



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TOWN OF ADDISON, TEXAS

Town of Addison, Texas
Comprehensive Annual Financial Report

For the Year Ended September 30, 2018

City Council

	Expiration of Term
Joe Chow, Mayor	May 2019
Paul Walden, Mayor Pro Tempore	May 2020
Tom Braun, Deputy Mayor Pro Tempore	May 2019
Ivan Hughes, Council Member	May 2019
Guillermo Quintanilla, Council Member	May 2020
Lori Ward, Council Member	May 2019
Marlin Willesen, Council Member	May 2020

City Manager

Wesley S. Pierson

**Prepared by the
Department of Finance**

Olivia Riley, CPA, CGMA, CFO
Amanda Turner, CPA, Controller
Charles Williams, Accounting Manager
Ashley Boatright, Accounting Supervisor
Karen Hollingsworth, Senior Accountant
Terri Doby, Budget Manager



Town of Addison, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018

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STATISTICAL SECTION

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INTRODUCTORY SECTION



March 7, 2019

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

I am pleased to submit the Comprehensive Annual Financial Report of the Town of Addison, Texas for the fiscal year ended September 30, 2018. The purpose of the report is to provide the City Council, management, staff, the public, and other interested parties with detailed information reflecting the Town's financial condition.

THE REPORT

This report satisfies §103.001 of the Texas Local Government Code requiring annual audits of all municipalities and was conducted in accordance with Section 2.15 of the Charter of the Town of Addison. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position of the Town. We also believe all disclosures necessary to enable the reader to gain an understanding of the Town's financial affairs have been included. To provide a reasonable basis for making these representations, management of the Town of Addison has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Addison's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town of Addison's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Comprehensive Annual Financial Report (CAFR) is organized into three major *Introductory, Financial, and Statistical Sections*. The *Introductory Section* provides general information on the government's structure and personnel as well as information useful in assessing the government's financial condition.

The *Financial Section* contains the opinion of the Town's independent auditor. The Town of Addison's financial statements have been audited by BKD, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Addison for the fiscal year ended September 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions (i.e., clean opinions) that the Town of Addison's financial statements for the fiscal year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the *Financial Section* is management's discussion and analysis (MD&A) that provides users of the basic financial statements a narrative introduction, overview, and analysis of those statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the Town of Addison as a single entity, as well as the individual funds that account for the Town's various governmental and business-type activities.

**CITY MANAGER'S
OFFICE**

P.O. Box 9010
Addison, TX 75001

phone: 972.450.7001
fax: 972.450.7043

ADDISONTEXAS.NET

IT ALL COMES
TOGETHER.

The report concludes with the *Statistical Section*, which, through the use of tables, presents comparative economic and financial data to give users of the report a perspective of the Town's performance over a number of years.

THE REPORTING ENTITY

The Town of Addison is located in the Dallas North Parkway area, which has been referred to as the "platinum corridor" of the Dallas Metroplex. The area, which developed rapidly over the past three decades, is home to affluent neighborhoods, hundreds of million-dollar companies, scores of quality restaurants, and two spacious malls. At 4.4 square miles, Addison is the smallest, yet most densely developed, of the various suburbs located in the area. Although it has just over 16,000 residents, the Town has developed into a cosmopolitan center which serves well over 125,000 business persons, shoppers, and visitors daily.



The Town was incorporated in 1953 and is operating under a Charter adopted in 1978 and last amended in November 2010. Under the amended Charter, the Council is comprised of a mayor and six council members who enact local legislation, determine policies, and adopt the Town's budget. The mayor and council members are elected for two-year terms with the mayor and three council members being elected each odd-numbered year and the remaining three council members elected each even-numbered year. The City Manager is appointed by the City Council and is responsible to them for the proper administration of the affairs of the Town.

The Town provides a full range of municipal services including general government, public safety (police and fire), streets, parks and recreation, planning and zoning, code enforcement, stormwater and water, and sewer utilities. Sanitation collection services are provided through private contractors; non-residential customers contract with the collection firm of their choice while single-family residential customers contract through the Town with sanitation fees added to their municipal utility bills.

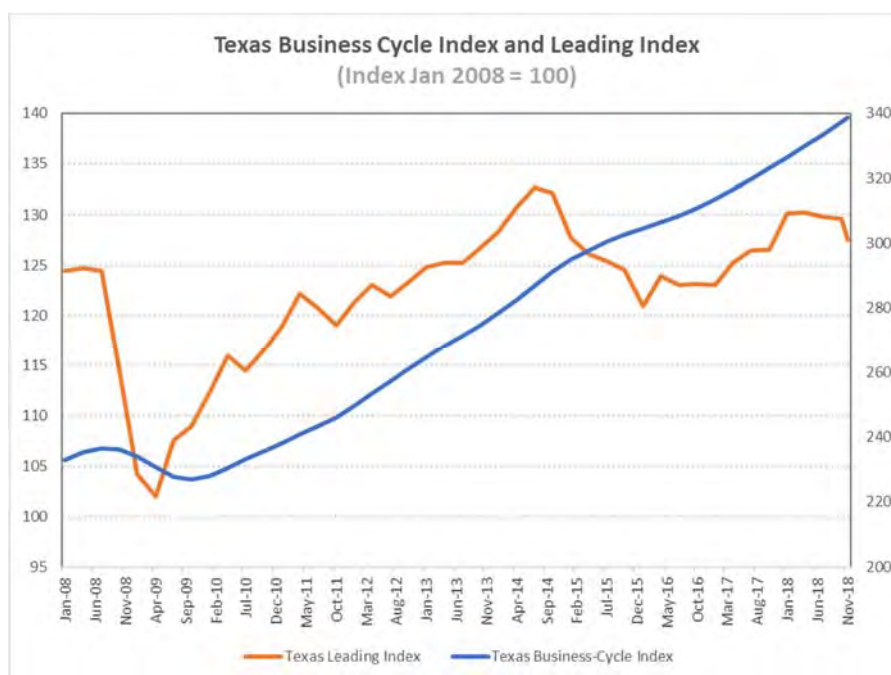
The annual budget of the Town of Addison serves as the foundation for the Town's financial planning and control. The budget is prepared by the City Manager and adopted by the City Council in accordance with policies and procedures established by the Town Charter and Council ordinances. The appropriated budget is prepared and presented by fund, department (e.g. police) or function (e.g. debt service), and major cost category (e.g. personal services). All expenses of the Town are made in accordance with the adopted annual budget. The department level is the legal level of control enacted by the Town Charter. 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. 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 that 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.

Budget-to-actual comparisons are provided in this report for each major fund for which an appropriated annual budget has been adopted. For the non-major governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual fund financial statements section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

Status of Local Economy

With its concentration of commercial and retail development, the Town of Addison's economy is strongly influenced by the region's economic climate. According to reports issued by the Federal Reserve Bank of Dallas, the Leading Index indicators are declining however the Business Cycle Index remains strong. This trend bodes well for the continued economic strength of the Town.



The United States unemployment rate continues to decline, with Texas just above the nation as a whole. Texas began fiscal year 2018 at 3.9% unemployment, reached as low as 3.8%, and ended the year at 3.8%, just above the U.S. rate of 3.7%.

Addison is densely developed with nearly 11 million square feet of office space distributed among 115 office buildings, much attention is given to the occupancy rates of buildings in Addison. At the end of September 2018, Addison's occupancy rate stood at 85.8 percent compared with the 85.8 percent recorded a year earlier. Addison's occupancy rate is 0.3 percent lower than the 86.1 percent average for all of the Dallas/Ft. Worth Area. (Source: CoStar Group)

The Town experienced a 3.5 percent increase in taxable property values for the 2017 certified levy compared to a 6.5 percent increase for the 2016 certified levy.

For the 2018 fiscal year, General Fund revenues of \$40.3 million represented an increase from \$39.8 million in fiscal year 2017. The property tax levy produced 39% of the total revenue available to the Town's General Fund for this year, while the sales tax revenue category produced 41%. The Town's sales tax receipts increased 17.23 percent from fiscal year 2017. General Fund expenditures and transfers for the 2018 fiscal year totaled \$35.7 million. The General Fund ending fund balance increased by \$4 million to \$21 million, with an ending fund balance of 61% of General Fund operating expenditures. The primary reason for the increase was due to an increased property tax levy and increased sales tax collections from State Comptroller audits.

Long-Term Financial Planning

Users of this document, as well as others interested in the programs and services offered by the Town of Addison, are encouraged to read the Town's 2017-18 Annual Budget. The document details the Town's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the Town's capital improvement program. The Town's Annual Budget also includes long-term financial plans for the major operating funds that forecast revenues and expenditures over a five-year horizon. The plans are driven by financial policies adopted by the City Council that are designed to protect the Town's financial integrity. The policies include establishing significant fund balances, or reserves, to protect the Town from the boom/bust economic cycle common to the state and the region. The budget document can be obtained from the Town of Addison's Financial and Strategic Services Department by calling (972) 450-7051. The Annual Budget can also be accessed through the department's web site at [http://addisontexas.net/index.php?section=finance-department Addison-budget](http://addisontexas.net/index.php?section=finance-department%20Addison-budget)

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town of Addison, Texas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. The *Certificate*, which is reproduced herein, is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a *Certificate of Achievement*, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The document must satisfy both generally accepted accounting principles and applicable legal requirements. A *Certificate of Achievement* is valid for a period of one year only. The Town of Addison has received a *Certificate* for the last 42 consecutive years. We believe our current report continues to conform to the *Certificate of Achievement* program requirements, and we are submitting it to GFOA for consideration.

In addition to the *Certificate*, the Town received GFOA's *Award for Distinguished Budget Presentation* for its fiscal year 2018 annual budget document. In order to qualify for the *Award*, the Town's budget document was judged to be proficient or exceptional in several categories including policy documentation, financial planning, and operations guide. The Town has received the *Award* for 31 consecutive years. Together, the *Award* and the *Certificate* are evidence of the Finance Department's dedication to producing documents that effectively communicate the Town's financial condition to elected officials, city administrators, and the general public.

I wish to thank all members of the Finance Department who assisted in preparing and assembling the information presented in this report. I also acknowledge our auditors, BKD, LLP, and the assistance they provided in meeting the deadlines established for publication of the document. I am grateful for the support provided by the City Council, and affirm our pledge to be a resource to help them achieve the goals they have established for the Addison community.

Respectfully submitted,

A handwritten signature in blue ink, reading "Wesley S. Pierson". The signature is fluid and cursive, with the first name "Wesley" and last name "Pierson" clearly legible.

Wesley S. Pierson
City Manager



Government Finance Officers Association

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

Presented to

**Town of Addison
Texas**

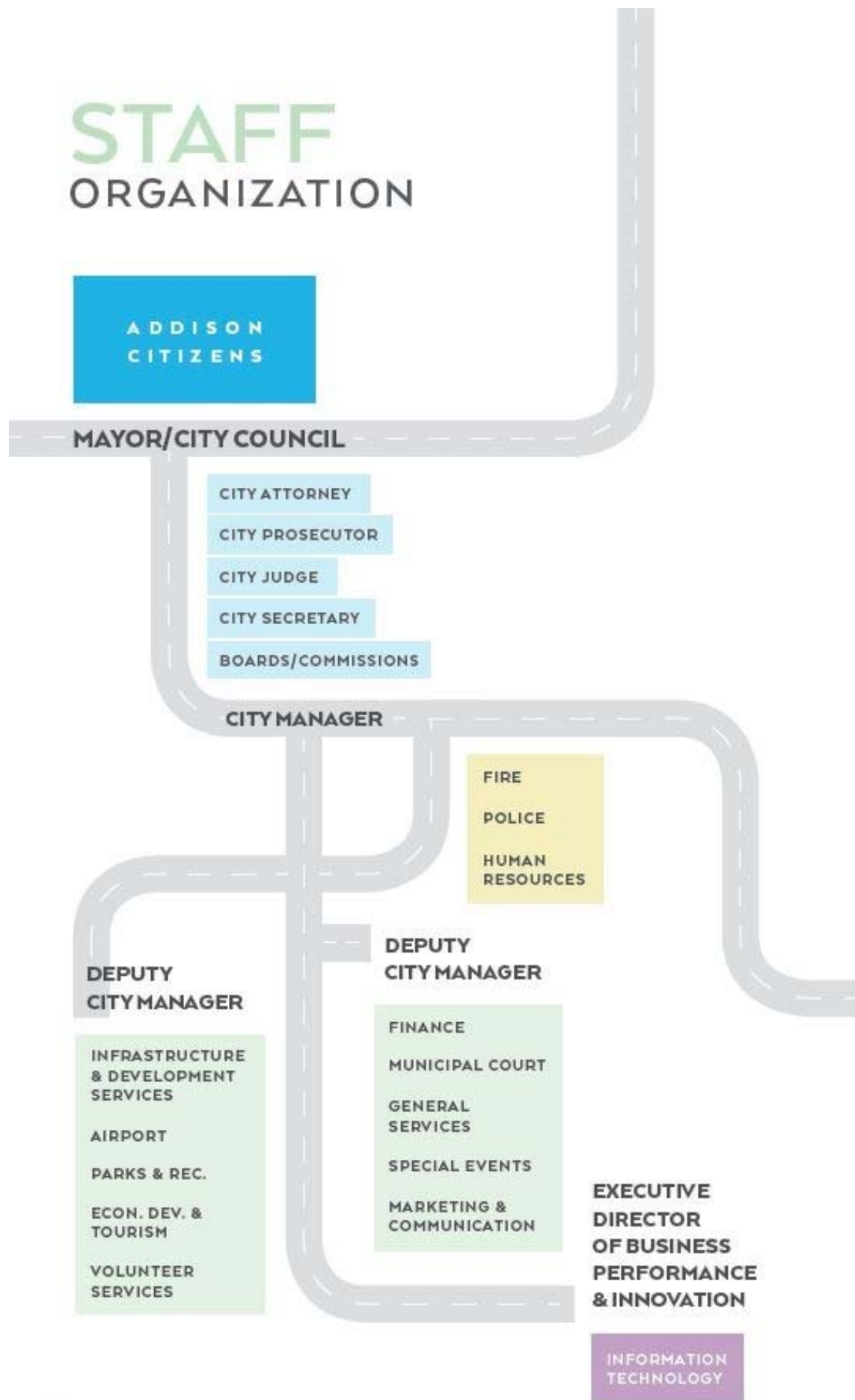
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

STAFF ORGANIZATION



**Town of Addison
LIST OF PRINCIPAL OFFICIALS
September 30, 2018**

Town Hall
(972) 450-7000
Fax (972) 450-7043

Elected Officials

Mayor	Joe Chow	(972) 450-7000
Mayor Pro Tempore	Paul Walden	(972) 450-7000
Deputy Mayor Pro Tempore	Tom Braun	(972) 450-7000
Council Member	Ivan Hughes	(972) 450-7000
Council Member	Guillermo Quintanilla	(972) 450-7000
Council Member	Lori Ward	(972) 450-7000
Council Member	Marlin Willesen	(972) 450-7000

Town Management

City Manager	Wesley Pierson	(972) 450-7037
Deputy City Manager	Ashley Mitchell	(972) 450-7010
Interim Deputy City Manager	Hamid Khalehipour	(972) 450-2868
City Secretary	Irma Parker	(972) 450-7017
Director of Airport Administration	Joel Jenkinson	(972) 392-4855
Director of Economic Development & Tourism	Orlando Campos	(972) 450-7034
Chief Financial Officer	Olivia Riley	(972) 450-7050
Fire Chief	David Jones	(972) 450-7206
Director of General Services	Rob Bourestom	(972) 450-6203
Director of Human Resources	Passion Hayes	(972) 450-2819
Director of Infrastructure and Development Svcs	Lisa Pyles	(972) 450-2878
Director of Parks and Recreation	Janna Tidwell	(972) 450-2869
Director of Special Events	Jasmine Lee	(972) 450-6221
Police Chief	Paul Spencer	(972) 450-7168
Director of Public Communications	Mary Rosenbleeth	(972) 450-7032

A photograph showing the back and shoulder of a person with short, dark hair, wearing a light-colored sweater with dark horizontal stripes. The person is looking towards a wall covered in various diagrams, charts, and handwritten notes. A vertical white bar is positioned on the right side of the image, partially overlapping the person's shoulder and the wall. An orange rectangular box is overlaid on the white bar, containing the text 'FINANCIAL SECTION' in white, bold, uppercase letters.

