,332,100</u>	<u>2,332,100</u>	<u>2,176,562</u>	<u>(155,538)</u>
Licenses and Permits:				
Business Licenses and Permits	165,700	165,700	110,964	(54,736)
Building and Construction Permits	574,500	674,500	1,072,321	397,821
Total Licenses and Permits	<u>740,200</u>	<u>840,200</u>	<u>1,183,285</u>	<u>343,085</u>
Service Fees:				
General Government	-	-	20	20
Public Safety	1,003,400	1,003,400	892,713	(110,687)
Urban Development	300	300	1,950	1,650
Streets and Sanitation	376,100	376,100	395,968	19,868
Recreation	70,300	70,300	34,914	(35,386)
Interfund	516,490	516,490	516,490	-
Total Service Fees	<u>1,966,590</u>	<u>1,966,590</u>	<u>1,842,055</u>	<u>(124,535)</u>
Fines and Forfeitures	352,000	352,000	227,997	(124,003)
Earnings on Investments	100,000	100,000	402,873	302,873
Rental Charges	6,600	6,600	9,252	2,652
Recycling Proceeds	3,000	3,000	162	(2,838)
Other	<u>1,000</u>	<u>1,000</u>	<u>147,260</u>	<u>146,260</u>
Total Revenues	<u>\$ 39,093,664</u>	<u>\$ 39,193,664</u>	<u>\$ 39,797,915</u>	<u>\$ 604,251</u>

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, 2020

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
City Secretary:				
Salaries and Fringe Benefits	122,583	122,583	118,991	3,592
Supplies	20,700	20,700	2,676	18,024
Contractual Services	64,500	64,500	51,391	13,109
Total City Secretary	207,783	207,783	173,058	34,725
City Manager's Office:				
Salaries and Fringe Benefits	1,061,103	1,061,103	1,093,193	(32,090)
Supplies	23,893	23,893	24,734	(841)
Maintenance and Materials	40,274	40,274	36,945	3,329
Contractual Services	110,333	110,333	79,056	31,277
Capital Replacement	11,396	11,396	11,396	-
Total City Manager's Office	1,246,999	1,246,999	1,245,324	1,675
Financial and Strategic Services:				
Salaries and Fringe Benefits	1,344,127	1,304,127	1,117,264	186,863
Supplies	18,289	18,289	28,426	(10,137)
Maintenance and Materials	37,100	37,100	29,907	7,193
Contractual Services	420,396	460,396	620,966	(160,570)
Capital Replacement	29,917	29,917	29,917	-
Total Financial and Strategic Services	1,849,829	1,849,829	1,826,480	23,349
General Services:				
Salaries and Fringe Benefits	509,478	509,478	483,227	26,251
Supplies	21,443	21,443	19,011	2,432
Maintenance and Materials	95,649	95,649	91,374	4,275
Contractual Services	114,643	114,643	63,520	51,123
Capital Replacement	24,982	24,982	24,982	-
Total General Services	766,195	766,195	682,114	84,081
Municipal Court:				
Salaries and Fringe Benefits	529,608	529,608	494,218	35,390
Supplies	12,088	12,088	7,116	4,972
Maintenance and Materials	74,322	74,322	38,523	35,799
Contractual Services	94,533	94,533	78,225	16,308
Capital Replacement	29,012	29,012	29,012	-
Total Municipal Court	739,563	739,563	647,094	92,469
Human Resources:				
Salaries and Fringe Benefits	504,112	504,112	499,045	5,067
Supplies	7,293	7,293	7,967	(674)
Maintenance and Materials	774	774	1,065	(291)
Contractual Services	191,747	191,747	124,030	67,717
Capital Replacement	9,281	9,281	9,281	-
Total Human Resources	713,207	713,207	641,388	71,819

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, 2020

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Information Technology:				
Salaries and Fringe Benefits	1,138,212	1,138,212	1,152,693	(14,481)
Supplies	34,293	34,293	42,806	(8,513)
Maintenance and Materials	887,000	887,000	608,943	278,057
Contractual Services	130,426	130,426	70,418	60,008
Capital Replacement	30,806	30,806	30,806	-
Total Information Technology	<u>2,220,737</u>	<u>2,220,737</u>	<u>1,905,666</u>	<u>315,071</u>
Combined Services:				
Salaries and Fringe Benefits	7,642	7,642	68,166	(60,524)
Supplies	47,000	47,000	30,060	16,940
CS Maintenance and Materials	3,040	3,040	-	3,040
Contractual Services	1,330,911	1,330,911	1,225,408	105,503
Total Combined Services	<u>1,388,593</u>	<u>1,388,593</u>	<u>1,323,634</u>	<u>64,959</u>
City Council Special Projects:				
Salaries and Fringe Benefits	29,483	29,483	27,487	1,996
Supplies	17,500	17,500	9,069	8,431
Contractual Services	301,991	301,991	300,396	1,595
Capital Replacement	2,837	2,837	2,837	-
Total City Council Special Projects	<u>351,811</u>	<u>351,811</u>	<u>339,789</u>	<u>12,022</u>
Total General Government	<u>9,484,717</u>	<u>9,484,717</u>	<u>8,784,547</u>	<u>700,170</u>
Public Safety:				
Police:				
Salaries and Fringe Benefits	8,059,429	8,059,429	7,579,486	479,943
Supplies	330,781	330,781	171,170	159,611
Maintenance and Materials	250,775	250,775	313,669	(62,894)
Contractual Services	705,684	705,684	605,872	99,812
Capital Replacement	641,719	641,719	641,719	-
Capital Outlay	-	-	6,129	(6,129)
Total Police	<u>9,988,388</u>	<u>9,988,388</u>	<u>9,318,045</u>	<u>670,343</u>
Emergency Communications:				
Maintenance and Materials	52,752	52,752	52,732	20
Contractual Services	1,379,436	1,379,436	1,307,731	71,705
Total Emergency Communications	<u>1,432,188</u>	<u>1,432,188</u>	<u>1,360,463</u>	<u>71,725</u>
Fire:				
Salaries and Fringe Benefits	7,071,957	7,171,957	7,332,360	(160,403)
Supplies	262,629	264,439	245,831	18,608
Maintenance and Materials	267,392	267,392	223,065	44,327
Contractual Services	368,472	366,662	299,635	67,027
Capital Replacement	391,565	391,565	391,565	-
Total Fire	<u>8,362,015</u>	<u>8,462,015</u>	<u>8,492,456</u>	<u>(30,441)</u>
Total Public Safety	<u>19,782,591</u>	<u>19,882,591</u>	<u>19,170,964</u>	<u>711,627</u>