FINANCIAL SECTION

Independent Auditor's Report

The Honorable Mayor and
Members of the Town Council
Town of Addison, Texas
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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and hotel fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note IV – Section F* to the financial statements, in 2018 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 part of the basic financial statements, is required by the GASB, 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 Honorable Mayor and
Members of the Town Council
Town of Addison, Texas
Page 11

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

BKD, LLP

Dallas, Texas
March 7, 2019

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, 2018. 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

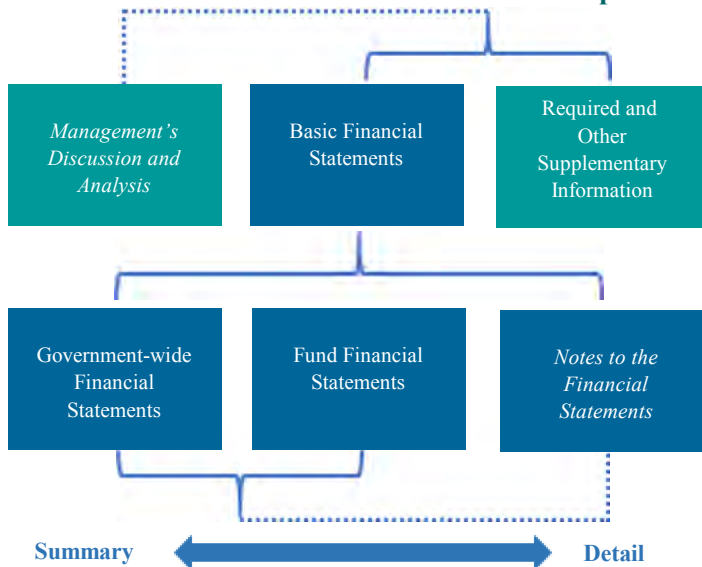
- The Town's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the 2018 fiscal year by \$249,595. This amount represents an increase over the previous year of \$2,185. The increase is due to \$4,954 million from current operations less \$2,769 million due to restatement related to the adoption of GASB Statement 75.
- As of September 30, 2018, the Town's governmental funds reported combined ending fund balances of \$49,011, a decrease of \$3,383. The majority of the decrease is due to payments for capital expenditures and projects.
- At the end of the 2018 fiscal year, the fund balance for the General Fund was \$20,963, or 61 percent of total fund expenditures. Fund balance increased \$4,595 during the year.
- At year-end, the Town of Addison's outstanding debt totals \$90,857, a decrease of \$7,096 from the previous year, which is attributed to the scheduled retirement of existing debt during the year.
- In 2018, the Town adopted Governmental Accounting Standards Board Statement No.75(GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior year comparative information contained herein has not been restated for adoption of GASB 75.

Overview of Financial Statements

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

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

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



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

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

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

Government-wide Financial Statements

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

- The *statement of net position* presents information on all of the Town's asset, 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 11 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 and Reimbursement Grant Funds.

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 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 - 70 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 - 86.

Government-wide Financial Analysis

As of the close of the 2018 fiscal year, the Town's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$249,595 (see Table A-1). Of this amount \$190,954, or 77 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 (\$311), promotion of tourism and hotel industry (\$4,168) and other restrictions (\$514). The remaining amount of net position is labeled as unrestricted and totals \$53,648. 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)**

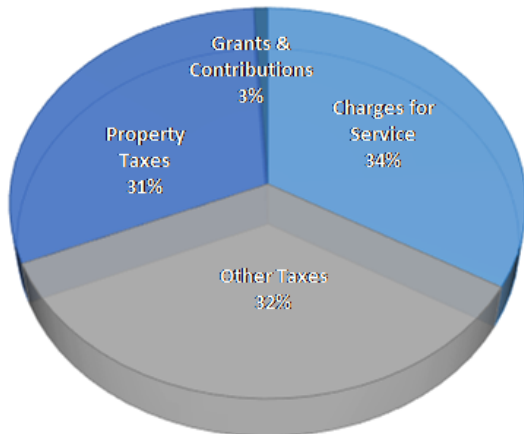
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$ 65,020	\$ 64,631	\$ 31,770	\$ 33,059	\$ 96,790	\$ 97,690
Capital Assets	176,750	174,367	81,597	80,557	258,347	254,924
Total Assets	241,770	238,998	113,367	113,616	355,137	352,614
Deferred Outflows of Resources:						
Deferred Charges on Refundings	1,476	1,583	402	435	1,878	2,018
Deferred Outflows on Pensions	2,183	6,623	144	394	2,327	7,017
Deferred Outflows on OPEB	303	-	26	-	329	-
Total Deferred Outflows of Resources	3,962	8,206	572	829	4,533	9,035
Liabilities:						
Long-Term Liabilities Outstanding	73,006	82,270	23,064	24,478	96,070	106,748
Other Liabilities	7,198	4,140	3,190	2,332	10,388	6,472
Total Liabilities	80,204	86,410	26,254	26,810	106,458	113,220
Deferred Inflows of Resources:						
Deferred Inflows on Pensions	3,383	966	231	53	3,614	1,019
Deferred Inflows on OPEB	4	-	-	-	4	-
Total Deferred Inflows of Resources	3,387	966	231	53	3,618	1,019
Net Position:						
Net Investment in Capital Assets	125,983	124,923	64,971	65,363	190,954	190,286
Restricted :						
Debt Service	311	500	-	-	311	500
Tourism/Hotel	4,168	4,334	-	-	4,168	4,334
Child Safety	84	87	-	-	84	87
Justice Administration	23	22	-	-	23	22
Court Technology	33	75	-	-	33	75
Building Security	-	54	-	-	-	54
Public Safety	85	33	-	-	85	33
Court Security	47	47	-	-	47	47
Other Purposes	242	191	-	-	242	191
Unrestricted	31,165	27,042	22,483	21,970	53,648	49,012
Total Net Position	\$ 162,141	\$ 157,308	\$ 87,454	\$ 87,333	\$ 249,595	\$ 244,641

As reflected in Table A-2, the Town's net position increased \$4,954 during the 2018 fiscal year.

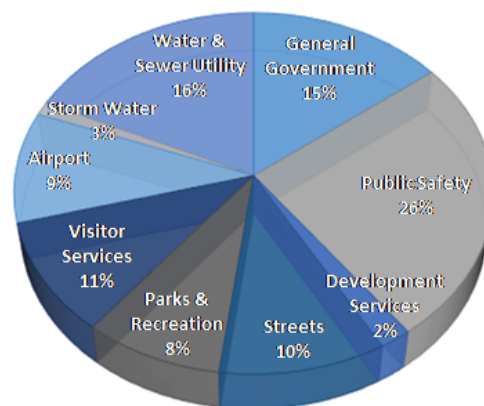
**Table A-2
Town of Addison's Change in Net Position (000's)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,373	\$ 6,878	\$ 20,516	\$ 18,497	\$ 25,889	\$ 25,375
Capital Grants & Contributions	122	-	395	148	517	148
Operating Grants & Contributions	106	51	121	50	227	101
General Revenues:						
Property Taxes	23,601	23,572	-	-	23,601	23,572
Other Taxes	25,866	23,788	-	-	25,866	23,788
Other	1,152	4,211	114	228	1,266	4,439
Total Revenues	56,220	58,500	21,146	18,923	77,366	77,423
Expenses:						
General Government	10,219	7,184	-	-	10,219	7,184
Public Safety	17,815	7,022	-	-	17,815	7,022
Development Services	1,379	101	-	-	1,379	101
Streets	7,249	6,661	-	-	7,249	6,661
Parks & Recreation	6,069	4,260	-	-	6,069	4,260
Visitor Services	7,118	6,839	-	-	7,118	6,839
Interest and Fiscal Charges on Long-Term Debt	2,038	1,714	-	-	2,038	1,714
Airport	-	-	6,996	6,509	6,996	6,509
Storm water	-	-	820	1,408	820	1,408
Water & Sewer Utility	-	-	12,709	10,081	12,709	10,081
Total Expenses	51,887	33,781	20,525	17,998	72,412	51,779
Increase (decrease) in net position	4,333	24,718	621	925	4,954	25,643
Transfers	500	800	(500)	(800)	-	-
Change in Net Position	4,833	25,518	121	125	4,954	25,643
Change in Accounting Principle	(2,519)	-	(250)	-	(2,769)	-
Net Position - Beginning of year	159,827	134,310	87,583	87,457	247,410	221,767
Net Position - End of year	\$ 162,141	\$ 159,828	\$ 87,454	\$ 87,582	\$ 249,595	\$ 247,410

**Illustration A-3
Total Sources of Revenue**



**Illustration A-4
Total Expenses by Activity**



Governmental Activities

Governmental activities increased the Town of Addison's net position by \$2,314 (\$4,832 before change in accounting principle of \$2,519) in fiscal year 2018 as compared to a \$25,518 million increase in fiscal year 2017. The major changes from 2017 to 2018 is as follows:

1. Sales tax revenue increased by \$2.1 million due to increased collections from sales tax audit adjustments and a strong local economy.
2. Other revenue decreased by \$3.1 million due primarily to property sold in 2017 for \$3.2 million with no such transaction in 2018.
3. Expenses increased \$18.1 million in 2018 as a result of a 2017 one-time \$20.0 million decrease in pension expense from a change in actuarial assumptions related to the treatment of Ad Hoc COLA required for the calculation of pension liability. This Ad Hoc COLA is no longer required to be included as a recurring future benefit per GASB.

Business-Type Activities

The Town's business-type activities experienced a \$(129) decrease in net position (\$122 increase in net position before change in accounting principle of \$250) with the Airport Fund recording a decrease of \$650, due mostly to the increase of maintenance costs while the Utility Fund posted a decrease in net position of \$805, due mainly to the loss on disposal of assets and transfer to fund infrastructure development and the Storm Water Fund posted an increase in net position of \$1,577 due mostly to decrease in contracted services and increase in rates.

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, 2018, the Town's governmental funds reported combined ending fund balances of \$49,011, a decrease of \$3,383 compared to balances a year earlier. Of the ending balance, \$20,465 or 41.8 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects (\$13,687), promotion of tourism and hotel industry (\$4,123), debt service (\$169) or *committed* for Economic Development (\$1,437) and Capital Projects (\$8,120). Components of the net decrease of total fund balance are:

- In the General Fund, expenditures and transfers out totaled \$35,709 compared to revenues of \$40,276. Revenues increased \$3,664 from the previous year. The increase was mainly due to receiving additional sales tax collections from sales tax audit adjustments and higher ad valorem taxes as a result of higher appraised value of property in Addison. Expenditures increased \$1,603 from the 2017 fiscal year. This increase is primarily due to the increases in public safety (\$887) and general government expenditures (\$513).
- In the Hotel Fund, expenditures and transfers out to other funds totaled \$8,102 compared to revenues and transfers in of \$8,385. Fund revenues decreased \$1,417 from the previous year, due to a decrease in mixed beverage taxes and the cancellation of the Saturday of Oktoberfest due to weather. Expenditures decreased \$814 from fiscal year 2017 due in large part to the cancellation of the Saturday of Oktoberfest.
- Capital project funds recorded a net decrease in fund balance of \$7,715, primarily due to ongoing expenditures for capital projects. Included in these funds is the Infrastructure Investment Fund with an ending fund balance of \$4,585 as of September 30, 2018. Other balances included are for capital projects funded with bond proceeds such as the 2012 and 2014 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 \$4,854; the Utility Fund reported an unrestricted net position of \$12,212, while the Stormwater Fund reported an unrestricted net position of \$5,417.

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)**:

- Other Financing Sources were amended to recognize an increase of \$95,000 in other financing uses for transfers out to self-funded capital projects. Other allocations to fund the classification and compensation study pay increases to various departments were made that did not result in a net change to appropriations.

The adjustments resulted in no increase to budgeted revenue and increasing expenditures by 0.2 percent. \$95,000 was transferred to the Self-Funded Project Fund for future capital needs.

The final actuals resulted in revenues of 10.4 percent higher than the budget, and expenditures 5.4 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 economic development incentives, and lower than expected expenses for utilities, specifically electricity and water.

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, 2018, totals \$258,347 (net of accumulated depreciation). This amount represents a \$3,423 increase from the previous year and is attributed to the addition of the completion of constructed assets less depreciation of existing assets. Projects that are in progress include the Belt Line Road Utility Undergrounding, Vitruvian Public Infrastructure, Midway Road Revitalization, Kellway Lift Station Rehabilitation and Sherlock Basin Improvements. 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 66,250	\$ 66,250	\$ 16,945	\$ 16,945	\$ 83,195	\$ 83,195
Intangible Assets	554	377	-	-	554	377
Buildings	8,326	8,902	6,775	8,008	15,101	16,911
Improvements other than Buildings	65,043	68,530	50,574	52,715	115,617	121,245
Machinery and Equipment	9,075	6,552	1,566	1,238	10,641	7,789
Construction in Progress	27,502	23,756	5,737	1,651	33,239	25,407
Total Capital Assets	\$ 176,750	\$ 174,367	\$ 81,597	\$ 80,557	\$ 258,347	\$ 254,924

Long-term debt – At the end of the 2018 fiscal year, the Town of Addison had total bonded debt outstanding of \$90,857 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 Debt (000's)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 56,086	\$ 59,975	\$ 7,186	\$ 7,663	\$ 63,272	\$ 67,638
Certificates of Obligation	12,310	14,009	15,275	16,306	27,585	30,315
Total Debt Outstanding	\$ 68,396	\$ 73,984	\$ 22,461	\$ 23,969	\$ 90,857	\$ 97,953

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 2019 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 \$4,725,759,169 for fiscal year 2019 which represented a 6.2 percent increase from the previous year. The property tax rate remained \$0.550000 per \$100 appraised value, equal to the previous fiscal year. Of the 2019 budget tax rate, \$0.407000 was levied for operation/maintenance and \$0.143000 for debt service.

Sales tax collections for the Town were conservatively budgeted from the amount collected in 2018. Sales tax collections were projected to increase 2 percent in fiscal year 2019 compared to the 2018 budget.

Hotel occupancy tax collections were budgeted to decrease slightly by approximately 4.percent between fiscal year 2018 and fiscal year 2019.

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: oriley@addisontx.gov



BASIC FINANCIAL STATEMENTS

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 59,134,132	\$ 22,419,612	\$ 81,553,744
Receivables, Net of Allowances for Uncollectibles	4,227,140	2,778,196	7,005,336
Prepaid Items	451,875	-	451,875
Inventories, at Cost	54,843	-	54,843
Investment in Joint Venture	960,185	6,560,514	7,520,699
Pension Asset	192,086	12,193	204,279
Capital Assets, Net of Accumulated Depreciation			
Land	66,249,935	16,945,437	83,195,372
Intangible Assets	554,471	-	554,471
Buildings	8,326,284	6,775,200	15,101,484
Improvements other than Buildings	65,043,266	50,573,996	115,617,262
Machinery and Equipment	9,074,574	1,566,328	10,640,902
Construction in Progress	27,501,381	5,735,583	33,236,964
Total Assets	<u>241,770,172</u>	<u>113,367,059</u>	<u>355,137,231</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	1,475,643	402,460	1,878,103
Deferred Outflows on Pensions	2,183,186	144,376	2,327,562
Deferred Outflows on OPEB	303,075	26,324	329,399
Total Deferred Outflows of Resources	<u>3,961,904</u>	<u>573,160</u>	<u>4,535,064</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	7,194,187	1,764,869	8,959,056
Customer Deposits	3,613	1,425,409	1,429,022
Long-Term Liabilities			
Due within One Year	4,376,550	1,443,154	5,819,704
Due in More Than One Year	68,629,335	21,621,046	90,250,381
Total Liabilities	<u>80,203,685</u>	<u>26,254,478</u>	<u>106,458,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	3,383,379	231,266	3,614,645
Deferred Inflows on OPEB	3,682	319	4,001
Total Deferred Inflows of Resources	<u>3,387,061</u>	<u>231,585</u>	<u>3,618,646</u>
NET POSITION			
Net Investment in Capital Assets	125,983,819	64,971,096	190,954,915
Restricted for:			
Debt Service	310,619	-	310,619
Promotion of Tourism and Hotel Industry	4,167,549	-	4,167,549
Child Safety	84,284	-	84,284
Justice Administration	23,222	-	23,222
Court Technology	33,370	-	33,370
Court Security	46,844	-	46,844
Public Safety	84,870	-	84,870
Other Purposes	242,042	-	242,042
Unrestricted	31,164,711	22,483,060	53,647,771
Total Net Position	<u>\$ 162,141,330</u>	<u>\$ 87,454,156</u>	<u>\$ 249,595,486</u>

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, 2018

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	\$ 10,218,620	\$ 407,531	\$ -	\$ -	\$ (9,811,089)	\$ -	\$ (9,811,089)
Public Safety	17,814,777	848,523	106,322	-	(16,859,932)	-	(16,859,932)
Development Services	1,379,071	1,414,425	-	-	35,354	-	35,354
Streets	7,249,140	414,493	-	-	(6,834,647)	-	(6,834,647)
Parks and Recreation	6,068,682	82,122	-	-	(5,986,560)	-	(5,986,560)
Visitor Services	7,118,492	2,206,293	-	121,578	(4,790,621)	-	(4,790,621)
Interest on Long-Term Debt	2,038,203	-	-	-	(2,038,203)	-	(2,038,203)
Total Governmental Activities	51,886,985	5,373,387	106,322	121,578	(46,285,698)	-	(46,285,698)
Business-Type Activities:							
Airport	6,996,377	6,197,849	50,000	-	-	(748,528)	(748,528)
Utilities	12,708,842	12,178,231	32,221	301,756	-	(196,634)	(196,634)
Stormwater	820,337	2,140,112	39,005	93,616	-	1,452,396	1,452,396
Total Business-Type Activities	20,525,556	20,516,192	121,226	395,372	-	507,234	507,234
Total Primary Government	\$ 72,412,541	\$ 25,889,579	\$ 227,548	\$ 516,950	(46,285,698)	507,234	(45,778,464)
General Revenues							
Taxes							
Property Taxes, Levied for General Purposes					23,600,531	-	23,600,531
Sales Taxes					17,734,689	-	17,734,689
Franchise Taxes					2,624,458	-	2,624,458
Hotel/Motel Taxes					5,507,072	-	5,507,072
Interest on Investments					831,714	335,367	1,167,081
Gain/(Loss) on Disposal of Capital Assets					27,311	(242,744)	(215,433)
Miscellaneous					292,272	22,102	314,374
Transfers					500,000	(500,000)	-
Total General Revenues and Transfers					51,118,047	(385,275)	50,732,772
Change in Net Position					4,832,349	121,959	4,954,308
NET POSITION, Beginning of Year - As Previously Reported					159,827,601	87,582,613	247,410,214
Change in Accounting Principle					(2,518,620)	(250,416)	(2,769,036)
NET POSITION, Beginning of Year - As Restated					157,308,981	87,332,197	244,641,178
NET POSITION, End of Year					\$ 162,141,330	\$ 87,454,156	\$ 249,595,486

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Balance Sheet
September 30, 2018

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments	\$ 20,896,269	\$ 4,857,351	\$ 169,130	\$ -	\$ 24,861,874	\$ 2,095,088	\$ 52,879,712
Receivables:							
Ad Valorem Taxes, Including Interest and Penalties, Net	148,233	-	65,531	-	2,453	9,575	225,792
Non-Property Taxes	2,694,713	454,454	-	-	-	-	3,149,167
Franchise Fees	314,300	-	-	-	-	-	314,300
Service Fees, Net	143,717	-	-	-	-	-	143,717
Ambulance, Net	223,227	-	-	-	-	-	223,227
Interest	45,229	9,765	340	-	29,198	4,300	88,832
Intergovernmental	-	-	-	-	-	1,333	1,333
Other	18,120	28,099	-	-	-	-	46,219
Prepaid Items	442,875	-	-	-	-	-	442,875
Inventories, At Cost	54,843	-	-	-	-	-	54,843
Total Assets	<u>\$ 24,981,526</u>	<u>\$ 5,349,669</u>	<u>\$ 235,001</u>	<u>\$ -</u>	<u>\$ 24,893,525</u>	<u>\$ 2,110,296</u>	<u>\$ 57,570,017</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 2,153,449	\$ 1,226,013	\$ 935	\$ -	\$ 3,083,192	\$ 149,065	\$ 6,612,654
Intergovernmental Payable	158,340	1,119	-	-	-	-	159,459
Customer Deposits	3,613	-	-	-	-	-	3,613
Total Liabilities	<u>2,315,402</u>	<u>1,227,132</u>	<u>935</u>	<u>-</u>	<u>3,083,192</u>	<u>149,065</u>	<u>6,775,726</u>
Deferred Inflows of Resources:							
Unavailable Resources	1,703,168	-	65,531	-	2,454	11,753	1,782,906
Total Deferred Inflows of Resources	<u>1,703,168</u>	<u>-</u>	<u>65,531</u>	<u>-</u>	<u>2,454</u>	<u>11,753</u>	<u>1,782,906</u>
Fund Balances:							
Nonspendable							
Inventories	54,843	-	-	-	-	-	54,843
Prepaid Items	442,875	-	-	-	-	-	442,875
Restricted							
Debt Service	-	-	168,535	-	-	-	168,535
Promotion of Tourism and Hotel Industry	-	4,122,537	-	-	-	-	4,122,537
Capital Projects	-	-	-	-	13,687,452	-	13,687,452
Child Safety	-	-	-	-	-	84,284	84,284
Justice Administration	-	-	-	-	-	23,222	23,222
Court Technology	-	-	-	-	-	33,370	33,370
Court Security	-	-	-	-	-	46,844	46,844
Public Safety	-	-	-	-	-	82,691	82,691
Other Purposes	-	-	-	-	-	242,042	242,042
Committed							
Capital Projects	-	-	-	-	8,120,427	-	8,120,427
Economic Development	-	-	-	-	-	1,437,025	1,437,025
Unassigned	20,465,238	-	-	-	-	-	20,465,238
Total Fund Balance	<u>20,962,956</u>	<u>4,122,537</u>	<u>168,535</u>	<u>-</u>	<u>21,807,879</u>	<u>1,949,478</u>	<u>49,011,385</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 24,981,526</u>	<u>\$ 5,349,669</u>	<u>\$ 235,001</u>	<u>\$ -</u>	<u>\$ 24,893,525</u>	<u>\$ 2,110,296</u>	<u>\$ 57,570,017</u>

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
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$	49,011,385
<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. 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.</p>		
		11,931,497
<p>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 \$171,012,152, net of accumulated depreciation of \$128,420,203, exclusive of the capital assets of internal service funds with a net carrying value of \$5,737,759, included above, increased net position in the government-wide financial statements.</p>		
		171,012,152
<p>Investments in Joint Venture are not financial resources and are not reported in the fund financial statements. Investments in Joint Venture of \$960,185 increased net position in the government-wide financial statements.</p>		
		960,185
<p>Deferred losses on refundings of debt have been reflected net of amortization in the government-wide financial statements.</p>		
		1,475,643
<p>Bonds payable, contractual obligations, and related premium and discount amounts have not been included in the fund financial statements.</p>		
		(68,395,591)
<p>Accrued liabilities for compensated absences have not been reflected in the fund financial statements.</p>		
		(864,842)
<p>Total OPEB liability is not reflected in the fund financial statements.</p>		
		(3,745,450)
<p>Deferred outflows on OPEB, net of amortization, are not reflected in fund financial statements</p>		
		303,075
<p>Deferred inflows on OPEB, net of amortization, are not reflected in fund financial statements</p>		
		(3,682)
<p>Deferred outflows on pension costs, net of amortization, are not reflected in fund financial statements</p>		
		2,183,186
<p>Deferred inflows on pension costs, net of amortization, are not reflected in fund financial statements</p>		
		(3,383,379)
<p>Net pension asset is not reflected in fund financial statements</p>		
		192,086
<p>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.</p>		
		(317,841)
<p>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.</p>		
		1,782,906
Net Position of Governmental Activities	\$	162,141,330

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, 2018

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:							
Ad Valorem Taxes	\$ 15,874,843	\$ -	\$ 6,615,686	\$ -	\$ 268,143	\$ 1,024,998	\$ 23,783,670
Non-Property Taxes	17,596,626	5,552,084	-	-	-	-	23,148,710
Franchise Fees	2,566,839	-	-	-	-	57,619	2,624,458
Licenses and Permits	1,404,035	-	-	-	-	-	1,404,035
Intergovernmental	-	-	-	-	-	16,228	16,228
Service Fees	1,992,053	1,570,391	-	-	-	58,304	3,620,748
Fines and Forfeitures	334,467	-	-	-	-	23,322	357,789
Court Awards	-	-	-	-	-	948	948
Earnings on Investments	333,192	59,956	16,131	2,995	388,567	30,873	831,714
Rental Charges	8,120	627,045	-	-	-	-	635,165
Recycling Proceeds	11,407	-	-	-	-	-	11,407
Other	154,637	80,230	-	-	-	90,094	324,961
Total Revenues	<u>40,276,219</u>	<u>7,889,706</u>	<u>6,631,817</u>	<u>2,995</u>	<u>656,710</u>	<u>1,302,386</u>	<u>56,759,833</u>
EXPENDITURES:							
Current:							
General Government	8,367,341	-	3,739	-	-	10,136	8,381,216
Public Safety	17,815,288	-	-	-	-	103,971	17,919,259
Development Services	1,374,246	-	-	-	-	-	1,374,246
Streets	1,895,171	-	-	-	-	-	1,895,171
Parks and Recreation	5,054,566	-	-	-	-	-	5,054,566
Visitor Services	-	6,780,909	-	-	-	-	6,780,909
Municipal Court	-	-	-	-	-	75,904	75,904
Economic Development	-	-	-	-	-	1,475,201	1,475,201
Debt Service:							
Principal Retirement	-	-	4,209,148	700,000	-	-	4,909,148
Interest and Fiscal Charges	-	-	2,620,922	10,500	-	-	2,631,422
Capital Projects:							
Engineering and Contractual Services	-	-	-	-	758,687	-	758,687
Construction and Equipment	-	-	-	-	9,414,596	-	9,414,596
Total Expenditures	<u>34,506,612</u>	<u>6,780,909</u>	<u>6,833,809</u>	<u>710,500</u>	<u>10,173,283</u>	<u>1,665,212</u>	<u>60,670,325</u>
Excess/(Deficiency) of Revenues over Expenditures	5,769,607	1,108,797	(201,992)	(707,505)	(9,516,573)	(362,826)	(3,910,492)
OTHER FINANCING SOURCES/(USES):							
Transfers In	-	495,352	-	710,800	1,802,000	610,000	3,618,152
Transfers Out	(1,202,000)	(1,320,800)	-	(495,352)	-	(100,000)	(3,118,152)
Proceeds on Asset Sales	27,311	-	-	-	-	-	27,311
Total Other Financing Sources/(Uses)	<u>(1,174,689)</u>	<u>(825,448)</u>	<u>-</u>	<u>215,448</u>	<u>1,802,000</u>	<u>510,000</u>	<u>527,311</u>
Net Change in Fund Balance	4,594,918	283,349	(201,992)	(492,057)	(7,714,573)	147,174	(3,383,181)
Fund Balances at Beginning of Year	16,368,038	3,839,188	370,527	492,057	29,522,452	1,802,304	52,394,566
Fund Balances at End of Year	<u>\$ 20,962,956</u>	<u>\$ 4,122,537</u>	<u>\$ 168,535</u>	<u>\$ -</u>	<u>\$ 21,807,879</u>	<u>\$ 1,949,478</u>	<u>\$ 49,011,385</u>

See accompanying notes to basic financial statements.

**TOWN OF ADDISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Total Net Change in Fund Balances - Governmental Funds		\$	(3,383,181)
<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. 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>			
			565,996
<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>			
			9,785,900
<p>Capital asset donations are not recognized in fund financial statements.</p>			
			121,578
<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 \$1,033,257 depreciation in the internal service funds.</p>			
			(7,101,125)
<p>Losses on capital asset disposals are not recognized in fund financial statements.</p>			
			(8,921)
<p>The Town's share of net gain from Investment in Joint Venture is not reflected in fund financials.</p>			
			210,277
<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(decrease) in net position of the following:</p>			
Bond repayments		4,909,148	
Amortization		572,054	5,481,202
<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>			
			(127,149)
<p>The current year increase in the total OPEB liability of \$599,158, amortization of deferred inflows and and outflow on OPEB of \$299,393 are not shown in the fund financial statements. The effect of recording these amounts is to decrease net position.</p>			
			(299,765)
<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 decrease in accrued interest is to increase net position.</p>			
			21,165
<p>Decrease in pension liability of \$6,800,507, amortization of deferred inflows and outflows on pensions of (\$6,736,833), and addition of a pension asset of \$192,086, increase net position by reducing the pension expense in each function.</p>			
			255,760
<p>Revenue from property taxes, sales taxes, franchise fees, court bonds, ambulance 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>			
			(689,388)
Change in Net Position of Governmental Activities			\$ 4,832,349

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, 2018

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Ad Valorem Taxes:				
Current	\$ 15,753,469	\$ 15,753,469	\$ 15,904,272	\$ 150,803
Delinquent	(58,000)	(58,000)	(73,767)	(15,767)
Penalties and Interest	29,000	29,000	44,338	15,338
Total Ad Valorem	<u>15,724,469</u>	<u>15,724,469</u>	<u>15,874,843</u>	<u>150,374</u>
Non-Property Taxes:				
Sales Tax	13,400,000	13,400,000	16,449,993	3,049,993
Alcoholic Beverage Tax	1,260,000	1,260,000	1,146,633	(113,367)
Total Non-Property Taxes	<u>14,660,000</u>	<u>14,660,000</u>	<u>17,596,626</u>	<u>2,936,626</u>
Total Taxes	<u>30,384,469</u>	<u>30,384,469</u>	<u>33,471,469</u>	<u>3,087,000</u>
Franchise Fees:				
Electric Franchise	1,675,000	1,675,000	1,568,812	(106,188)
Gas Franchise	217,400	217,400	229,319	11,919
Telephone Franchise	636,500	636,500	468,770	(167,730)
Cable Franchise	316,400	316,400	288,094	(28,306)
Street Rental Franchise	5,000	5,000	11,844	6,844
Total Franchise Fees	<u>2,850,300</u>	<u>2,850,300</u>	<u>2,566,839</u>	<u>(283,461)</u>
Licenses and Permits:				
Business Licenses and Permits	139,300	139,300	117,157	(22,143)
Building and Construction Permits	625,000	625,000	1,286,878	661,878
Total Licenses and Permits	<u>764,300</u>	<u>764,300</u>	<u>1,404,035</u>	<u>639,735</u>
Service Fees:				
General Government	500	500	31	(469)
Public Safety	785,200	785,200	975,404	190,204
Urban Development	3,000	3,000	890	(2,110)
Streets and Sanitation	280,600	280,600	412,898	132,298
Recreation	74,900	74,900	72,310	(2,590)
Interfund	530,520	530,520	530,520	-
Total Service Fees	<u>1,674,720</u>	<u>1,674,720</u>	<u>1,992,053</u>	<u>317,333</u>
Fines and Forfeitures	500,000	500,000	334,467	(165,533)
Earnings on Investments	70,000	70,000	333,192	263,192
Rental Charges	175,000	175,000	8,120	(166,880)
Recycling Proceeds	3,000	3,000	11,407	8,407
Other	<u>70,000</u>	<u>70,000</u>	<u>154,637</u>	<u>84,637</u>
Total Revenues	<u>\$ 36,491,789</u>	<u>\$ 36,491,789</u>	<u>\$ 40,276,219</u>	<u>\$ 3,784,430</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, 2018