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, 2020

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Development Services:				
Development Services:				
Salaries and Fringe Benefits	1,285,120	1,285,120	1,255,911	29,209
Supplies	36,599	36,599	43,784	(7,185)
Maintenance and Materials	13,807	13,807	30,593	(16,786)
Contractual Services	223,587	223,587	119,921	103,666
Capital Replacement	32,787	32,787	32,787	-
Capital Outlay	35,000	35,000	18,600	16,400
Total Development Services	<u>1,626,900</u>	<u>1,626,900</u>	<u>1,501,596</u>	<u>125,304</u>
Streets:				
Streets:				
Salaries and Fringe Benefits	550,129	550,129	475,011	75,118
Supplies	43,615	43,615	35,619	7,996
Maintenance and Materials	784,942	784,942	558,856	226,086
Contractual Services	778,124	778,124	666,203	111,921
Capital Replacement	63,824	63,824	63,824	-
Total Streets	<u>2,220,634</u>	<u>2,220,634</u>	<u>1,799,513</u>	<u>421,121</u>
Parks and Recreation:				
Parks:				
Salaries and Fringe Benefits	1,966,457	1,966,457	1,629,860	336,597
Supplies	346,303	346,303	284,140	62,163
Maintenance and Materials	736,913	736,913	713,891	23,022
Contractual Services	873,486	873,486	1,028,749	(155,263)
Capital Replacement	83,386	83,386	83,084	302
Capital Outlay	38,000	38,000	33,060	4,940
Total Parks	<u>4,044,545</u>	<u>4,044,545</u>	<u>3,772,784</u>	<u>271,761</u>
Recreation:				
Salaries and Fringe Benefits	1,028,870	1,028,870	936,311	92,559
Supplies	180,971	169,371	120,167	49,204
Maintenance and Materials	208,628	220,228	196,455	23,773
Contractual Services	421,679	421,679	294,002	127,677
Capital Replacement	59,161	59,161	59,161	-
Capital Outlay	-	-	28,823	(28,823)
Total Recreation	<u>1,899,309</u>	<u>1,899,309</u>	<u>1,634,919</u>	<u>264,390</u>
Total Parks and Recreation	<u>5,943,854</u>	<u>5,943,854</u>	<u>5,407,703</u>	<u>536,151</u>
Total Expenditures	<u>39,058,696</u>	<u>39,158,696</u>	<u>36,664,323</u>	<u>2,494,373</u>
Excess (deficiency) of revenues over expenditures	<u>34,968</u>	<u>34,968</u>	<u>3,133,592</u>	<u>3,098,624</u>
OTHER FINANCING SOURCES/(USES):				
Transfers Out	(4,060,400)	(4,060,400)	(3,608,900)	451,500
Proceeds on Asset Sales	-	-	21,503	21,503
Total Other Financing Sources/(Uses)	<u>(4,060,400)</u>	<u>(4,060,400)</u>	<u>(3,587,397)</u>	<u>473,003</u>
Net Change in Fund Balance	(4,025,432)	(4,025,432)	(453,805)	3,571,627
Fund Balances at Beginning of Year	20,588,244	20,588,244	20,588,244	-
Fund Balances at End of Year	<u>\$ 16,562,812</u>	<u>\$ 16,562,812</u>	<u>\$ 20,134,439</u>	<u>\$ 3,571,627</u>

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, 2020

	2020			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Hotel/Motel Occupancy Taxes	\$ 5,540,000	\$ 5,540,000	\$ 3,240,946	\$ (2,299,054)
Proceeds from Special Events and Service Fees	1,297,500	1,297,500	107,030	(1,190,470)
Earnings on Investments	25,000	25,000	57,131	32,131
Rental Charges	627,000	627,000	260,749	(366,251)
Other	80,000	80,000	41,287	(38,713)
Total Revenues	<u>7,569,500</u>	<u>7,569,500</u>	<u>3,707,143</u>	<u>(3,862,357)</u>
EXPENDITURES:				
Conference Centre	1,152,735	1,152,735	796,479	356,256
Marketing	1,134,939	1,134,939	618,006	516,933
Special Events	3,810,921	3,810,921	1,369,326	2,441,595
Performing Arts	926,938	960,628	783,340	177,288
General Hotel Operations	144,173	144,173	55,828	88,345
Total Expenditures	<u>7,169,706</u>	<u>7,203,396</u>	<u>3,622,979</u>	<u>3,580,417</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>399,794</u>	<u>366,104</u>	<u>84,164</u>	<u>(281,940)</u>
OTHER FINANCING SOURCES/(USES):				
Transfer to Economic Development Fund	(768,000)	(768,000)	(384,000)	384,000
Net Change in Fund Balance	(368,206)	(401,896)	(299,836)	102,060
Fund Balances at Beginning of Year	<u>3,449,095</u>	<u>3,449,095</u>	<u>3,449,095</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 3,080,889</u>	<u>\$ 3,047,199</u>	<u>\$ 3,149,259</u>	<u>\$ 102,060</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Net Position
September 30, 2020

	Business Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Pooled Cash and Investments	\$ 8,891,825	\$ 12,259,250	\$ 8,464,841	\$ 29,615,916	\$ 7,614,244
Interest Receivable	14,310	17,105	12,228	43,643	10,687
Accounts Receivable, Net	152,595	2,183,620	326,221	2,662,436	-
Total Current Assets	<u>9,058,730</u>	<u>14,459,975</u>	<u>8,803,290</u>	<u>32,321,995</u>	<u>7,624,931</u>
Non-Current Assets:					
Capital Assets:					
Land	15,633,373	1,625,357	-	17,258,730	-
Construction in Progress	7,333,409	3,603,763	2,250,373	13,187,545	543,523
Buildings	2,600,302	6,923,788	-	9,524,090	-
Improvements other than Buildings	58,411,029	53,207,805	2,452,029	114,070,863	-
Machinery and Equipment	2,345,171	2,455,852	69,559	4,870,582	13,889,799
Accumulated Depreciation	(33,846,604)	(31,845,484)	(205,985)	(65,898,073)	(8,199,707)
Total Capital Assets, Net of Accumulated Depreciation	<u>52,476,680</u>	<u>35,971,081</u>	<u>4,565,976</u>	<u>93,013,737</u>	<u>6,233,615</u>
Investment in Joint Venture	-	6,393,505	-	6,393,505	-
Total Assets	<u>61,535,410</u>	<u>56,824,561</u>	<u>13,369,266</u>	<u>131,729,237</u>	<u>13,858,546</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charges on Refundings	-	339,315	-	339,315	-
Deferred Outflows on Pensions	-	181,366	-	181,366	-
Deferred Outflows on OPEB	7,727	32,964	3,449	44,140	-
Total Deferred Outflows of Resources	<u>7,727</u>	<u>553,645</u>	<u>3,449</u>	<u>564,821</u>	<u>-</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 1,259,467	\$ 839,624	\$ 128,941	\$ 2,228,032	\$ 267,311
Accrued Interest Payable	43,109	83,149	30,421	156,679	-
Current Compensated Absences Payable	5,835	19,994	-	25,829	-
Current Maturities of Long-Term Liabilities	432,292	870,000	305,000	1,607,292	-
Due to Other Funds	615,000	-	-	615,000	-
Customer Deposits	313,443	1,116,369	-	1,429,812	-
Total Current Liabilities	<u>2,669,146</u>	<u>2,929,136</u>	<u>464,362</u>	<u>6,062,644</u>	<u>267,311</u>
Non-Current Liabilities:					
Long-Term Liabilities, Net of Current Portion	<u>8,941,287</u>	<u>17,597,174</u>	<u>5,251,873</u>	<u>31,790,334</u>	<u>-</u>
Total Liabilities	<u>11,610,433</u>	<u>20,526,310</u>	<u>5,716,235</u>	<u>37,852,978</u>	<u>267,311</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows on Pensions	-	224,001	-	224,001	-
Deferred Inflows on OPEB	2,560	10,973	1,100	14,633	-
Total Deferred Inflows of Resources	<u>2,560</u>	<u>234,974</u>	<u>1,100</u>	<u>238,634</u>	<u>-</u>
NET POSITION:					
Net Investment in Capital Assets	45,212,538	24,341,637	(60,900)	69,493,275	6,233,615
Unrestricted	4,717,606	12,275,285	7,716,280	24,709,171	7,357,620
Total Net Position	<u>\$ 49,930,144</u>	<u>\$ 36,616,922</u>	<u>\$ 7,655,380</u>	<u>\$ 94,202,446</u>	<u>\$ 13,591,235</u>

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.