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
City Secretary:				
Salaries and Fringe Benefits	94,871	94,871	62,877	31,994
Supplies	20,700	20,700	7,959	12,741
Contractual Services	84,500	64,500	109,331	(44,831)
Total City Secretary	200,071	180,071	180,167	(96)
City Manager's Office:				
Salaries and Fringe Benefits	909,562	918,461	908,802	9,659
Supplies	23,923	23,923	26,303	(2,380)
Maintenance and Materials	63,292	54,393	30,253	24,140
Contractual Services	111,834	111,834	119,828	(7,994)
Capital Replacement	13,787	13,787	13,787	-
Total City Manager's Office	1,122,398	1,122,398	1,098,973	23,425
Financial and Strategic Services:				
Salaries and Fringe Benefits	1,243,436	1,250,435	1,148,145	102,290
Supplies	30,363	30,363	23,862	6,501
Maintenance and Materials	45,724	41,724	25,215	16,509
Contractual Services	402,610	452,610	585,254	(132,644)
Capital Replacement	49,909	49,909	49,909	-
Total Financial and Strategic Services	1,772,042	1,825,041	1,832,385	(7,344)
General Services:				
Salaries and Fringe Benefits	440,080	458,119	412,956	45,163
Supplies	24,673	24,673	20,005	4,668
Maintenance and Materials	130,564	116,564	103,241	13,323
Contractual Services	96,776	92,737	73,250	19,487
Capital Replacement	28,009	28,009	28,009	-
Total General Services	720,102	720,102	637,461	82,641
Municipal Court:				
Salaries and Fringe Benefits	503,831	508,850	501,168	7,682
Supplies	21,199	19,699	22,022	(2,323)
Maintenance and Materials	-	4,500	-	4,500
Contractual Services	97,892	90,492	71,376	19,116
Capital Replacement	29,243	29,243	29,243	-
Total Municipal Court	652,165	652,784	623,809	28,975
Human Resources:				
Salaries and Fringe Benefits	453,798	467,972	440,865	27,107
Supplies	11,823	9,823	4,244	5,579
Maintenance and Materials	-	-	270	(270)
Contractual Services	199,973	188,299	172,769	15,530
Capital Replacement	11,844	11,844	11,844	-
Total Human Resources	677,438	677,938	629,992	47,946

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, 2018

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Information Technology:				
Salaries and Fringe Benefits	1,050,295	1,052,006	1,069,999	(17,993)
Supplies	35,963	35,963	13,369	22,594
Maintenance and Materials	736,934	735,223	615,110	120,113
Contractual Services	162,657	162,657	91,432	71,225
Capital Replacement	42,781	42,781	42,781	-
Capital Outlay	-	-	32,880	(32,880)
Total Information Technology	<u>2,028,630</u>	<u>2,028,630</u>	<u>1,865,571</u>	<u>163,059</u>
Combined Services:				
Salaries and Fringe Benefits	270,701	32,720	38,376	(5,656)
Supplies	52,000	52,000	30,553	21,447
Contractual Services	1,349,560	1,349,560	1,117,474	232,086
Total Combined Services	<u>1,672,261</u>	<u>1,434,280</u>	<u>1,186,403</u>	<u>247,877</u>
City Council Special Projects:				
Salaries and Fringe Benefits	29,474	29,474	28,734	740
Supplies	26,500	26,500	21,192	5,308
Contractual Services	287,570	287,570	259,274	28,296
Capital Replacement	3,380	3,380	3,380	-
Total City Council Special Projects	<u>346,924</u>	<u>346,924</u>	<u>312,580</u>	<u>34,344</u>
Total General Government	<u>9,192,031</u>	<u>8,988,168</u>	<u>8,367,341</u>	<u>620,827</u>
Public Safety:				
Police:				
Salaries and Fringe Benefits	7,207,989	7,198,478	6,974,923	223,555
Supplies	305,990	305,990	253,957	52,033
Maintenance and Materials	265,781	240,781	230,615	10,166
Contractual Services	707,545	624,470	641,215	(16,745)
Capital Replacement	625,325	625,325	625,325	-
Total Police	<u>9,112,630</u>	<u>8,995,044</u>	<u>8,726,035</u>	<u>269,009</u>
Emergency Communications:				
Maintenance and Materials	45,547	45,547	32,342	13,205
Contractual Services	1,413,499	1,413,499	1,343,626	69,873
Total Emergency Communications	<u>1,459,046</u>	<u>1,459,046</u>	<u>1,375,968</u>	<u>83,078</u>
Fire:				
Salaries and Fringe Benefits	6,108,475	6,438,098	6,468,541	(30,443)
Supplies	270,319	246,319	247,149	(830)
Maintenance and Materials	297,489	300,989	298,384	2,605
Contractual Services	316,144	331,987	307,530	24,457
Capital Replacement	362,820	362,820	362,820	-
Capital Outlay	-	28,861	28,861	-
Total Fire	<u>7,355,247</u>	<u>7,709,074</u>	<u>7,713,285</u>	<u>(4,211)</u>
Total Public Safety	<u>17,926,923</u>	<u>18,163,164</u>	<u>17,815,288</u>	<u>347,876</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, 2018

	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Development Services:				
Development Services:				
Salaries and Fringe Benefits	1,107,968	1,026,808	966,109	60,699
Supplies	31,529	42,529	39,279	3,250
Maintenance and Materials	8,000	8,700	6,534	2,166
Contractual Services	313,759	389,659	321,315	68,344
Capital Replacement	41,009	41,009	41,009	-
Total Development Services	<u>1,502,265</u>	<u>1,508,705</u>	<u>1,374,246</u>	<u>134,459</u>
Streets:				
Streets:				
Salaries and Fringe Benefits	438,616	455,954	440,105	15,849
Supplies	37,550	36,685	43,363	(6,678)
Maintenance and Materials	758,150	731,209	668,265	62,944
Contractual Services	807,559	806,559	642,798	163,761
Capital Replacement	64,482	64,482	64,482	-
Capital Outlay	-	14,468	36,158	(21,690)
Total Streets	<u>2,106,357</u>	<u>2,109,357</u>	<u>1,895,171</u>	<u>214,186</u>
Parks and Recreation:				
Parks:				
Salaries and Fringe Benefits	1,667,677	1,649,859	1,522,947	126,912
Supplies	217,871	233,371	241,646	(8,275)
Maintenance and Materials	883,450	856,430	660,619	195,811
Contractual Services	988,924	988,924	838,649	150,275
Capital Replacement	79,817	79,817	79,438	379
Capital Outlay	-	33,520	37,767	(4,247)
Total Parks	<u>3,837,739</u>	<u>3,841,921</u>	<u>3,381,066</u>	<u>460,855</u>
Recreation:				
Salaries and Fringe Benefits	932,646	954,414	911,933	42,481
Supplies	182,327	175,427	153,210	22,217
Maintenance and Materials	296,362	235,494	208,702	26,792
Contractual Services	424,005	424,005	325,823	98,182
Capital Replacement	58,782	58,782	58,782	-
Capital Outlay	-	-	15,050	(15,050)
Total Recreation	<u>1,894,122</u>	<u>1,848,122</u>	<u>1,673,500</u>	<u>174,622</u>
Total Parks and Recreation	<u>5,731,861</u>	<u>5,690,043</u>	<u>5,054,566</u>	<u>635,477</u>
Total Expenditures	<u>36,459,437</u>	<u>36,459,437</u>	<u>34,506,612</u>	<u>1,952,825</u>
Excess (deficiency) of revenues over expenditures	<u>32,352</u>	<u>32,352</u>	<u>5,769,607</u>	<u>5,737,255</u>
OTHER FINANCING SOURCES/(USES):				
Transfers Out	(1,107,000)	(1,202,000)	(1,202,000)	-
Proceeds on Asset Sales	5,000	5,000	27,311	22,311
Total Other Financing Sources/(Uses)	<u>(1,102,000)</u>	<u>(1,197,000)</u>	<u>(1,174,689)</u>	<u>22,311</u>
Net Change in Fund Balance	(1,069,648)	(1,164,648)	4,594,918	5,759,566
Fund Balances at Beginning of Year	<u>16,368,038</u>	<u>16,368,038</u>	<u>16,368,038</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 15,298,390</u>	<u>\$ 15,203,390</u>	<u>\$ 20,962,956</u>	<u>\$ 5,759,566</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, 2018

	2018			Variance With Final Budget Positive (Negative)
	Budget		Actual GAAP Basis	
	Original	Final		
REVENUES:				
Hotel/Motel Occupancy Taxes	\$ 5,760,000	\$ 5,760,000	\$ 5,552,084	\$ (207,916)
Proceeds from Special Events and Service Fees	2,354,000	2,354,000	1,570,391	(783,609)
Earnings on Investments	17,000	17,000	59,956	42,956
Rental Charges	708,000	708,000	627,045	(80,955)
Other	90,000	90,000	80,230	(9,770)
Total Revenues	<u>8,929,000</u>	<u>8,929,000</u>	<u>7,889,706</u>	<u>(1,039,294)</u>
EXPENDITURES:				
Conference Centre	1,118,361	1,217,361	1,027,977	189,384
Marketing	1,068,418	1,068,418	922,818	145,600
Special Events	4,413,465	4,413,465	3,827,205	586,260
Performing Arts	855,822	931,222	852,731	78,491
General Hotel Operations	238,647	238,647	150,178	88,469
Total Expenditures	<u>7,694,713</u>	<u>7,869,113</u>	<u>6,780,909</u>	<u>1,088,204</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>1,234,287</u>	<u>1,059,887</u>	<u>1,108,797</u>	<u>48,910</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	-	-	495,352	495,352
Transfer to Debt Service Fund	<u>(1,320,800)</u>	<u>(1,320,800)</u>	<u>(1,320,800)</u>	<u>-</u>
Net Change in Fund Balance	(86,513)	(260,913)	283,349	544,262
Fund Balances at Beginning of Year	<u>3,839,188</u>	<u>3,839,188</u>	<u>3,839,188</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 3,752,675</u>	<u>\$ 3,578,275</u>	<u>\$ 4,122,537</u>	<u>\$ 544,262</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Net Position
September 30, 2018

	Business Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Cash and Investments	\$ 5,556,677	\$ 7,452,853	\$ 9,410,082	\$ 22,419,612	\$ 6,254,420
Interest Receivable	10,898	15,156	42,385	68,439	12,515
Accounts Receivable, Net	100,457	2,287,042	322,258	2,709,757	22,038
Prepaid Items	-	-	-	-	9,000
Total Current Assets	5,668,032	9,755,051	9,774,725	25,197,808	6,297,973
Non-Current Assets:					
Capital Assets:					
Land	15,633,373	1,312,064	-	16,945,437	-
Construction in Progress	1,242,314	3,666,118	827,151	5,735,583	1,376,182
Buildings	2,600,302	6,923,788	-	9,524,090	-
Improvements other than Buildings	56,201,791	46,844,646	1,121,876	104,168,313	-
Machinery and Equipment	1,712,796	2,479,309	-	4,192,105	14,007,703
Accumulated Depreciation	(29,295,565)	(29,625,393)	(48,026)	(58,968,984)	(9,646,126)
Total Capital Assets, Net of Accumulated Depreciation	48,095,011	31,600,532	1,901,001	81,596,544	5,737,759
Investment in Joint Venture	-	6,560,514	-	6,560,514	-
Pension Asset	-	12,193	-	12,193	-
Total Assets	53,763,043	47,928,290	11,675,726	113,367,059	12,035,732
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charges on Refundings	8,416	394,044	-	402,460	-
Deferred Outflows on Pensions	-	144,376	-	144,376	-
Deferred Outflows on OPEB	4,610	19,601	2,113	26,324	-
Total Deferred Outflows of Resources	13,026	558,021	2,113	573,160	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 436,371	\$ 850,135	\$ 372,650	\$ 1,659,156	\$ 104,235
Accrued Interest Payable	14,683	58,415	32,615	105,713	-
Current Compensated Absences Payable	4,799	5,855	-	10,654	-
Current Maturities of Long-Term Liabilities	547,500	595,000	290,000	1,432,500	-
Customer Deposits	326,117	1,099,292	-	1,425,409	-
Total Current Liabilities	1,329,470	2,608,697	695,265	4,633,432	104,235
Non-Current Liabilities:					
Long-Term Liabilities, Net of Current Portion	2,922,558	12,799,109	5,899,379	21,621,046	-
Total Liabilities	4,252,028	15,407,806	6,594,644	26,254,478	104,235
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows on Pensions	-	231,266	-	231,266	-
Deferred Inflows on OPEB	56	238	25	319	-
Total Deferred Inflows of Resources	56	231,504	25	231,585	-
NET POSITION:					
Net Investment in Capital Assets	44,669,696	20,635,363	(333,963)	64,971,096	5,737,759
Unrestricted	4,854,289	12,211,638	5,417,133	22,483,060	6,193,738
Total Net Position	\$ 49,523,985	\$ 32,847,001	\$ 5,083,170	\$ 87,454,156	\$ 11,931,497

See accompanying notes to basic financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2018

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	\$ -	\$ 6,997,055	\$ -	\$ 6,997,055	\$ -
Sewer	-	5,073,338	-	5,073,338	-
Drainage	-	-	2,137,942	2,137,942	-
Penalties	-	89,342	-	89,342	-
Water and Sewer Taps and Other Fees	-	18,496	2,170	20,666	-
Fuel Flowage Fees	975,818	-	-	975,818	-
Customs Agent Fees	127,023	-	-	127,023	-
Rental Charges	4,473,583	-	-	4,473,583	-
Other Income	667,665	33,335	39,005	740,005	-
Department Contributions	-	-	-	-	1,593,822
Total Operating Revenues	6,244,089	12,211,566	2,179,117	20,634,772	1,593,822
OPERATING EXPENSES:					
Salaries and Fringe Benefits	382,626	1,833,345	159,935	2,375,906	-
Supplies	11,795	147,849	8,084	167,728	169,517
Maintenance and Materials	3,432,107	358,293	123,136	3,913,536	40,056
Contractual Services	673,033	1,189,397	255,124	2,117,554	48,197
Water Purchases	-	3,920,938	-	3,920,938	-
Wastewater Purchases	-	3,344,312	-	3,344,312	-
Total Operating Expenses (Excluding Depreciation)	4,499,561	10,794,134	546,279	15,839,974	257,770
Depreciation	2,380,704	1,343,837	32,708	3,757,249	1,033,257
Total Operating Expenses	6,880,265	12,137,971	578,987	19,597,223	1,291,027
OPERATING INCOME/(LOSS)	(636,176)	73,595	1,600,130	1,037,549	302,795
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income	77,213	133,445	124,709	335,367	63,767
Gain/(Loss) on Disposal of Assets	24,748	(242,744)	-	(217,996)	199,434
Gain/(Loss) on Joint Venture	-	(84,271)	-	(84,271)	-
Interest Expense and Fiscal Charges	(116,112)	(486,600)	(241,350)	(844,062)	-
Total Non-Operating Revenues/(Expenses)	(14,151)	(680,170)	(116,641)	(810,962)	263,201
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(650,327)	(606,575)	1,483,489	226,587	565,996
Capital Grants and Contributions	-	301,756	93,616	395,372	-
Transfers Out	-	(500,000)	-	(500,000)	-
CHANGE IN NET POSITION	(650,327)	(804,819)	1,577,105	121,959	565,996
Net Position at Beginning of Year, As Previously Reported	50,218,121	33,836,491	3,528,001	87,582,613	11,365,501
Change in Accounting Principle	(43,809)	(184,671)	(21,936)	(250,416)	-
Net Position at Beginning of Year, As Restated	50,174,312	33,651,820	3,506,065	87,332,197	11,365,501
Net Position at End of Year	<u>\$ 49,523,985</u>	<u>\$ 32,847,001</u>	<u>\$ 5,083,170</u>	<u>\$ 87,454,156</u>	<u>\$ 11,931,497</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 6,136,917	\$ 12,029,491	\$ 2,167,437	\$ 20,333,845	\$ 1,593,822
Payments to Suppliers	(3,969,077)	(9,265,977)	(389,424)	(13,624,478)	(374,801)
Payments to Employees for Services	(357,738)	(1,566,113)	(157,845)	(2,081,696)	-
<i>Net Cash Provided by Operating Activities</i>	<u>1,810,102</u>	<u>1,197,401</u>	<u>1,620,168</u>	<u>4,627,671</u>	<u>1,219,021</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to Other Funds	-	(500,000)	-	(500,000)	-
<i>Net Cash Used by Noncapital and Related Financing Activities</i>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(1,342,335)	(2,817,123)	(147,538)	(4,306,996)	(646,140)
Principal Paid on Long-Term Debt	(532,500)	(600,852)	(280,000)	(1,413,352)	-
Interest and Fiscal Charges Paid on Long-Term Debt	(121,816)	(580,185)	(269,208)	(971,209)	-
Proceeds from Sale of Capital Assets	24,748	800,000	-	824,748	206,350
<i>Net Cash (Used) by Capital and Related Financing Activities</i>	<u>(1,971,903)</u>	<u>(3,198,160)</u>	<u>(696,746)</u>	<u>(5,866,809)</u>	<u>(439,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	75,763	128,235	89,032	293,030	60,010
<i>Net Cash Provided by Investing Activities</i>	<u>75,763</u>	<u>128,235</u>	<u>89,032</u>	<u>293,030</u>	<u>60,010</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	(86,038)	(2,372,524)	1,012,454	(1,446,108)	839,241
Cash and Cash Equivalents, October 1	5,642,715	9,825,377	8,397,628	23,865,720	5,415,179
Cash and Cash Equivalents, September 30	<u>\$ 5,556,677</u>	<u>\$ 7,452,853</u>	<u>\$ 9,410,082</u>	<u>\$ 22,419,612</u>	<u>\$ 6,254,420</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:					
Operating Income/(Loss)	\$ (636,176)	\$ 73,595	\$ 1,600,130	\$ 1,037,549	\$ 302,795
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	2,380,704	1,343,837	32,708	3,757,249	1,033,257
Change in Assets, Liabilities, and Deferred Items:					
(Increase)/Decrease in Accounts Receivables	64,571	(303,234)	(11,680)	(250,343)	-
Increase/(Decrease) in Prepaid Items	63,139	-	-	63,139	(9,000)
Increase/(Decrease) in Accounts Payable	105,047	(292,998)	(3,080)	(191,031)	(108,031)
Increase/(Decrease) in Customer Deposits	(171,743)	121,159	-	(50,584)	-
(Increase)/Decrease in Deferred Outflows on Pensions	-	249,362	-	249,362	-
(Increase)/Decrease in Deferred Outflows on OPEB	(4,610)	(19,601)	(2,113)	(26,324)	-
(Increase)/Decrease in Pension Asset	-	(12,193)	-	(12,193)	-
Increase/(Decrease) in Deferred Inflows on Pensions	-	178,259	-	178,259	-
Increase/(Decrease) in Deferred Inflows on OPEB	56	238	25	319	-
Increase/(Decrease) in Net Pension Liability	-	(179,773)	-	(179,773)	-
Increase/(Decrease) in Total OPEB Liability	9,114	38,750	4,178	52,042	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,810,102</u>	<u>\$ 1,197,401</u>	<u>\$ 1,620,168</u>	<u>\$ 4,627,671</u>	<u>\$ 1,219,021</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grants and Contributions	\$ -	\$ 301,756	\$ 93,616	\$ 395,372	\$ -
Capital Assets in Accounts Payable	103,850	596,652	274,346	974,848	(1,350)
Gain/(Loss) of Joint Venture	-	(84,271)	-	(84,271)	-
<i>Net Noncash Items from Capital and Related Financing Activities</i>	<u>\$ 103,850</u>	<u>\$ 814,137</u>	<u>\$ 367,962</u>	<u>\$ 1,285,949</u>	<u>\$ (1,350)</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018

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.

Hotel Debt Service Fund – The Hotel Debt Service Fund, designated as a major fund, accounts for the accumulation of resources to be used for the payment of principal and interest on the hotel fund supported portion of the 2011 GO Refunding Bonds.

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, 2018

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, 2018

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, 2017 to be the fair value of investments. Investments in nonnegotiable certificates of deposit are carried at cost. The government investment pools, TexPool and TexSTAR, 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 supplies and 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 support the operations of our joint venture North Texas Emergency Communications Center, Inc. (NTECC), and postage.

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018. The Town's liability for compensated absences increased \$159,667 for a total liability of \$960,420.

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is capital developer donations of \$301,756 for Utilities and \$93,616 for Stormwater, and a donation of \$121,578 in seating to the Conference Centre. Operating grants included \$106,322 of funding for public safety, \$39,005 for non-capital developer donations for Stormwater, \$32,221 non-capital developer donations for Utilities, and a \$50,000 grant for Airport operations.

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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 three types of items that qualify for reporting in this category. The difference in projected and actual earnings on pension plan investments is deferred and amortized over a closed five-year 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. 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, 2018

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

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.

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, 2018

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 FY2018 budget was amended three times, and the amendments were approved by City Council on April 10, 2018, April 24, 2018, and September 27, 2018. The April 10th amendment was to implement the new compensation plan adopted by the City Council on December 15, 2017 and to reflect needed changes to costs in the capital improvement project budget. The April 24th amendment provided funding for the construction of the Wing Aviation Apron and Claire Chennault Street at the Addison Airport. The September 27th budget amendment provided funding for the Belt Line Road Overlay Project and the Addison Circle Park Fountain Project. This amendment also corrected the recording of a local grant from Metrocrest Hospital Authority for Fire Department equipment.

Excess of Expenditures over Appropriations – For the year ended September 30, 2018, no expenditures in the General Fund departments exceeded appropriations, with the exception of City Secretary by \$96, Financial and Strategic Services by \$7,344, and Fire by \$4,211, where appropriations were exceeded by less than 1 percent by each department. The excess of appropriations for expenditures in other departments in the General Fund were more than enough to cover these overages, so fund balance was not impacted.

Encumbrance accounting is employed in governmental funds, but all encumbrances are liquidated at year-end. No encumbrances roll forward to the next fiscal year or affect following year budgets.

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 "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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2018. Included in 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 \$13,652,995. The respective bank balance totaled \$15,347,540. In addition, collateral with a market value of \$17,924,000 and unused letters of credit in the amount of \$10,212,603 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, 2018 were invested in 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. JPMorgan Fleming Asset Management, Inc. (JPMFAM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMFAM provides investment management, fund accounting, transfer agency and services. The assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR and FSAM provides administrative, marketing and participant services.

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

NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investments

As of September 30, 2018, the Town held the following investments:

	<u>Carrying Value</u>	<u>Average Maturity (Days)</u>
Certificates of Deposit	\$ 10,104,535	211
Commercial Paper	12,923,605	81
Agency Securities	43,681,395	220
<i>Total Investment in Securities</i>	<u>66,709,535</u>	<u>185</u>
TexStar	6,561,957	1
TexPool	4,728,542	1
<i>Total Investment in Pools</i>	<u>11,290,499</u>	<u>1</u>
<i>Total Investments</i>	<u>\$ 78,000,034</u>	188

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. The carrying value of the Town’s investments at September 30, 2018 was \$78,000,034, of which \$11,290,499 had maturities of less than one year at time of purchase. 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 18 months (540 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, 2018

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Prime commercial paper with an original maturity of one hundred eighty (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 (270) 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. 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, 2018, are Instrumentality Securities (70%) of which the Town's portfolio is currently at 56%, Certificates of Deposit (50%) of which the Town's portfolio is currently at 13%, Commercial Paper (30%) of which the Town's portfolio is currently at 17%, and Local Government Investment Pools (40%) of which the Town's portfolio is currently at 14%. At September 30, 2018, 5% or more of the Town's total investments were in Toyota Motor Corporation Commercial Paper (5%), valued at \$3,992,853 and GE Capital Treasury Commercial Paper (6%), valued at \$4,993,125.

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, 2018

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, 2018:

	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	\$ 12,923,605	\$ -	\$ 12,923,605	\$ -
U.S. Agency Securities	43,681,395	-	43,681,395	-
<i>Total Investment by fair value level</i>	<u>56,605,000</u>	<u>\$ -</u>	<u>\$ 56,605,000</u>	<u>\$ -</u>
Investments measured at net asset value - TexSTAR	6,561,957			
Investments measured at amortized cost - TexPool	4,728,542			
Non-negotiable certificates of deposit	10,104,535			
<i>Total Investments</i>	<u>\$ 78,000,034</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, 2018, 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 and TexPool. The fair value of the position of TexSTAR is 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.

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, 2017, upon which the fiscal year 2018 levy is based, was \$4,450,533,504.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018 was \$.5500 per \$100, of which \$.3970 was allocated for general government and \$.1530 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, 2018, were 97.15% 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, 2018, was \$360,677.

C. Receivables

As of September 30, 2018, 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	Hotel Debt Service	Capital Projects	Non-Major Funds	Internal Service Funds	Total
Taxes:								
Ad Valorem	\$ 365,885	\$ -	\$ 193,123	\$ -	\$ 4,922	\$ 22,539	\$ -	\$ 586,469
Non-Property	2,694,713	454,454	-	-	-	-	-	3,149,167
Franchise Fees	314,300	-	-	-	-	-	-	314,300
Service Fees	935,109	-	-	-	-	-	-	935,109
Ambulance	685,791	-	-	-	-	-	-	685,791
Interest	45,229	9,765	340	-	29,198	4,300	12,515	101,347
Other	18,120	28,099	-	-	-	1,333	22,038	69,590
Gross Receivables	\$ 5,059,147	\$ 492,318	\$ 193,463	\$ -	\$ 34,120	\$ 28,172	\$ 34,553	\$ 5,841,773
Less: Allowance for Uncollectibles	1,471,608	-	127,592	-	2,469	12,964	-	1,614,633
Net Receivables	\$ 3,587,539	\$ 492,318	\$ 65,871	\$ -	\$ 31,651	\$ 15,208	\$ 34,553	\$ 4,227,140

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

The above allowance for uncollectible accounts represents reserves for ambulance (\$462,564), court warrants (\$791,392), and property taxes (\$360,677).

In the proprietary funds at September 30, 2018 the Airport fund has \$100,457 rent receivable with no associated allowance accounts. The Utility fund has \$2,331,658 in water and sewer sales receivable, net of an allowance of \$44,616. The stormwater fund has stormwater fees receivable of \$333,297 net of an allowance of \$11,039.

D. Capital Assets

Capital Asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	\$ 66,249,935	\$ -	\$ -	\$ -	\$ 66,249,935
Intangible Assets	377,379	-	-	177,092	554,471
Construction in Progress	23,755,983	9,366,942	-	(5,621,544)	27,501,381
<i>Total Capital Assets, not Depreciable</i>	<u>90,383,297</u>	<u>9,366,942</u>	<u>-</u>	<u>(5,444,452)</u>	<u>94,305,787</u>
Capital Assets, Depreciable:					
Buildings	22,084,774	-	-	-	22,084,774
Improvements other than Buildings	173,934,730	-	-	2,562,744	176,497,474
Machinery and Equipment	19,481,586	1,224,595	(1,734,269)	2,956,290	21,928,202
<i>Total Capital Assets, Depreciable</i>	<u>215,501,090</u>	<u>1,224,595</u>	<u>(1,734,269)</u>	<u>5,519,034</u>	<u>220,510,450</u>
Less Accumulated Depreciation for:					
Buildings	(13,182,394)	(576,096)	-	-	(13,758,490)
Improvements other than Buildings	(105,404,856)	(6,049,352)	-	-	(111,454,208)
Machinery and Equipment	(12,929,937)	(1,508,934)	1,659,825	(74,582)	(12,853,628)
<i>Total Accumulated Depreciation</i>	<u>(131,517,187)</u>	<u>(8,134,382)</u>	<u>1,659,825</u>	<u>(74,582)</u>	<u>(138,066,326)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>83,983,903</u>	<u>(6,909,787)</u>	<u>(74,444)</u>	<u>5,444,452</u>	<u>82,444,124</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 174,367,200</u>	<u>\$ 2,457,155</u>	<u>\$ (74,444)</u>	<u>\$ -</u>	<u>\$ 176,749,911</u>
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	\$ 16,945,437	\$ -	\$ -	\$ -	\$ 16,945,437
Construction in Progress	1,650,555	4,909,642	-	(824,614)	5,735,583
<i>Total Capital Assets, not Depreciable</i>	<u>18,595,992</u>	<u>4,909,642</u>	<u>-</u>	<u>(824,614)</u>	<u>22,681,020</u>
Capital Assets, Depreciable:					
Buildings	10,669,963	-	(1,145,873)	-	9,524,090
Improvements other than Buildings	102,948,328	395,370	-	824,614	104,168,312
Machinery and Equipment	3,909,795	534,386	(177,494)	(74,582)	4,192,105
<i>Total Capital Assets, Depreciable</i>	<u>117,528,086</u>	<u>929,756</u>	<u>(1,323,367)</u>	<u>750,032</u>	<u>117,884,507</u>
Less Accumulated Depreciation for:					
Buildings	(2,661,531)	(190,488)	103,129	-	(2,748,890)
Improvements other than Buildings	(50,233,222)	(3,361,094)	-	-	(53,594,316)
Machinery and Equipment	(2,672,185)	(205,667)	177,493	74,582	(2,625,777)
<i>Total Accumulated Depreciation</i>	<u>(55,566,938)</u>	<u>(3,757,249)</u>	<u>280,622</u>	<u>74,582</u>	<u>(58,968,983)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>61,961,148</u>	<u>(2,827,493)</u>	<u>(1,042,745)</u>	<u>824,614</u>	<u>58,915,524</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 80,557,140</u>	<u>\$ 2,082,149</u>	<u>\$ (1,042,745)</u>	<u>\$ -</u>	<u>\$ 81,596,544</u>

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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	\$ 341,828	\$ -
Public Safety	305,461	-
Development Services	2,469	-
Streets	4,905,993	-
Parks and Recreation	987,310	-
Visitor Services	558,064	-
IT Replacement	289,406	-
Capital Replacement	743,851	-
Airport Fund		2,380,704
Utility Fund		1,343,837
Stormwater Fund		32,708
	<u>\$ 8,134,382</u>	<u>\$ 3,757,249</u>

The following tabulation presents the estimated significant commitments under unfinished capital construction and equipment contracts that are fully funded as of September 30, 2018:

Project	Estimated Commitments	Less Expenditures to Date	Total Commitment Remaining
<u>Governmental Activities</u>			
Belt Line Road Underground Utilities	\$ 20,830,000	\$ 17,841,455	\$ 2,988,545
Vitruvian Public Infrastructure	10,021,107	8,116,412	1,904,695
Midway Road Rehabilitation	3,000,000	1,426,370	1,573,630
	<u>\$ 33,851,107</u>	<u>\$ 27,384,237</u>	<u>\$ 6,466,870</u>
<u>Business-type Activities</u>			
Sherlock Basin Improvements	\$ 1,700,000	\$ 421,902	\$ 1,278,098
Customs Facility Construction	7,283,257	666,710	6,616,547
Water Line Replacement	6,487,500	614,799	5,872,701
Kellway Lift Station Rehab & Repair	1,510,000	61,586	1,448,414
	<u>\$ 16,980,757</u>	<u>\$ 1,764,997</u>	<u>\$ 15,215,760</u>

NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

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 \$6,560,514, net of related debt, is included in Unrestricted Net Position. This joint venture provides audited financial statements bi-annually. The next audit report will be available 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, 2018:

	<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"	\$ 12,395,000	\$ -

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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.	\$ 15,980,000	\$ -
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured		
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.	\$ 3,855,000	\$ -
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
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.	\$ 1,535,000	\$ -
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

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"	\$ 1,030,000	\$ -
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"	\$ -	\$ 8,330,000
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"	\$ 10,785,000	\$ -