	\$ 557,117
Net Position of business type activities	<u>\$ 94,759,563</u>

See accompanying notes to basic financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2020

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	\$ -	\$ 7,460,287	\$ -	\$ 7,460,287	\$ -
Sewer	-	5,388,939	-	5,388,939	-
Drainage	-	-	2,320,434	2,320,434	-
Penalties	-	36,448	-	36,448	-
Water and Sewer Taps and Other Fees	-	13,292	1,916	15,208	-
Fuel Flowage Fees	867,778	-	-	867,778	-
Customs Agent Fees	103,234	-	-	103,234	-
Rental Charges	4,421,924	-	-	4,421,924	-
Other Income	230,835	7,179	-	238,014	93,496
Department Contributions	-	-	-	-	2,044,863
Total Operating Revenues	5,623,771	12,906,145	2,322,350	20,852,266	2,138,359
OPERATING EXPENSES:					
Salaries and Fringe Benefits	356,383	1,957,108	275,450	2,588,941	-
Supplies	40,794	214,534	13,240	268,568	52,704
Maintenance and Materials	3,129,676	524,182	32,637	3,686,495	14,719
Contractual Services	893,316	904,231	720,472	2,518,019	23,073
Water Purchases	-	3,529,753	-	3,529,753	-
Wastewater Purchases	-	3,426,935	-	3,426,935	-
Total Operating Expenses (Excluding Depreciation)	4,420,169	10,556,743	1,041,799	16,018,711	90,496
Depreciation	2,354,290	1,459,811	92,500	3,906,601	1,090,551
Total Operating Expenses	6,774,459	12,016,554	1,134,299	19,925,312	1,181,047
OPERATING INCOME/(LOSS)	(1,150,688)	889,591	1,188,051	926,954	957,312
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income	211,184	221,268	137,061	569,513	74
Gain/(Loss) on Disposal of Assets	15,732	8,273	-	24,005	93,835
Gain/(Loss) on Joint Venture	-	(80,895)	-	(80,895)	-
Interest Expense and Fiscal Charges	(335,010)	(671,723)	(227,581)	(1,234,314)	-
Total Non-Operating Revenues/(Expenses)	(108,094)	(523,077)	(90,520)	(721,691)	93,909
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(1,258,782)	366,514	1,097,531	205,263	1,051,221
Capital Grants and Contributions	1,224,219	2,992,508	931,730	5,148,457	-
Transfers In	73,338	86,956	-	160,294	-
Transfers Out	-	-	-	-	(160,294)
CHANGE IN NET POSITION	38,775	3,445,978	2,029,261	5,514,014	890,927
Net Position at Beginning of Year	49,891,369	33,170,944	5,626,119	88,688,432	12,700,308
Net Position at End of Year	<u>\$ 49,930,144</u>	<u>\$ 36,616,922</u>	<u>\$ 7,655,380</u>	<u>\$ 94,202,446</u>	<u>\$ 13,591,235</u>

Reconciliation to business-type activities:

Change in net position of enterprise funds \$ 5,514,014

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.

382,442

Change in net position of business type activities \$ 5,896,456

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 5,704,977	\$ 12,892,291	\$ 2,298,213	\$ 20,895,481	\$ 2,138,359
Payments to Suppliers	(4,124,294)	(8,660,564)	(977,691)	(13,762,549)	(87,044)
Payments to Employees for Services	(350,692)	(1,931,811)	(274,190)	(2,556,693)	-
<i>Net Cash Provided by Operating Activities</i>	<u>1,229,991</u>	<u>2,299,916</u>	<u>1,046,332</u>	<u>4,576,239</u>	<u>2,051,315</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(7,751,233)	(1,255,618)	(689,288)	(9,696,139)	(1,764,497)
Principal Paid on Long-Term Debt	(562,500)	(840,000)	(295,000)	(1,697,500)	-
Interest and Fiscal Charges Paid on Long-Term Debt	(366,349)	(773,416)	(253,174)	(1,392,939)	-
Principal Paid on Interfund Loan for Capital Purchase	(85,000)	-	-	(85,000)	-
Proceeds from Interfund Loan for Capital Purchase	700,000	-	-	700,000	-
Proceeds from Capital Grant	1,224,219	-	-	1,224,219	-
Proceeds from Sale of Capital Assets	15,732	8,740	-	24,472	93,835
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(6,825,131)</u>	<u>(2,860,294)</u>	<u>(1,237,462)</u>	<u>(10,922,887)</u>	<u>(1,670,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	238,176	242,831	173,132	654,139	9,792
<i>Net Cash Provided by Investing Activities</i>	<u>238,176</u>	<u>242,831</u>	<u>173,132</u>	<u>654,139</u>	<u>9,792</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	(5,356,964)	(317,547)	(17,998)	(5,692,509)	390,445
Cash and Cash Equivalents, October 1	14,248,789	12,576,797	8,482,839	35,308,425	7,223,799
Cash and Cash Equivalents, September 30	<u>\$ 8,891,825</u>	<u>\$ 12,259,250</u>	<u>\$ 8,464,841</u>	<u>\$ 29,615,916</u>	<u>\$ 7,614,244</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:					
Operating Income/(Loss)	\$ (1,150,688)	\$ 889,591	\$ 1,188,051	\$ 926,954	\$ 957,312
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	2,354,290	1,459,811	92,500	3,906,601	1,090,551
Change in Assets, Liabilities, and Deferred Items:					
(Increase)/Decrease in Accounts Receivables	97,880	(36,560)	(24,137)	37,183	-
(Increase)/Decrease in Prepaid Items	-	-	-	-	-
Increase/(Decrease) in Accounts Payable	(57,754)	(62,075)	(211,342)	(331,171)	3,452
Increase/(Decrease) in Customer Deposits	(16,674)	22,706	-	6,032	-
(Increase)/Decrease in Deferred Outflows on Pensions	-	446,132	-	446,132	-
(Increase)/Decrease in Deferred Outflows on OPEB	(3,794)	(16,261)	(1,626)	(21,681)	-
Increase/(Decrease) in Deferred Inflows on Pensions	-	217,508	-	217,508	-
Increase/(Decrease) in Deferred Inflows on OPEB	(291)	(1,245)	(123)	(1,659)	-
Increase/(Decrease) in Net Pension Liability	-	(649,784)	-	(649,784)	-
Increase/(Decrease) in Total OPEB Liability	7,022	30,093	3,009	40,124	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,229,991</u>	<u>\$ 2,299,916</u>	<u>\$ 1,046,332</u>	<u>\$ 4,576,239</u>	<u>\$ 2,051,315</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grants and Contributions	\$ -	\$ 2,992,508	\$ 931,730	\$ 3,924,238	\$ -
Capital Assets in Accounts Payable	960,402	728,386	88,129	1,776,917	262,041
Transfers of Capital Assets	73,338	86,956	-	160,294	(160,294)
Gain/(Loss) of Joint Venture	-	(80,895)	-	(80,895)	-
<i>Net Noncash Items from Capital and Related Financing Activities</i>	<u>\$ 1,033,740</u>	<u>\$ 3,726,955</u>	<u>\$ 1,019,859</u>	<u>\$ 5,780,554</u>	<u>\$ 101,747</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 November 2010. 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, 2020

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).