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ -	\$ 6,620,000
General Obligation Refunding Bonds Series 2014 (AMT)		
A series of 429 bonds at \$5,000 each dated February 15, 2014. The bonds were issued to: (i) refund a portion of the Town's outstanding Combination Tax and Revenue Certificates of Obligation, Series 2004 for debt service savings, and (ii) to pay the costs of issuing the AMT Bonds. The bonds mature serially through 2020 with interest rates ranging from 1% to 2%. The bonds are not callable. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ -	\$ 750,000
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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	\$ 17,990,000	\$ 5,570,000
TOTAL LONG-TERM DEBT OUTSTANDING	<u>\$ 63,570,000</u>	<u>\$ 21,270,000</u>

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018 was as follows (in thousands of dollars):

	Beginning Balance (As Restated)	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 54,380	\$ -	\$ (3,205)	\$ 51,175	\$ 3,570
Premium on General Obligation Bonds	5,641	-	(687)	4,954	-
Discount on General Obligation Bonds	(46)	-	3	(43)	-
Certificates of Obligation	14,100	-	(1,705)	12,395	710
Premium on Certificates of Obligation	-	-	-	-	-
Discount on Certificates of Obligation	(90)	-	5	(85)	-
Compensated Absences	738	794	(667)	865	97
Total OPEB Liability	2,651	1,211	(117)	3,745	-
Long-Term Liabilities – Governmental Activities	<u>\$ 77,374</u>	<u>\$ 2,005</u>	<u>\$ (6,373)</u>	<u>\$ 73,006</u>	<u>\$ 4,377</u>
Business-type Activities:					
General Obligation Refunding Bonds	\$ 6,680	\$ -	\$ (360)	\$ 6,320	\$ 665
(Payable from airport and utility system revenues)					
Premium on General Obligation Refunding Bonds	983	-	(116)	867	-
Combination Tax and Revenue Certificates of Obligation	2,490	-	(110)	2,380	115
(Payable from airport revenues)					
Premium on Combination Tax and Revenue C.O.	96	-	(11)	85	-
Combination Tax and Revenue Certificates of Obligation	7,220	-	(600)	6,620	300
(Payable from utility system revenues)					
Premium on Combination Tax and Revenue C.O.	28	-	(2)	26	-
Combination Tax and Revenue Certificates of Obligation	6,230	-	(280)	5,950	290
(Payable from storm water system revenues)					
Premium on Combination Tax and Revenue C.O.	240	-	(26)	214	-
Note Payable	245	-	(63)	182	62
Compensated Absences	63	84	(52)	95	11
Total OPEB Liability	230	105	(10)	325	-
Long-Term Liabilities – Business-type Activities	<u>\$ 24,505</u>	<u>\$ 189</u>	<u>\$ (1,630)</u>	<u>\$ 23,064</u>	<u>\$ 1,443</u>

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 \$169,130 available in the General Obligation Debt Service Fund to service the general obligation bonds.

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 \$62,500 for years 2019 and 2020, and an annual payment of \$54,000 in 2021.

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, 2018.

For the governmental activities, compensated absences are generally liquidated in the General Fund, Economic Development Fund and Hotel Fund. The net OPEB obligation is generally liquidated in the General Fund.

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2018

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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:				
2019	\$ 3,570,000	\$ 2,102,442	\$ 665,000	\$ 257,850
2020	2,705,000	1,986,748	690,000	240,650
2021	2,820,000	1,880,507	320,000	224,250
2022	2,865,000	1,767,492	340,000	211,050
2023	2,995,000	1,646,526	355,000	197,150
2024-2028	17,165,000	6,116,194	2,005,000	738,850
2029-2033	18,160,000	2,044,010	1,945,000	252,875
2034-2037	895,000	16,781	-	-
	<u>\$ 51,175,000</u>	<u>\$ 17,560,700</u>	<u>\$ 6,320,000</u>	<u>\$ 2,122,675</u>
Certificates of Obligation:				
2019	\$ 710,000	\$ 369,013	\$ 705,000	\$ 572,320
2020	720,000	354,713	730,000	554,620
2021	735,000	340,163	755,000	531,770
2022	755,000	321,488	790,000	504,195
2023	780,000	294,563	825,000	473,020
2024-2028	3,880,000	1,047,337	4,725,000	1,806,284
2029-2033	2,500,000	587,434	5,870,000	733,156
2034-2037	2,315,000	159,209	550,000	11,000
	<u>\$ 12,395,000</u>	<u>\$ 3,473,920</u>	<u>\$ 14,950,000</u>	<u>\$ 5,186,365</u>

At September 30, 2018, the Town had \$26,000,000 authorized but unissued general obligation bonds.

G. Interfund Transfers

Transfers between funds during the year ended September 30, 2018 were comprised of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ -	\$ 1,202,000	For capital projects
Utility Fund	-	500,000	For capital projects
Capital Project Fund	1,202,000	-	For capital projects
Economic Development Fund	-	100,000	For capital projects
Economic Development Fund	610,000	-	For economic development
Capital Project Fund	500,000	-	For capital projects
Capital Project Fund	100,000	-	For capital projects
Hotel Fund	-	610,000	For economic development
Hotel Fund	-	710,800	For payment of debt service
Hotel Debt Service Fund	710,800	-	For payment of debt service
Hotel Fund	495,352	-	To close Hotel Debt Svc Fund
Hotel Debt Service Fund	-	495,352	To close Hotel Debt Svc Fund
Total Transfers	<u>\$ 3,618,152</u>	<u>\$ 3,618,152</u>	

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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 2018, 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 four years.

Prior to the 2001 fiscal year, the Town participated in a retained-risk program with TMLIRP under which the Town assumed the risk of paying for all individual claims with a specific stop-loss of \$175,000 and an annual aggregate stop-loss of \$525,000. Outstanding claims associated with the risk retention program are accounted for in the General Fund and are recorded as Accounts Payable.

For the period of October 2017 to September 2018, the Town offered health benefits through one of two plans operated by Blue Cross Blue Shield. Employees were able to choose either an HMO (health maintenance organization) plan or a PPO (preferred provider organization) plan. The Town also offers a dental plan through Delta Dental. The HMO, PPO, and dental plans are funded by joint contributions from the employees and the Town and are accounted for in the respective operating funds.

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 total 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 880 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, 2018

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 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	196
Inactive employees entitled to but not yet receiving benefits	221
Active employees	<u>257</u>
Total	<u>674</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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 2018 of 10.62%. Accordingly, contributions to TMRS for the year ended September 30, 2018 were \$2,136,195 and were equal to the required contribution.

Net Pension Liability/(Asset)

The Town's Net Pension Liability/(Asset) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
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 109% for males and by 103% for females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013.

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, 2018

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>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	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, 2017. 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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September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 10/1/2017	\$ 120,425,219	\$ 113,444,939	\$ 6,980,280
Changes for the year:			
Service cost	2,862,674	-	2,862,674
Interest	8,023,052	-	8,023,052
Changes of benefit terms	-	-	-
Difference between expected and actual experience	827,177	-	827,177
Changes of assumptions	-	-	-
Contributions - employer	-	1,942,088	(1,942,088)
Contributions - employee	-	1,323,808	(1,323,808)
Net investment income	-	15,717,180	(15,717,180)
Benefit payments, including refunds of employee contributions	(5,993,041)	(5,993,041)	-
Administrative expense	-	(81,484)	81,484
Other	-	(4,130)	4,130
Net changes	5,719,862	12,904,421	(7,184,559)
Balance at 9/30/2018	<u>\$ 126,145,081</u>	<u>\$ 126,349,360</u>	<u>\$ (204,279)</u>

Sensitivity of the Net Pension Liability/(Asset) 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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Town's net pension liability(asset)	\$ 16,087,771	\$ (204,279)	\$ (13,685,234)

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, 2018, the Town recognized pension expense of \$1,969,534. At September 30, 2018, 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, 2018

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ 624,438	\$ (495,903)
Contributions subsequent to the measurement date	1,564,205	
Change of assumptions	138,919	-
Difference between projected and actual investment earnings	-	(3,118,742)
Total	<u>\$ 2,327,562</u>	<u>\$ (3,614,645)</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 \$1,564,205 will be recognized as an addition of the net pension asset for the period(s) ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept 30	Net deferred outflows (inflows) of resources
2019	\$ 97,627
2020	59,701
2021	(1,412,906)
2022	(1,595,710)
Total	<u>\$ (2,851,288)</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, 2018, is presented below (in thousands).

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

Plan	Total OPEB Liability(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 2,900,336	\$ 239,077	\$ (3,681)	\$ 240,666
Business-Type Activities	252,203	20,789	(320)	20,927
Supplemental Death Benefits				
Governmental Activities	844,778	63,970	-	59,072
Business-Type Activities	73,459	5,563	-	5,137
Total	\$ 4,070,776	\$ 329,399	\$ (4,001)	\$ 325,802

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, 2017 was used for the September 30, 2018 liability and expense. The information that follows was determined as of a valuation date of December 31, 2017.

Employees covered by benefit terms

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	37
Inactive, Nonretired Members	0
Active Members	<u>246</u>
Total	<u>283</u> =====

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

Contributions

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

Retirees receiving medical benefits during fiscal year 2018 contribute \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2018, total retiree contributions were \$112,202.

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 \$3,152,539 was measured as of December 31, 2017.

Actuarial assumptions

The Town’s total OPEB Liability in the December 31, 2016 actuarial valuation, rolled forward to December 31, 2017 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 10.50%, including inflation
- Discount rate.....3.31 percent (3.81% in prior year)
- Healthcare cost trend rates.....7.5 percent for 2019 decreasing to 4.25 percent by 2032.
- Participation rates..... 50 percent of employees who retire before age 65 and 100 percent of employees who retire at age 65 or older

The discount rate is equal to the tax-exempt municipal bond rate based on a 20-year general obligation AA bond rated as of the measurement date. The rate of 3.31 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 RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

Changes in the Total OPEB Liability for Retiree Health Care Plan

	<u>Total OPEB Liability</u>
Balance as of 10/1/17	\$ 2,881,200
Changes for the year:	
Service cost	135,826
Interest on OPEB Liability	110,017
Effect of difference in expected & actual experience	(4,477)
Effect of assumptions (change in discount rate)	153,032
Benefit payments	<u>(123,059)</u>
Change in total OPEB Liability	<u>271,339</u>
Balance as of 9/30/18	<u>\$ 3,152,539</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 3.31% 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.31%	3.31%	4.31%
Total OPEB liability	\$ 3,482,424	\$ 3,152,539	\$ 2,855,868

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 rates:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,870,261	\$ 3,152,539	\$ 3,493,242

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

For the year ended September 30, 2018, the Town recognized OPEB expense of \$261,593. At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ -	\$ (4,001)
Change of assumptions	136,807	-
Benefit payments made subsequent to measurement date	123,059	-
Total	<u>\$ 259,866</u>	<u>\$ (4,001)</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 \$123,059 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2019. 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 Sept 30	Net deferred outflows (inflows) of resources
2019	\$ 15,750
2020	15,750
2021	15,750
2022	15,750
2023	15,750
Thereafter	54,056
Total	<u>\$ 132,806</u>

Supplemental Death Benefits Fund Description

Texas Municipal Retirement System ("TMRS") administers a 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.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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, 2017 was used for the September 30, 2018 liability and expense. The information that follows was determined as of a valuation date of December 31, 2017.

Employees covered by benefit terms

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>257</u>
Total	<u><u>463</u></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 2018 were \$5,669.

Total OPEB Liability for Supplemental Death Benefits

The Town's total OPEB liability for supplemental death benefits of \$918,237 was measured as of December 31, 2017.

Actuarial assumptions

The Total OPEB Liability in the December 31, 2017 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 10.50%, including inflation
Discount rate.....	3.31 percent (3.78% in prior year)

The discount rate is equal to the tax-exempt municipal bond rate based on the Fidelity 20-Year Municipal G.O. AA Index as of the measurement date.

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

Changes in the Total OPEB Liability for supplemental death benefits

	<u>Total OPEB Liability</u>	
Balances as of 10/1/17	\$	794,578
Changes for the year:		
Service cost		20,785
Interest on OPEB Liability		30,321
Effect of assumptions (change in discount rate)		78,222
Benefit payments		<u>(5,669)</u>
Change in OPEB Liability		<u>123,659</u>
Balances as of 9/30/18	\$	<u>918,237</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 3.31% 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31)%	Current Discount Rate (3.31)%	1% Increase (4.31)%
Total OPEB liability	\$ 1,122,048	\$ 918,237	\$ 762,661

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

For the year ended September 30, 2018, the Town recognized OPEB expense of \$64,209. At September 30, 2018, 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>
Change of assumptions	\$ 65,119	\$ -
Benefit payments made subsequent to measurement date	<u>4,414</u>	<u>-</u>
Total	<u>\$ 69,533</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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 \$4,414 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2019. 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 Sept 30	Net deferred outflows (inflows) of resources
2019	\$ 13,103
2020	13,103
2021	13,103
2022	13,103
2023	12,707
Total	<u>\$ 65,119</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.

D. Keller Springs Tollway

In 1999, the North Texas Tollway Authority (the Authority) completed a toll tunnel that connects Midway Road and the North Dallas Tollway. The project benefits the Town by diverting traffic from Belt Line Road, which is at capacity. The project's cost was approximately \$25 million which will be funded by revenue bonds issued by the Authority. Through an agreement with the Authority, the Town has pledged to be a guarantor of the debt service associated with approximately \$2.5 million of the revenue bonds in the event the authority defaults on the bonds. Because the Authority is an extremely viable state agency, the likelihood of a default is negligible.

E. 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, 2018, and the amount forgone was \$34,041. Over the life of the contract, the entity has forgone \$68,082.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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 \$315,118 during the fiscal year ended September 30, 2018, and has paid \$633,768 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, 2018. 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.

F. Restatement of Beginning Net Position

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the fiscal year ended September 30, 2018. This statement changes the focus of accounting for postemployment benefits other than pensions from whether they are responsible for funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date.

As a result of the implementation of GASB 75, the beginning net position was restated by removing the other postemployment benefits liability under GASB 45 and replacing with the new liability under GASB 75.

	Government-wide Statement of Activities		Fund Level		
	Governmental	Business-type	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
	Activities	Activities	Airport Fund	Utility Fund	Stormwater Fund
Net position at October 1, 2017 as previously reported	\$ 159,827,601	\$ 87,582,613	\$ 50,218,121	\$ 33,836,491	\$ 3,528,001
Replacing other postemployment GASB 45 liability with GASB 75 liability as of October 1, 2017	(2,518,620)	(250,416)	(43,809)	(184,671)	(21,936)
Net position at October 1, 2017 as restated	\$ 157,308,981	\$ 87,332,197	\$ 50,174,312	\$ 33,651,820	\$ 3,506,065

G. New Accounting Pronouncements

The Town has adopted and implemented the following statement during the fiscal year 2018.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The adoption had no impact on the Town's net position.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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 2020. The Town will evaluate the potential impact on the Town's net position.

Statement No. 85, *Omnibus 2017* – This statement aims to improve consistency in accounting and financial reporting by addressing practice issues related to blending component units, goodwill, fair value measurement, and postemployment benefits. This statement will be effective for the Town in fiscal year 2019.

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 2021.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* – This statement aims to improve the information that is disclosed in notes to government financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will be effective for the Town in fiscal year 2019.

H. Subsequent Events

On February 15, 2019, the Town issued \$13,115,000 Combination Tax and Revenue Certificates of Obligation, Series 2018, to provide funding for improving the Town's water and wastewater system and constructing and equipping a customs and airport administration facility at the Addison Municipal Airport.



**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 Four Fiscal Years (Previous years are not available)

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

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

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

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System
Schedule of Town Contributions (Unaudited)
September 30, 2018

	(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%

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 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

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.

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Healthcare Plan

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

Total OPEB liability:	
Total OPEB liability - beginning	\$ 2,881,200
Service cost	135,826
Interest on the total OPEB liability	110,017
Difference between expected and actual experience of the total OPEB liability	(4,477)
Changes of assumptions	153,032
Benefit payments	<u>(123,059)</u>
Net change in total OPEB liability	<u>271,339</u>
Total OPEB liability - ending	<u>\$ 3,152,539</u>
Covered-employee payroll	\$ 18,897,760
Total OPEB liability as a percentage of covered-employee payroll	16.68%

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

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 Fiscal Year (Previous years are not available)

Total OPEB liability:	
Total OPEB liability - beginning	\$ 794,578
Service cost	20,785
Interest on the total OPEB liability	30,321
Changes of assumptions	78,222
Benefit payments	(5,669)
Net change in total OPEB liability	123,659
Total OPEB liability - ending	\$ 918,237
Covered-employee payroll	\$ 18,895,541
Total OPEB liability as a percentage of covered-employee payroll	4.86%

Changes of assumptions reflect a change in the discount rate from 3.78% as of December 31, 2016 to 3.31% as of December 31, 2017.

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
ADDIS

**COMBINING
AND INDIVIDUAL
FUND
FINANCIAL
STATEMENTS**

DEBT SERVICE FUNDS

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

The **Hotel Debt Service Fund** accounts for the accumulation of resources to be used for the payment of principal and interest on the Hotel Occupancy Tax Revenue Bonds.



Town of Addison, Texas
Major Governmental Funds - General Obligation Debt Service

General Obligation Debt Service
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended September 30, 2018

	2018			Variance With Final Budget Positive (Negative)
	Budget		Actual GAAP Basis	
	Original	Final		
REVENUES:				
Current Property Taxes	\$ 6,826,542	\$ 6,826,542	\$ 6,632,005	\$ (194,537)
Delinquent Property Taxes	-	-	(36,268)	(36,268)
Penalties and Interest	18,000	18,000	19,949	1,949
Earnings on Investments	9,400	9,400	16,131	6,731
Total Revenues	<u>6,853,942</u>	<u>6,853,942</u>	<u>6,631,817</u>	<u>(222,125)</u>
EXPENDITURES:				
Contractual Services	2,000	2,000	3,739	(1,739)
Principal Retirement	4,209,660	4,209,660	4,209,148	512
Interest and Fiscal Charges	2,618,882	2,618,882	2,620,922	(2,040)
Total Expenditures	<u>6,830,542</u>	<u>6,830,542</u>	<u>6,833,809</u>	<u>(3,267)</u>
Net Change in Fund Balance	23,400	23,400	(201,992)	(225,392)
Fund Balances at Beginning of Year	<u>370,527</u>	<u>370,527</u>	<u>370,527</u>	-
Fund Balances at End of Year	<u>\$ 393,927</u>	<u>\$ 393,927</u>	<u>\$ 168,535</u>	<u>\$ (225,392)</u>

Town of Addison, Texas
Major Governmental Funds - Hotel Debt Service

Hotel Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			Variance With Final Budget Positive (Negative)
	Budget		Actual GAAP Basis	
	Original	Final		
REVENUES:				
Earnings on Investments	\$ 2,600	\$ 2,600	\$ 2,995	\$ 395
Total Revenues	<u>2,600</u>	<u>2,600</u>	<u>2,995</u>	<u>395</u>
EXPENDITURES:				
Principal Retirement	700,000	700,000	700,000	-
Interest and Fiscal Charges	10,800	10,800	10,500	300
Total Expenditures	<u>710,800</u>	<u>710,800</u>	<u>710,500</u>	<u>300</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>(708,200)</u>	<u>(708,200)</u>	<u>(707,505)</u>	<u>695</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	710,800	710,800	710,800	-
Transfers Out	-	-	(495,352)	(495,352)
Net Change in Fund Balance	2,600	2,600	(492,057)	(494,657)
Fund Balances at Beginning of Year	<u>492,057</u>	<u>492,057</u>	<u>492,057</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 494,657</u>	<u>\$ 494,657</u>	<u>\$ -</u>	<u>\$ (494,657)</u>

NON-MAJOR GOVERNMENTAL FUNDS

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.

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

The **Advanced Funding Grant Fund** was created during fiscal year 2010. The 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.

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

The **Reimbursement Grant Fund** accounts for expenditures for which the Town expects to be reimbursed.

The **PEG Fees Fund** accounts for state restricted fees collected and the expenditures using these monies.



Town of Addison, Texas
 Non-Major Governmental Funds

Non-Major Governmental Funds
 Combining Balance Sheet
 September 30, 2018

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	PEG Fees Fund	Total Nonmajor Governmental Funds
ASSETS:							
Cash and Investments	\$ 240,778	\$ 51,411	\$ 31,007	\$ 1,528,574	\$ 1,764	\$ 241,554	\$ 2,095,088
Receivables:							
Ad Valorem Taxes, Including Interest and Penalties, Net	-	-	-	9,575	-	-	9,575
Interest	475	106	62	3,168	1	488	4,300
Intergovernmental	-	-	-	-	1,333	-	1,333
Total Assets	<u>\$ 241,253</u>	<u>\$ 51,517</u>	<u>\$ 31,069</u>	<u>\$ 1,541,317</u>	<u>\$ 3,098</u>	<u>\$ 242,042</u>	<u>\$ 2,110,296</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 53,533	\$ 814	\$ -	\$ 94,718	\$ -	\$ -	\$ 149,065
Total Liabilities	<u>53,533</u>	<u>814</u>	<u>-</u>	<u>94,718</u>	<u>-</u>	<u>-</u>	<u>149,065</u>
Deferred Inflows of Resources:							
Unavailable Resources	-	2,179	-	9,574	-	-	11,753
Total Deferred Inflows of Resources	<u>-</u>	<u>2,179</u>	<u>-</u>	<u>9,574</u>	<u>-</u>	<u>-</u>	<u>11,753</u>
Fund Balances:							
Nonspendable							
Restricted							
Child Safety	84,284	-	-	-	-	-	84,284
Justice Administration	23,222	-	-	-	-	-	23,222
Court Technology	33,370	-	-	-	-	-	33,370
Court Security	46,844	-	-	-	-	-	46,844
Public Safety	-	48,524	31,069	-	3,098	-	82,691
Other Purposes	-	-	-	-	-	242,042	242,042
Committed:							
Economic Development	-	-	-	1,437,025	-	-	1,437,025
Total Fund Balance	<u>187,720</u>	<u>48,524</u>	<u>31,069</u>	<u>1,437,025</u>	<u>3,098</u>	<u>242,042</u>	<u>1,949,478</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 241,253</u>	<u>\$ 51,517</u>	<u>\$ 31,069</u>	<u>\$ 1,541,317</u>	<u>\$ 3,098</u>	<u>\$ 242,042</u>	<u>\$ 2,110,296</u>

Town of Addison, Texas
 Non-Major Governmental Funds

Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2018

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	PEG Fees Fund	Total Nonmajor Governmental Funds
REVENUES:							
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ 1,024,998	\$ -	\$ -	\$ 1,024,998
Franchise Fees	-	-	-	-	-	57,619	57,619
Intergovernmental	-	-	8,228	-	8,000	-	16,228
Service Fees	-	-	-	58,304	-	-	58,304
Fines and Forfeitures	23,322	-	-	-	-	-	23,322
Court Awards	-	948	-	-	-	-	948
Earnings on Investments	3,294	676	742	23,162	15	2,984	30,873
Other	-	-	90,094	-	-	-	90,094
Total Revenues	<u>26,616</u>	<u>1,624</u>	<u>99,064</u>	<u>1,106,464</u>	<u>8,015</u>	<u>60,603</u>	<u>1,302,386</u>
EXPENDITURES:							
General Government	-	-	-	-	-	10,136	10,136
Public Safety	-	-	95,971	-	8,000	-	103,971
Municipal Court	75,904	-	-	-	-	-	75,904
Economic Development	-	-	-	1,475,201	-	-	1,475,201
Total Expenditures	<u>75,904</u>	<u>-</u>	<u>95,971</u>	<u>1,475,201</u>	<u>8,000</u>	<u>10,136</u>	<u>1,665,212</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>(49,288)</u>	<u>1,624</u>	<u>3,093</u>	<u>(368,737)</u>	<u>15</u>	<u>50,467</u>	<u>(362,826)</u>
OTHER FINANCING SOURCES/(USES):							
Transfers In	-	-	-	610,000	-	-	610,000
Transfers Out	-	-	-	(100,000)	-	-	(100,000)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,000</u>	<u>-</u>	<u>-</u>	<u>510,000</u>
Net Change in Fund Balance	(49,288)	1,624	3,093	141,263	15	50,467	147,174
Fund Balances at Beginning of Year	<u>237,008</u>	<u>46,900</u>	<u>27,976</u>	<u>1,295,762</u>	<u>3,083</u>	<u>191,575</u>	<u>1,802,304</u>
Fund Balances at End of Year	<u>\$ 187,720</u>	<u>\$ 48,524</u>	<u>\$ 31,069</u>	<u>\$ 1,437,025</u>	<u>\$ 3,098</u>	<u>\$ 242,042</u>	<u>\$ 1,949,478</u>

Town of Addison, Texas
Non-Major Governmental Funds

Municipal Court Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and Forfeitures	\$ 37,610	\$ 37,610	\$ 23,322	\$ (14,288)
Earnings on Investments	1,700	1,700	3,294	1,594
Total Revenues	<u>39,310</u>	<u>39,310</u>	<u>26,616</u>	<u>(12,694)</u>
EXPENDITURES:				
Salaries and Fringe Benefits	22,406	22,406	15,669	6,737
Supplies	68,000	68,000	57,354	10,646
Maintenance and Materials	8,000	8,000	-	8,000
Contractual Services	-	-	2,881	(2,881)
Total Expenditures	<u>98,406</u>	<u>98,406</u>	<u>75,904</u>	<u>22,502</u>
Net Change in Fund Balance	(59,096)	(59,096)	(49,288)	9,808
Fund Balance at Beginning of Year	<u>237,008</u>	<u>237,008</u>	<u>237,008</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 177,912</u>	<u>\$ 177,912</u>	<u>\$ 187,720</u>	<u>\$ 9,808</u>

Town of Addison, Texas
Non-Major Governmental Funds

Public Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Court Awards	\$ -	\$ -	\$ 948	\$ 948
Earnings on Investments	200	200	676	476
Total Revenues	<u>200</u>	<u>200</u>	<u>1,624</u>	<u>1,424</u>
EXPENDITURES:				
General Government				
Public Safety				
Supplies	7,000	7,000	-	7,000
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Net Change in Fund Balance	(6,800)	(6,800)	1,624	8,424
Fund Balance at Beginning of Year	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 40,100</u>	<u>\$ 40,100</u>	<u>\$ 48,524</u>	<u>\$ 8,424</u>

Town of Addison, Texas
Non-Major Governmental Funds

Advanced Funding Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 34,675	\$ 34,675	\$ 8,228	\$ (26,447)
Earnings on Investments	200	200	742	542
Other	-	81,294	90,094	8,800
Total Revenues	<u>34,875</u>	<u>116,169</u>	<u>99,064</u>	<u>(17,105)</u>
EXPENDITURES:				
Supplies	500	32,297	19,742	12,555
Contractual Services	34,375	34,375	10,903	23,472
Capital Outlay	-	49,497	65,326	(15,829)
Total Expenditures	<u>34,875</u>	<u>116,169</u>	<u>95,971</u>	<u>20,198</u>
Net Change in Fund Balance	-	-	3,093	3,093
Fund Balance at Beginning of Year	<u>27,976</u>	<u>27,976</u>	<u>27,976</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 27,976</u>	<u>\$ 27,976</u>	<u>\$ 31,069</u>	<u>\$ 3,093</u>

Town of Addison, Texas
Non-Major Governmental Funds

Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 1,015,359	\$ 1,015,359	\$ 1,024,998	\$ 9,639
Service Fees	67,000	67,000	58,304	(8,696)
Earnings on Investments	6,100	6,100	23,162	17,062
Other	8,000	8,000	-	(8,000)
Total Revenues	<u>1,096,459</u>	<u>1,096,459</u>	<u>1,106,464</u>	<u>10,005</u>
EXPENDITURES:				
Salaries and Fringe Benefits	441,302	451,958	412,407	39,551
Supplies	23,409	22,749	16,200	6,549
Maintenance and Materials	23,175	22,213	16,980	5,233
Contractual Services	1,167,996	1,158,962	1,011,926	147,036
Capital Replacement	17,688	17,688	17,688	-
Total Expenditures	<u>1,673,570</u>	<u>1,673,570</u>	<u>1,475,201</u>	<u>198,369</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(577,111)</u>	<u>(577,111)</u>	<u>(368,737)</u>	<u>208,374</u>
Other financing sources (uses)				
Transfers In	610,000	610,000	610,000	-
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>510,000</u>	<u>510,000</u>	<u>510,000</u>	<u>-</u>
Net Change in Fund Balance	(67,111)	(67,111)	141,263	208,374
Fund Balance at Beginning of Year	<u>1,295,762</u>	<u>1,295,762</u>	<u>1,295,762</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,228,651</u>	<u>\$ 1,228,651</u>	<u>\$ 1,437,025</u>	<u>\$ 208,374</u>

Town of Addison, Texas
Non-Major Governmental Funds

PEG Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2018

	2018			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Franchise Fees	\$ 72,000	\$ 72,000	\$ 57,619	\$ (14,381)
Earnings on Investments	50	50	2,984	2,934
Total Revenues	<u>72,050</u>	<u>72,050</u>	<u>60,603</u>	<u>(11,447)</u>
EXPENDITURES:				
Supplies	-	-	4,368	(4,368)
General Government Capital Outlay	15,000	15,000	5,768	9,232
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>10,136</u>	<u>4,864</u>
Net Change in Fund Balance	57,050	57,050	50,467	(6,583)
Fund Balance at Beginning of Year	<u>191,575</u>	<u>191,575</u>	<u>191,575</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 248,625</u>	<u>\$ 248,625</u>	<u>\$ 242,042</u>	<u>\$ (6,583)</u>



PROPRIETARY FUNDS

Internal Service Funds:

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

The **Capital Replacement Fund** is used to account for financial resources set aside annually to replace equipment as its useful life is consumed.

The **Information Technology Replacement Fund** is used to account for financial resources set aside annually to replace technology as its useful life is consumed.