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 Projects Fund – The Capital Projects 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, 2020

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 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, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and money market mutual funds 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, 2020 to be the fair value of investments. Investments in nonnegotiable certificates of deposit are carried at cost. The government investment pools, TexPool, TexSTAR, 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 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.

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, and postage.

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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, 2020. The Town's liability for compensated absences increased \$281,952 for a total liability of \$1,294,054.

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is capital developer donations of \$107,991 for Utilities, \$26,015 for Stormwater, and \$100 for the General Government. Capital grants also includes a \$1,224,219 grant to the airport reimbursing a purchase of land. Operating grants and donations included \$431,455 for CARES grant funding, \$195,133 of grant funding for public safety, a \$2,598 donation to Parks and Recreation for plaques, a \$4,896 retail food regulatory grant, and \$207,000 in grants for Airport operations. A total of \$894,465 CARES grant was received for general government, and \$463,010 was received in advance and unspent at year-end. This amount is reported as unearned revenue in the grant fund.

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future 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 and OPEB through the pension and OPEB plans (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 pension and OPEB experience is 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. 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, 2020

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, 2020

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). However, the Reimbursement Grant Fund does not have an adopted budget due to the uncertainty of revenues and expenditures, so no comparison of budget to actual is presented in the financial statements. 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 FY2020 budget was amended two times, and the amendments were approved by City Council on May 12, 2020 and September 22, 2020. The May 12th amendment was to allocate additional funds to the Police Property Room Ventilation Repair project and to the Addison Circle Park Fountains project, as well as allocate funding for projects approved as part of the 2019 bond program from the 2020 GO Bond Fund. Additionally, this amendment was to allocate funds from the 2014 Utility Certificates of Obligation Bond Fund to use for the Basin I Sanitary Sewer Reroute project. The September 22nd budget amendment appropriated funds for actual employee benefit elections and salaries in the Fire Department, and to reflect the receipt of bond proceeds and the refunding cost associated with the 2020 General Obligation Taxable Refunding Bonds. The amendment also added funding for major projects including the Airport Customs and Border Protection Facility, Belt Line Utility Undergrounding Project, Belt Line Road 1.5 Project, and Basin I Sewer Improvements.

Excess of Expenditures over Appropriations – For the year ended September 30, 2020, Fire department expenditures in the General Fund exceeded appropriations by \$30,441, mainly due to the employer contributions for health insurance were underbudgeted and did not reflect actual employee elections. Additionally, 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. In the General Obligation Debt Service Fund, expenditures exceeded appropriations by \$51,642 due to unbudgeted issuance costs for debt refunding.

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, 2020

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, 2020. Included in Pooled Cash and Investments is \$5,250 of petty cash. At year-end, the carrying amount of the Town's deposits, including certificates of deposit, was a debit balance of \$19,285,504. The respective bank balance totaled \$19,923,959. In addition, collateral with a market value of \$4,564,376 and unused letters of credit in the amount of \$15,543,200 were held by the pledging financial institution's account at the Federal Reserve Bank 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, 2020 were invested in LOGIC, TexPool and TexSTAR (Texas Short Term Asset Reserve program).

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. 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.

LOGIC, TexPool and TexSTAR are not registered with the Securities and Exchange Commission (SEC) as investment companies. LOGIC, TexPool and TexSTAR 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. TexSTAR and LOGIC are carried at net asset value.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investments

As of September 30, 2020, the Town held the following investments:

	<u>Carrying Value</u>	<u>Average Maturity (Days)</u>
Certificates of Deposit	\$ 15,427,940	279
Commercial Paper	5,997,039	108
Agency Securities	53,049,461	980
<i>Total Investment in Securities</i>	<u>74,474,440</u>	<u>773</u>
LOGIC	28,658,101	1
TexPool	4,883,234	1
TexStar	3,202,064	1
<i>Total Investment in Pools</i>	<u>36,743,399</u>	<u>1</u>
<i>Total Investments</i>	<u>\$ 111,217,839</u>	397

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 nonnegotiable certificates of deposits are carried at cost.

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 three 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, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Prime commercial paper with an original maturity of one hundred (180) days or less which, at the time of purchase, is rated at least A-1 by Standard and Poor's, P-1 by Moodys or F1 by Fitch.
 - At the time of the purchase, the commercial paper must be rated by at least two of the above stated ratings agencies at the above stated minimum credit rating.
 - If more than two of the above rated agencies rates an issuer, all the rating agencies must rate the issuer in accordance with the above stated minimum credit criteria.
 - If the commercial paper issuer has senior debt* outstanding, the senior debt must be rated by each service that publishes a rating of the issue at least: A-1 by Moodys, A+ by Standard and Poor's, and A+ by Fitch. (*Senior Debt is defined as the most senior secured or unsecured debt of an issuer with an original maturity exceeding one year)
 - If the commercial paper issuer is given a "plus (+) rating", the maximum maturity of two hundred seventy days or less will be allowed.

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 and TexSTAR are both 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, 2020, are Instrumentality Securities (70%) of which the Town's portfolio is currently at 47.5%, Certificates of Deposit (50%) of which the Town's portfolio is currently at 14%, Commercial Paper (30%) of which the Town's portfolio is currently at 5.5%, and Local Government Investment Pools (40%) of which the Town's portfolio is currently at 33%.

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, 2020

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, 2020:

	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				
Commercial Paper	\$ 5,997,039	\$ -	\$ 5,997,039	\$ -
U.S. Agency Securities	53,049,461	-	53,049,461	-
<i>Total Investment by fair value level</i>	<u>59,046,500</u>	<u>\$ -</u>	<u>\$ 59,046,500</u>	<u>\$ -</u>
Investments measured at net asset value - TexSTAR	3,202,064			
Investments measured at amortized cost - TexPool	4,883,234			
Investments measured at net asset value - LOGIC	28,658,101			
Non-negotiable certificates of deposit	15,427,940			
<i>Total Investments</i>	<u>\$ 111,217,839</u>			

Certain investments that are measured 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 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, then fair values are estimated by using 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. Such securities are classified in Level 2 of the valuation hierarchy. 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, 2020, 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 TexSTAR, TexPool and LOGIC. The fair value of the position of TexSTAR and LOGiC are measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. 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, 2019, upon which the fiscal year 2020 levy is based, was \$4,819,907,442.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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, 2020 was \$.5835 per \$100, of which \$.434117 was allocated for general government and \$.149383 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, 2020, were 95.31% 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.

However, if the effective tax rate, excluding tax rates for retirement of bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the Town may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. 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, 2020, was \$509,074.

C. Receivables

As of September 30, 2020, 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	\$ 556,580	\$ -	\$ 248,218	\$ 8,393	\$ 34,085	\$ -	\$ 847,276
Non-Property	2,377,085	143,398	-	-	-	-	2,520,483
Franchise Fees	278,667	-	-	-	-	-	278,667
Service Fees	990,754	-	-	-	-	-	990,754
Ambulance	671,734	-	-	-	-	-	671,734
Interest	32,605	4,705	34	61,997	4,967	10,687	114,995
Other	44,458	62	-	270,496	4,760	-	319,776
Due from Other Funds	-	-	-	615,000	-	-	615,000
Gross Receivables	\$ 4,951,883	\$ 148,165	\$ 248,252	\$ 955,886	\$ 43,812	\$ 10,687	\$ 6,358,685
Less: Allowance for Uncollectibles	1,617,651	-	159,825	4,808	20,275	-	1,802,559
Net Receivables	\$ 3,334,232	\$ 148,165	\$ 88,427	\$ 951,078	\$ 23,537	\$ 10,687	\$ 4,556,126

The above allowance for uncollectible accounts represents reserves for ambulance (\$450,062), court warrants (\$787,086), alarm (\$56,337), and property taxes (\$509,074).

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

In the proprietary funds at September 30, 2020 the Airport fund has \$102,595 rent receivable and \$50,000 grant receivable with no associated allowance accounts. The Utility fund has \$2,233,034 in water and sewer sales receivable, net of an allowance of \$49,414. The Stormwater fund has stormwater fees receivable of \$343,111 net of an allowance of \$16,890.

D. Capital Assets

Capital Asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	\$ 66,249,935	\$ 944,759	\$ -	\$ -	\$ 67,194,694
Intangible Assets	672,076	-	-	185,987	858,063
Construction in Progress	13,899,390	5,783,551	-	(8,643,671)	11,039,270
<i>Total Capital Assets, not Depreciable</i>	<u>80,821,401</u>	<u>6,728,310</u>	<u>-</u>	<u>(8,457,684)</u>	<u>79,092,027</u>
Capital Assets, Depreciable:					
Buildings	23,297,688	-	-	-	23,297,688
Improvements other than Buildings	194,563,671	164,469	(1,774,119)	3,642,029	196,596,050
Machinery and Equipment	23,424,970	1,655,630	(4,282,596)	1,025,424	21,823,428
<i>Total Capital Assets, Depreciable</i>	<u>241,286,329</u>	<u>1,820,099</u>	<u>(6,056,715)</u>	<u>4,667,453</u>	<u>241,717,166</u>
Less Accumulated Depreciation for:					
Buildings	(14,346,909)	(603,908)	-	-	(14,950,817)
Improvements other than Buildings	(117,862,034)	(6,702,320)	1,595,035	-	(122,969,319)
Machinery and Equipment	(13,394,472)	(1,820,493)	4,281,282	-	(10,933,683)
<i>Total Accumulated Depreciation</i>	<u>(145,603,415)</u>	<u>(9,126,721)</u>	<u>5,876,317</u>	<u>-</u>	<u>(148,853,819)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>95,682,914</u>	<u>(7,306,622)</u>	<u>(180,398)</u>	<u>4,667,453</u>	<u>92,863,347</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 176,504,315</u>	<u>\$ (578,312)</u>	<u>\$ (180,398)</u>	<u>\$ (3,790,231)</u>	<u>\$ 171,955,374</u>
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	\$ 17,046,407	\$ 212,323	\$ -	\$ -	\$ 17,258,730
Construction in Progress	7,706,752	10,186,310	-	(4,705,517)	13,187,545
<i>Total Capital Assets, not Depreciable</i>	<u>24,753,159</u>	<u>10,398,633</u>	<u>-</u>	<u>(4,705,517)</u>	<u>30,446,275</u>
Capital Assets, Depreciable:					
Buildings	9,524,090	-	-	-	9,524,090
Improvements other than Buildings	105,417,641	158,291	(817)	8,495,748	114,070,863
Machinery and Equipment	4,595,196	920,592	(645,206)	-	4,870,582
<i>Total Capital Assets, Depreciable</i>	<u>119,536,927</u>	<u>1,078,883</u>	<u>(646,023)</u>	<u>8,495,748</u>	<u>128,465,535</u>
Less Accumulated Depreciation for:					
Buildings	(2,939,377)	(190,487)	-	-	(3,129,864)
Improvements other than Buildings	(56,917,611)	(3,403,502)	350	-	(60,320,763)
Machinery and Equipment	(2,780,040)	(312,612)	645,206	-	(2,447,446)
<i>Total Accumulated Depreciation</i>	<u>(62,637,028)</u>	<u>(3,906,601)</u>	<u>645,556</u>	<u>-</u>	<u>(65,898,073)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>56,899,899</u>	<u>(2,827,718)</u>	<u>(467)</u>	<u>8,495,748</u>	<u>62,567,462</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 81,653,058</u>	<u>\$ 7,570,915</u>	<u>\$ (467)</u>	<u>\$ 3,790,231</u>	<u>\$ 93,013,737</u>

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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	\$ 326,849	\$ -
Public Safety	509,243	-
Development Services	3,824	-
Streets	5,828,845	-
Parks and Recreation	846,394	-
Visitor Services	521,015	-
IT Replacement	368,847	-
Capital Replacement	721,704	-
Airport Fund	-	2,354,290
Utility Fund	-	1,459,811
Stormwater Fund	-	92,500
	<u>\$ 9,126,721</u>	<u>\$ 3,906,601</u>

The following tabulation presents the estimated significant commitments under unfinished capital construction and equipment contracts that are fully funded as of September 30, 2020:

Project	Estimated Commitments	Less Expenditures to Date	Total Commitment Remaining
<u>Governmental Activities</u>			
Vitruvian Public Infrastructure	\$ 10,021,107	\$ 9,959,232	\$ 61,875
Midway Road Rehabilitation	28,845,828	3,852,630	24,993,198
Belt Line Beautification	3,153,000	1,791,929	1,361,071
Airport Parkway Reconstruction	9,400,000	344,144	9,055,856
Keller Springs Reconstruction	12,900,000	466,722	12,433,278
	<u>\$ 64,319,935</u>	<u>\$ 16,414,657</u>	<u>\$ 47,905,278</u>
<u>Business Type Activities</u>			
Customs Facility Construction	\$ 11,162,733	\$ 7,101,661	\$ 4,061,072
Airport Facility Improvements	1,544,000	585,766	958,234
Water Line Replacement	3,941,798	1,029,518	2,912,280
Kellway Lift Station Rehabilitation & Repair	1,587,984	419,537	1,168,447
Celestial Ground Storage Tank	3,680,000	82,376	3,597,624
Chlorine Booster Station	2,299,000	196,143	2,102,857
Basin I Sanitary Sewer Reroute	3,151,000	2,025,538	1,125,462
Sherlock Basin Improvements	1,868,191	1,642,244	225,947
Storm Water Assessment Basin Improv	4,168,809	608,129	3,560,680
	<u>\$ 33,403,515</u>	<u>\$ 13,690,913</u>	<u>\$ 19,712,602</u>

In addition, the Town had the following outstanding encumbrances related to capital projects at September 30, 2020. The Airport fund had \$1,672,241 related to the construction of the customs facility, the Utility fund had \$97,812 for pump station and sewer line improvements, and the Capital Project fund had \$1,300,820 for various streets, facilities, and parks projects.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

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 \$6,393,505, net of related debt, 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, 2019. 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, 2020:

	<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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 10,965,000	\$ -

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

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		
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.		
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured	\$ 1,795,000	\$ -
General Obligation Bonds, Tax-Exempt Series of 2013		
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 2033 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.		
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 3,485,000	\$ -
General Obligation Bonds Series 2013A (AMT)		
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 2018 with interest rates ranging from 2% to 2.25%. The bonds are not callable.		
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 1,385,000	\$ -

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds Taxable Series of 2013B		
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 2033 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 170,000	\$ -
Combination Tax and Revenue Certificates of Obligation Series of 2013		
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 2033 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ -	\$ 7,510,000
General Obligation Bonds, Tax-Exempt Series 2014		
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 2032 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 9,785,000	\$ -

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

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.	\$ -	\$ 6,005,000
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.	\$ 16,040,000	\$ 4,965,000
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.	\$ -	\$ 12,900,000
Ratings: Moody's "Aaa"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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>		
	\$ 16,220,000	\$ -
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>		
	\$ 13,635,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	Governmental Activities	Business-type Activities
General Obligation Refunding Bonds Taxable Series 2020		
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. Ratings: Moody's "Aaa"; Standard & Poor's "AAA"	\$ 13,205,000	\$ -
TOTAL LONG-TERM DEBT OUTSTANDING	\$ 86,685,000	\$ 31,380,000

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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, 2020 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 47,605	\$ 26,840	\$ (14,945)	\$ 59,500	\$ 3,635
Premium on General Obligation Bonds	4,323	1,608	(1,694)	4,237	-
Discount on General Obligation Bonds	(40)	(3)	36	(7)	-
Certificates of Obligation	11,685	16,900	(1,400)	27,185	1,350
Premium on Certificates of Obligation	-	1,221	(108)	1,113	-
Discount on Certificates of Obligation	(80)	-	5	(75)	-
Net Pension Liability	10,906	12,311	(20,397)	2,820	-
Compensated Absences	918	451	(170)	1,199	139
Total OPEB Liability	3,716	604	(143)	4,177	132
Long-Term Liabilities – Governmental Activities	<u>\$ 79,033</u>	<u>\$ 59,932</u>	<u>\$ (38,816)</u>	<u>\$ 100,149</u>	<u>\$ 5,256</u>
Business-type Activities:					
General Obligation Refunding Bonds	\$ 5,655	\$ -	\$ (690)	\$ 4,965	\$ 320
(Payable from airport and utility system revenues)					
Premium on General Obligation Refunding Bonds	755	-	(104)	651	-
Combination Tax and Revenue Certificates of Obligation	9,065	-	(120)	8,945	375
(Payable from airport revenues)					
Premium on Combination Tax and Revenue C.O.	323	-	(32)	291	-
Combination Tax and Revenue Certificates of Obligation	12,635	-	(530)	12,105	550
(Payable from utility system revenues)					
Premium on Combination Tax and Revenue C.O.	248	-	(21)	227	-
Combination Tax and Revenue Certificates of Obligation	5,660	-	(295)	5,365	305
(Payable from storm water system revenues)					
Premium on Combination Tax and Revenue C.O.	188	-	(25)	163	-
Note Payable	119	-	(62)	57	57
Net Pension Liability	847	989	(1,639)	197	-
Compensated Absences	94	42	(41)	95	26
Total OPEB Liability	323	52	(12)	363	-
Long-Term Liabilities – Business-type Activities	<u>\$ 35,912</u>	<u>\$ 1,083</u>	<u>\$ (3,571)</u>	<u>\$ 33,424</u>	<u>\$ 1,633</u>

During the current fiscal year, the Town refunded \$12,240,000 of governmental GO's with a \$1,012,871 unamortized premium, \$31,691 unamortized discount, and \$153,728 unamortized deferred loss on refunding, in a taxable refunding issuance entitled GO Refunding Bonds, Taxable Series 2020. No additional proceeds were received, and the Town paid \$111,987 in issuance costs and underwriter discounts from the General Obligation Debt Service Fund. The new issuance resulted in \$13,205,000 governmental GO refunding bonds with a discount of \$2,801. As a result of the taxable refunding, the Town reduced its total debt service requirements by \$2,022,740, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,866,360.

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 \$6,335 available in the General Obligation Debt Service Fund to service the general obligation bonds.

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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. The Note Payable referenced above in the Business-type Activities was created in July 2015 as part of a ground lease early termination agreement at the Addison Airport. The Town of Addison will pay \$375,000 in 72 equal payments of \$5,208 each month, accruing no interest, beginning August 1, 2015. This creates a remaining annual principal only payment of \$57,000 in 2021.

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, 2020.

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	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds:				
2021	\$ 3,635,000	\$ 1,806,515	\$ 320,000	\$ 224,250
2022	3,660,000	1,713,798	340,000	211,050
2023	3,780,000	1,597,315	355,000	197,150
2024	3,880,000	1,493,541	365,000	182,750
2025	4,010,000	1,379,935	380,000	167,850
2026-2030	21,530,000	4,794,302	1,980,000	547,250
2031-2035	14,995,000	1,284,616	1,225,000	93,875
2036-2040	4,010,000	203,800	-	-
	<u>\$ 59,500,000</u>	<u>\$ 14,273,822</u>	<u>\$ 4,965,000</u>	<u>\$ 1,624,175</u>
Certificates of Obligation:				
2021	\$ 1,350,000	\$ 852,138	\$ 1,230,000	\$ 1,002,182
2022	1,390,000	811,538	1,280,000	957,683
2023	1,445,000	758,613	1,335,000	909,057
2024	1,505,000	699,612	1,385,000	858,658
2025	1,560,000	642,512	1,440,000	806,232
2026-2030	7,180,000	2,476,812	8,235,000	3,061,468
2031-2035	7,310,000	1,419,616	7,985,000	1,263,383
2036-2039	5,445,000	300,553	3,525,000	254,187
	<u>\$ 27,185,000</u>	<u>\$ 7,961,394</u>	<u>\$ 26,415,000</u>	<u>\$ 9,112,850</u>

At September 30, 2020, the Town had \$81,845,000 authorized but unissued general obligation bonds.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2020 is as follows:

	Interfund Receivables	Interfund Payables	
Capital Project Fund	\$ 615,000	\$ -	
Airport Fund	-	615,000	Loan for AFRR, reimbursement expected in subsequent year
Total	<u><u>\$ 615,000</u></u>	<u><u>\$ 615,000</u></u>	

Transfers between funds during the year ended September 30, 2020 were comprised of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ -	\$ 45,000	For capital projects
General Fund	-	3,563,900	For capital projects
Capital Project Fund	45,000	-	For capital projects
Capital Project Fund	3,563,900	-	For capital projects
Hotel Fund	-	384,000	For economic development
Economic Development Fund	384,000	-	For economic development
Internal Service Fund	-	55,418	For purchase of assets in Internal Svc Fund
Internal Service Fund	-	17,920	For purchase of assets in Internal Svc Fund
Internal Service Fund	-	42,873	For purchase of assets in Internal Svc Fund
Internal Service Fund	-	44,083	For purchase of assets in Internal Svc Fund
Airport Fund	55,418	-	For purchase of assets in Internal Svc Fund
Airport Fund	17,920	-	For purchase of assets in Internal Svc Fund
Utility Fund	42,873	-	For purchase of assets in Internal Svc Fund
Utility Fund	44,083	-	For purchase of assets in Internal Svc Fund
Total Transfers	<u><u>\$ 4,153,194</u></u>	<u><u>\$ 4,153,194</u></u>	

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 2020, 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 2019 to September 2020, 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, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 888 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, 2020

IV. OTHER INFORMATION (CONTINUED)

TMRS issues a publicly available Comprehensive Annual 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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	216
Inactive employees entitled to but not yet receiving benefits	233
Active employees	<u>270</u>
Total	<u>719</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 2019 of 10.86%. Accordingly, contributions to TMRS for the year ended September 30, 2020 were \$2,259,912 and were equal to the required contribution.

Net Pension Liability

The Town's Net Pension Liability was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% 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, 2019, 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, 2020

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>
Total 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	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, 2019. 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
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NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 10/1/2019	\$ 130,237,725	\$ 118,484,627	\$ 11,753,098
Changes for the year:			
Service cost	3,261,975	-	3,261,975
Interest	8,672,125	-	8,672,125
Difference between expected and actual experience	857,318	-	857,318
Changes of assumptions	402,607	-	402,607
Contributions - employer	-	2,259,912	(2,259,912)
Contributions - employee	-	1,480,167	(1,480,167)
Net investment income	-	18,296,106	(18,296,106)
Benefit payments, including refunds of employee contributions	(6,785,567)	(6,785,567)	-
Administrative expense	-	(103,502)	103,502
Other	-	(3,109)	3,109
Net changes	6,408,458	15,144,007	(8,735,549)
Balance at 9/30/2020	\$ 136,646,183	\$ 133,628,634	\$ 3,017,549

Sensitivity of the Net Pension Liability 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 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	\$ 20,869,639	\$ 3,017,549	\$ (11,752,583)

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.tmr.com.

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

For the year ended September 30, 2020, the Town recognized pension expense of \$3,370,643. At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ 945,834	\$ (2,375)
Contributions subsequent to the measurement date	1,716,190	-
Change of assumptions	304,170	-
Difference between projected and actual investment earnings	-	(4,077,799)
Total	<u>\$ 2,966,194</u>	<u>\$ (4,080,174)</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 \$1,716,190 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. 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
2021	\$ (664,796)
2022	(847,600)
2023	714,179
2024	(2,031,953)
Total	<u>\$ (2,830,170)</u>

Allocation of Pension Items

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

2) Other Postemployment Benefits

A summary of OPEB related items as of and for the year ended September 30, 2020, is presented below.

Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 3,160,225	\$ 329,877	\$ (105,012)	\$ 262,050
Business-Type Activities	274,526	28,662	(9,130)	22,787
Supplemental Death Benefits				
Governmental Activities	1,017,049	178,093	(63,291)	78,581
Business-Type Activities	88,350	15,478	(5,503)	6,833
Total	<u>\$ 4,540,150</u>	<u>\$ 552,110</u>	<u>\$ (182,936)</u>	<u>\$ 370,251</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

IV. OTHER INFORMATION (CONTINUED)

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, 2019 was used for the September 30, 2020 liability and expense. The information that follows was determined as of a valuation date of December 31, 2019.

Employees covered by benefit terms

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	44
Active Members	<u>262</u>
Total	<u>306</u>

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 2020 contribute \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2020, total retiree contributions were \$140,437.

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 \$3,434,751 was measured as of December 31, 2019.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

IV. OTHER INFORMATION (CONTINUED)

Actuarial assumptions

The Town's total OPEB Liability in the December 31, 2018 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
Overall payroll growth	3.50% to 11.50%, including inflation
Discount rate	2.75% (3.71% in prior year)
Healthcare cost trend rates	7.2% for 2020, declining to 4.25% after 15 years
Participation rates	50% of employees who retire before age 65 and 100% 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 10/1/19	\$ 3,160,157
Changes for the year:	
Service cost	151,275
Interest on OPEB Liability	117,504
Effect of difference in expected & actual experience	(1,268)
Effect of assumptions (change in discount rate)	144,221
Benefit payments	(137,138)
Change in total OPEB Liability	<u>274,594</u>
Balance as of 9/30/20	<u>\$ 3,434,751</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 2.75% 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 3,791,305	\$ 3,434,751	\$ 3,120,717

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

IV. OTHER INFORMATION (CONTINUED)

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:

	Current Health Care		
	1% Decrease	Cost Trend Rates	1% Increase
Total OPEB liability	\$ 3,145,471	\$ 3,434,751	\$ 3,784,038

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

For the year ended September 30, 2020, the Town recognized OPEB expense of \$284,837. At September 30, 2020, 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	\$ -	\$ (39,586)
Change of assumptions	233,071	(74,556)
Benefit payments made subsequent to measurement date	125,468	-
Total	<u>\$ 358,539</u>	<u>\$ (114,142)</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 \$125,468 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2021. 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
2021	\$ 16,058
2022	16,058
2023	16,058
2024	16,058
2025	16,058
Thereafter	38,639
Total	<u>\$ 118,929</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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, 2019 was used for the September 30, 2020 liability and expense. The information that follows was determined as of a valuation date of December 31, 2019.

Employees covered by benefit terms

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	159
Inactive employees entitled to but not yet receiving benefits	63
Active employees	<u>270</u>
Total	<u>492</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 2020 were \$6,342.

Total OPEB Liability for Supplemental Death Benefits

The Town’s total OPEB liability for supplemental death benefits of \$1,105,399 was measured as of December 31, 2019.

Actuarial assumptions

The Total OPEB Liability in the December 31, 2019 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
Overall payroll growth	3.50% to 11.50%, including inflation
Discount rate	2.75% (3.71% in prior year)

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 2.75 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 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, 2019 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 10/1/19	\$ 878,424
Changes for the year:	
Service cost	25,369
Interest on OPEB Liability	32,942
Effect of difference in expected & actual experience	(10,521)
Effect of assumptions (change in discount rate)	185,527
Benefit payments	(6,342)
Change in OPEB Liability	226,975
Balances as of 9/30/20	\$ 1,105,399

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 2.75% 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 1,354,536	\$ 1,105,399	\$ 914,893

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

For the year ended September 30, 2020, the Town recognized OPEB expense of \$85,414. At September 30, 2020, 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	\$ -	\$ (23,165)
Change of assumptions	193,571	(45,629)
Total	\$ 193,571	\$ (68,794)

NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

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
2021	\$ 27,103
2022	27,103
2023	26,707
2024	14,453
2025	29,119
Thereafter	<u>292</u>
Total	<u>\$ 124,777</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. 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.

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, 2020, and the amount forgone was \$17,375. Over the life of the contract, the entity has forgone 119,498.

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 \$384,869 during the fiscal year ended September 30, 2020, and has paid \$1,357,612 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, 2020. 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, 2020

IV. OTHER INFORMATION (CONTINUED)

E. New Accounting Pronouncements

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

Statement No. 84, *Fiduciary Activities* – This statement improves guidance regarding the identification of fiduciary activities for financial and accounting reporting purposes and how these activities should be reported. This statement will be effective for the Town in fiscal year 2021. The Town will evaluate the potential impact on the Town's net position.

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.

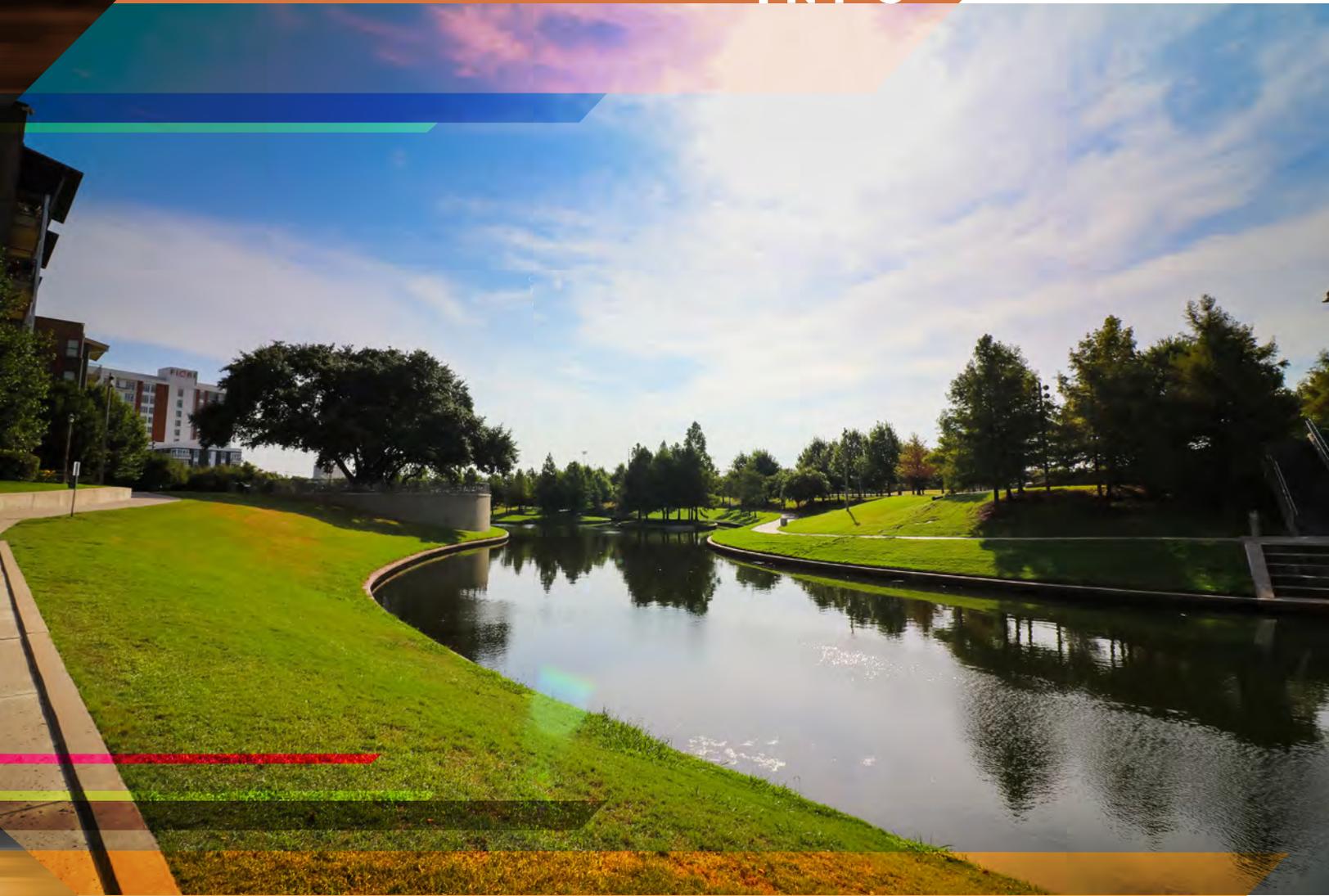
Statement No. 90, *Majority Equity Interests* – This statement aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will be effective for the Town in fiscal year 2021. 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.



*required
supplementary*

INFO



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 Six Measurement Years (Previous years are not available)

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

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 Six Measurement Years (Previous years are not available)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:			
Service cost	\$ 2,862,674	\$ 3,028,227	\$ 3,261,975
Interest (on the Total Pension Liability)	8,023,052	8,365,372	8,672,125
Changes in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	827,177	154,569	857,318
Change in assumptions	-	-	402,607
Benefit payments, including refunds of employee contributions	(5,993,041)	(7,455,524)	(6,785,567)
Net change in total pension liability	5,719,862	4,092,644	6,408,458
Total pension liability - beginning	120,425,219	126,145,081	130,237,725
Total pension liability - ending (a)	126,145,081	130,237,725	136,646,183
Plan fiduciary net position:			
Contributions - employer	1,942,088	2,066,662	2,259,912
Contributions - employee	1,323,808	1,382,710	1,480,167
Net investment income	15,717,180	(3,781,614)	18,296,106
Benefit payments, including refunds of employee contributions	(5,993,041)	(7,455,524)	(6,785,567)
Administrative expense	(81,484)	(73,147)	(103,502)
Other	(4,130)	(3,822)	(3,109)
Net change in plan fiduciary net position	12,904,421	(7,864,734)	15,144,007
Plan fiduciary net position - beginning	113,444,939	126,349,361	118,484,627
Plan fiduciary net position - ending (b)	126,349,360	118,484,627	133,628,634
Net pension liability/(asset) - ending (a) - (b)	\$ (204,279)	\$ 11,753,098	\$ 3,017,549
Plan fiduciary net position as a percentage of total pension liability	100.16%	90.98%	97.79%
Covered payroll	\$ 18,895,541	\$ 19,727,861	\$ 21,140,471
Net pension liability/(asset) as a percentage of covered payroll	-1.08%	59.58%	14.27%

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, 2020

	(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%

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 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 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 Three Measurement Years (Previous years are not available)

Total OPEB liability:	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total OPEB liability - beginning	\$ 2,881,200	\$ 3,152,539	\$ 3,160,157
Service cost	135,826	176,485	151,275
Interest on the total OPEB liability	110,017	105,055	117,504
Difference between expected and actual experience of the total OPEB liability	(4,477)	(45,102)	(1,268)
Changes of assumptions	153,032	(94,984)	144,221
Benefit payments	(123,059)	(133,836)	(137,138)
Net change in total OPEB liability	<u>271,339</u>	<u>7,618</u>	<u>274,594</u>
Total OPEB liability - ending	<u>\$ 3,152,539</u>	<u>\$ 3,160,157</u>	<u>\$ 3,434,751</u>
Covered-employee payroll	\$ 18,897,760	\$ 20,042,555	\$ 21,353,599
Total OPEB liability as a percentage of covered-employee payroll	16.68%	15.77%	16.09%

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019, and updates to the demographic and salary increase assumptions.

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 Three Measurement Years (Previous years are not available)

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

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

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.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Bond Counsel Opinion]

\$8,760,000
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION REFUNDING 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 REFUNDING BONDS, SERIES 2022, dated [January 1, 2022], in the principal amount of \$8,760,000.

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; a deposit agreement (the “Deposit Agreement”) between the Issuer and the Bank of New York Mellon Trust Company, National Association, as paying agent/registrar for the obligations being refunded (the “Refunded Obligations”); 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;
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the deposit of funds with the paying agent/registrar for the Refunded Obligations, Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Deposit Agreement; and
- (D) 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 a specific preference item for purposes of the alternative minimum tax.

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.

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