Town of Addison, Texas
Proprietary Funds - Internal Service Funds

Internal Service Funds
Combining Statement of Net Position
September 30, 2018

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Investments	\$ 3,083,422	\$ 3,170,998	\$ 6,254,420
Interest Receivable	6,150	6,365	12,515
Accounts Receivable, Net	22,038	-	22,038
Prepaid Items	-	9,000	9,000
Total Current Assets	<u>3,111,610</u>	<u>3,186,363</u>	<u>6,297,973</u>
Non-Current Assets:			
Capital Assets:			
Construction in Progress	-	1,376,182	1,376,182
Machinery and Equipment	8,631,903	5,375,800	14,007,703
Accumulated Depreciation	<u>(4,956,668)</u>	<u>(4,689,458)</u>	<u>(9,646,126)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>3,675,235</u>	<u>2,062,524</u>	<u>5,737,759</u>
Total Assets	<u>6,786,845</u>	<u>5,248,887</u>	<u>12,035,732</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	<u>1,001</u>	<u>103,234</u>	<u>104,235</u>
NET POSITION:			
Net Investment in Capital Assets	3,675,235	2,062,524	5,737,759
Unrestricted	<u>3,110,609</u>	<u>3,083,129</u>	<u>6,193,738</u>
Total Net Position	<u>\$ 6,785,844</u>	<u>\$ 5,145,653</u>	<u>\$ 11,931,497</u>

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2018

	Capital Replacement	Information Technology Replacement	Total Internal Service Funds
OPERATING REVENUES:			
Department Contributions	\$ 800,000	\$ 793,822	\$ 1,593,822
Total Operating Revenues	<u>800,000</u>	<u>793,822</u>	<u>1,593,822</u>
OPERATING EXPENSES:			
Supplies	-	169,517	169,517
Maintenance and Materials	-	40,056	40,056
Contractual Services	4,007	44,190	48,197
Total Operating Expenses (Excluding Depreciation)	<u>4,007</u>	<u>253,763</u>	<u>257,770</u>
Depreciation	743,851	289,406	1,033,257
Total Operating Expenses	<u>747,858</u>	<u>543,169</u>	<u>1,291,027</u>
OPERATING INCOME	<u>52,142</u>	<u>250,653</u>	<u>302,795</u>
NON-OPERATING REVENUES/(EXPENSES):			
Investment Income	52,365	11,402	63,767
Gain/(Loss) on Disposal of Assets	162,864	36,570	199,434
Total Non-Operating Revenues/(Expenses)	<u>215,229</u>	<u>47,972</u>	<u>263,201</u>
CHANGE IN NET POSITION	267,371	298,625	565,996
Net Position at Beginning of Year	<u>6,518,473</u>	<u>4,847,028</u>	<u>11,365,501</u>
Net Position at End of Year	<u>\$ 6,785,844</u>	<u>\$ 5,145,653</u>	<u>\$ 11,931,497</u>

Town of Addison, Texas
Proprietary Funds - Internal Service Funds

Internal Service Funds
Combining Statement of Cash Flows
Year Ended September 30, 2018

	Capital Replacement	Information Technology Replacement	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Department Contributions	\$ 800,000	\$ 793,822	\$ 1,593,822
Payments to Suppliers	(3,938)	(370,863)	(374,801)
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>796,062</u>	<u>422,959</u>	<u>1,219,021</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(585,668)	(60,472)	(646,140)
Proceeds from Sale of Capital Assets	206,350	-	206,350
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(379,318)</u>	<u>(60,472)</u>	<u>(439,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Cash and Investments	50,392	9,618	60,010
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>50,392</u>	<u>9,618</u>	<u>60,010</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	467,136	372,105	839,241
Cash and Cash Equivalents, October 1	2,616,286	2,798,893	5,415,179
Cash and Cash Equivalents, September 30	<u>\$ 3,083,422</u>	<u>\$ 3,170,998</u>	<u>\$ 6,254,420</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 52,142	\$ 250,653	\$ 302,795
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:			
Depreciation	743,851	289,406	1,033,257
Change in Assets and Liabilities:			
(Increase)/Decrease in Prepaid Items	-	(9,000)	(9,000)
Increase/(Decrease) in Accounts Payable	69	(108,100)	(108,031)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 796,062</u>	<u>\$ 422,959</u>	<u>\$ 1,219,021</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Assets in Accounts Payable	\$ -	\$ (1,350)	\$ (1,350)
<i>Net Non-Cash Items from Capital and Related Financing Activities</i>	<u>\$ -</u>	<u>\$ (1,350)</u>	<u>\$ (1,350)</u>





STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

The Statistical Section presents detailed information to assist in understanding the information in the financial statements, note disclosures, and required supplementary information. It includes five categories of information:

Financial Trends (tables 1-6) – contain trend information to help the reader understand how the government’s financial position has changed over time.

Revenue Capacity (tables 7-10) – contain information to help the reader assess the government’s ability to generate its own revenues.

Debt Capacity (tables 11-15) – present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.

Demographic and Economic Information (tables 16-18) – offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the government’s financial activities take place.

Operating Information (tables 19-21) – contain employee and capital asset data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.



**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 120,308,696	\$ 123,041,354	\$ 129,261,976	\$ 129,471,095	\$ 135,260,723	\$ 120,034,622	\$ 121,444,364	\$ 122,079,968	\$ 124,922,785	\$ 125,983,819
Restricted for:										
Debt Service	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279	660,955	500,094	310,619
Promotion of Tourism and Hotel Industry	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,869,581	4,334,037	4,167,549
Child Safety	-	-	-	30,635	30,635	101,664	190,635	98,540	86,906	84,284
Justice Administration	-	-	-	93,472	93,472	31,898	63,638	30,952	21,851	23,222
Court Technology	-	-	-	77,179	74,895	79,591	91,942	86,147	74,667	33,370
Building Security	-	-	-	66,716	64,742	65,782	176,512	63,655	53,584	-
Court Security	-	-	-	-	-	19,185	19,190	28,125	46,900	46,844
Public Safety	-	-	-	-	-	-	-	-	33,238	84,870
Other purposes	-	-	-	32,449	22,235	-	25,484	33,694	191,575	242,042
Unrestricted	24,442,088	23,381,754	21,729,168	20,945,903	13,969,454	25,658,883	7,051,958	7,031,223	29,561,964	31,164,711
Total Net Position - Governmental Activities	\$ 145,669,267	\$ 146,423,108	\$ 151,998,474	\$ 154,409,044	\$ 152,362,956	\$ 148,280,261	\$ 132,148,273	\$ 133,982,840	\$ 159,827,601	\$ 162,141,330
Business-type Activities										
Net Investment in Capital Assets	\$ 34,327,264	\$ 36,299,788	\$ 51,113,892	\$ 49,639,925	\$ 57,425,620	\$ 69,948,582	\$ 63,308,088	\$ 62,547,252	\$ 65,363,662	\$ 64,971,096
Unrestricted	13,195,545	12,740,025	9,834,613	14,194,945	17,372,627	16,460,850	23,121,874	24,910,364	22,218,951	22,483,060
	\$ 47,522,809	\$ 49,039,813	\$ 60,948,505	\$ 63,834,870	\$ 74,798,247	\$ 86,409,432	\$ 86,429,962	\$ 87,457,616	\$ 87,582,613	\$ 87,454,156
Primary Government										
Net Investment in Capital Assets	\$ 154,635,960	\$ 159,341,142	\$ 180,375,868	\$ 179,111,020	\$ 192,686,343	\$ 189,983,204	\$ 184,752,452	\$ 184,627,220	\$ 190,286,447	\$ 190,954,915
Restricted for:										
Debt Service	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279	660,955	500,094	310,619
Promotion of Tourism and Hotel Industry	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,869,581	4,334,037	4,167,549
Child Safety	-	-	-	30,635	30,635	101,664	190,635	98,540	86,906	84,284
Justice Administration	-	-	-	93,472	93,472	31,898	63,638	30,952	21,851	23,222
Court Technology	-	-	-	77,179	74,895	79,591	91,942	86,147	74,667	33,370
Building Security	-	-	-	66,716	64,742	65,782	176,512	63,655	53,584	-
Court Security	-	-	-	-	-	19,185	19,190	28,125	46,900	46,844
Public Safety	-	-	-	-	-	-	-	-	33,238	84,870
Other Purposes	-	-	-	32,449	22,235	-	25,484	33,694	191,575	242,042
Unrestricted	37,637,633	36,121,779	31,563,781	35,140,848	31,342,081	42,119,733	30,173,832	31,941,587	51,780,915	53,647,771
Total Net Position - Primary Government	\$ 193,192,076	\$ 195,462,921	\$ 212,946,979	\$ 218,243,914	\$ 227,161,203	\$ 234,689,693	\$ 218,578,235	\$ 221,440,456	\$ 247,410,214	\$ 249,595,486

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Note: 2015 and prior Public Safety included in Other Purposes. Starting in 2017, Public Safety is separate from Other Purposes.

Town of Addison, Texas
Statistical Section

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General Government	\$ 6,527,735	\$ 6,876,385	\$ 6,709,095	\$ 6,485,716
Public Safety	14,743,542	14,550,333	14,914,759	15,130,157
Development Services	856,793	938,059	866,023	879,253
Streets	4,998,440	5,277,938	4,913,524	5,028,071
Parks and Recreation	5,119,320	4,502,295	4,742,946	4,963,327
Visitor Services	6,687,392	6,027,442	6,431,136	6,852,198
Interest on Long-Term Debt	2,420,908	2,423,732	2,261,571	2,548,945
Total Governmental Activities	41,354,130	40,596,184	40,839,054	41,887,667
Business-type Activities:				
Airport	4,289,852	4,181,256	4,387,384	4,526,398
Utilities	8,539,106	8,529,681	8,633,217	9,178,844
Storm Water	-	-	-	-
Total Business-type Activities	12,828,958	12,710,937	13,020,601	13,705,242
Total Expenses - Primary Government	\$ 54,183,088	\$ 53,307,121	\$ 53,859,655	\$ 55,592,909
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 203,258	\$ 266,954	\$ 143,529	\$ 208,734
Public Safety	2,318,099	2,094,280	1,899,711	2,225,165
Development Services	429,681	835,808	1,213,741	956,089
Streets	350,587	332,330	2,299,731	378,982
Parks and Recreation	105,705	108,113	107,387	114,164
Visitor Services	1,829,964	2,183,247	2,007,821	2,429,686
Operating Grants and Contributions	2,044,979	230,290	223,792	164,749
Capital Grants and Contributions	-	1,348,141	3,429,804	568,285
Total Governmental Activities	7,282,273	7,399,163	11,325,516	7,045,854
Business-type Activities:				
Charges for Services:				
Airport	3,989,304	4,289,225	4,526,593	4,255,547
Utilities	9,188,791	8,806,069	10,740,568	11,128,700
Storm Water	-	-	-	-
Operating Grants and Contributions	1,786,297	-	-	-
Capital Grants and Contributions	-	1,102,850	9,668,165	1,258,798
Total Business-type Activities	14,964,392	14,198,144	24,935,326	16,643,045
Total Program Revenues - Primary Government	\$ 22,246,665	\$ 21,597,307	\$ 36,260,842	\$ 23,688,899
Net (Expense)/Revenue				
Governmental Activities	\$ (34,071,857)	\$ (33,197,021)	\$ (29,513,538)	\$ (34,841,813)
Business-Type Activities	2,135,434	1,487,207	11,914,725	2,937,803
Total Net Expense - Primary Government	\$ (31,936,423)	\$ (31,709,814)	\$ (17,598,813)	\$ (31,904,010)
General Revenues				
Taxes:				
Property Taxes, Levied for General Purposes	\$ 15,711,056	\$ 15,900,631	\$ 15,772,858	\$ 17,400,696
Sales Taxes	10,838,895	9,987,439	10,604,803	11,988,116
Franchise Taxes	2,761,511	2,578,154	2,792,601	2,699,520
Hotel/Motel Taxes	3,958,238	3,666,781	4,000,786	4,295,149
Interest on Investments	1,383,743	339,986	148,966	99,065
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-
Miscellaneous	325,634	2,474,485	772,276	769,837
Transfers	-	-	-	-
Total General Revenues and Transfers	34,979,077	34,947,476	34,092,290	37,252,383
Business-type Activities				
Interest on Investments	214,492	11,065	(16,178)	(51,843)
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-
Miscellaneous	9,148	18,732	10,145	405
Transfers	-	-	-	-
Total Business-type Activities	223,640	29,797	(6,033)	(51,438)
Change in Net Position				
Governmental Activities	907,220	1,750,455	4,578,752	2,410,570
Business-type Activities	2,359,074	1,517,004	11,908,692	2,886,365
Total Change in Net Position - Primary Government	\$ 3,266,294	\$ 3,267,459	\$ 16,487,444	\$ 5,296,935

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 2

	2013	2014	2015	2016	2017	2018
\$	7,021,312	\$ 7,938,875	\$ 8,730,944	\$ 10,015,214	\$ 7,184,325	\$ 10,218,620
	15,229,474	15,765,099	16,820,899	17,528,619	7,021,636	17,814,777
	925,830	932,247	1,032,105	1,278,232	100,924	1,379,071
	8,387,857	6,450,628	8,105,373	6,567,732	6,660,591	7,249,140
	5,062,784	5,597,254	5,517,049	5,796,136	4,259,992	6,068,682
	7,239,033	7,358,141	6,106,103	7,537,477	6,839,484	7,118,492
	3,054,940	3,037,574	3,018,672	2,417,435	1,713,819	2,038,203
	<u>46,921,230</u>	<u>47,079,818</u>	<u>49,331,145</u>	<u>51,140,845</u>	<u>33,780,771</u>	<u>51,886,985</u>
	5,188,321	6,027,300	5,893,611	6,454,693	6,509,127	6,996,377
	9,459,791	10,317,160	10,748,886	10,821,202	10,081,401	12,708,842
	234,257	768,016	848,354	2,092,187	1,408,133	820,337
	<u>14,882,369</u>	<u>17,112,476</u>	<u>17,490,851</u>	<u>19,368,082</u>	<u>17,998,661</u>	<u>20,525,556</u>
\$	<u>61,803,599</u>	<u>64,192,294</u>	<u>66,821,996</u>	<u>70,508,927</u>	<u>51,779,432</u>	<u>72,412,541</u>
\$	225,731	\$ 235,233	\$ 688,005	\$ 753,062	\$ 961,336	\$ 407,531
	1,611,320	1,506,770	945,217	1,070,517	947,071	848,523
	888,908	904,895	1,015,053	774,364	1,242,223	1,414,425
	384,303	390,453	400,561	375,564	391,126	414,493
	114,866	102,288	82,681	74,719	86,595	82,122
	2,379,812	2,195,803	1,890,522	3,532,634	3,249,506	2,206,293
	73,578	19,093	25,806	27,472	51,063	106,322
	-	-	158,253	148,518	-	121,578
	<u>5,678,518</u>	<u>5,354,535</u>	<u>5,206,098</u>	<u>6,756,850</u>	<u>6,928,920</u>	<u>5,601,287</u>
	4,505,430	4,857,759	5,138,479	5,387,660	5,479,786	6,197,849
	10,802,692	9,953,099	9,877,262	10,576,707	10,983,136	12,178,231
	1,307,573	1,640,615	1,726,526	1,883,841	2,034,484	2,140,112
	-	-	-	129,093	50,000	121,226
	<u>9,331,840</u>	<u>7,660,647</u>	<u>1,025,835</u>	<u>2,130,601</u>	<u>148,158</u>	<u>395,372</u>
	<u>25,947,535</u>	<u>24,112,120</u>	<u>17,768,102</u>	<u>20,107,902</u>	<u>18,695,564</u>	<u>21,032,790</u>
\$	<u>31,626,053</u>	<u>29,466,655</u>	<u>22,974,200</u>	<u>26,864,752</u>	<u>25,624,484</u>	<u>26,634,077</u>
\$	(41,242,712)	\$ (41,725,283)	\$ (44,125,047)	\$ (44,383,995)	\$ (26,851,851)	\$ (46,285,698)
	11,065,166	6,999,644	277,251	739,820	696,903	507,234
\$	<u>(30,177,546)</u>	<u>(34,725,639)</u>	<u>(43,847,796)</u>	<u>(43,644,175)</u>	<u>(26,154,948)</u>	<u>(45,778,464)</u>
\$	17,975,149	\$ 19,484,538	\$ 20,385,225	\$ 22,593,188	\$ 23,572,225	\$ 23,600,531
	13,029,712	14,222,194	14,104,584	13,847,507	15,126,354	17,734,689
	3,021,899	2,806,656	2,828,420	3,074,519	2,664,422	2,624,458
	4,575,083	5,011,671	5,510,406	6,132,432	5,996,924	5,507,072
	133,140	130,419	181,811	316,288	472,896	831,714
	-	-	-	-	-	27,311
	461,641	613,432	590,619	581,628	3,736,791	292,272
	-	(4,626,322)	-	-	800,000	500,000
	<u>39,196,624</u>	<u>37,642,588</u>	<u>43,601,065</u>	<u>46,545,562</u>	<u>52,369,612</u>	<u>51,118,047</u>
	(71,264)	(22,013)	100,928	151,937	185,046	335,367
	-	-	-	-	-	(242,744)
	(30,525)	7,232	512,888	135,897	43,048	22,102
	-	4,626,322	-	-	(800,000)	(500,000)
	<u>(101,789)</u>	<u>4,611,541</u>	<u>613,816</u>	<u>287,834</u>	<u>(571,906)</u>	<u>(385,275)</u>
	(2,046,088)	(4,082,695)	(523,982)	2,161,567	25,517,761	4,832,349
	10,963,377	11,611,185	891,067	1,027,654	124,997	121,959
\$	<u>8,917,289</u>	<u>7,528,490</u>	<u>367,085</u>	<u>3,189,221</u>	<u>25,642,758</u>	<u>4,954,308</u>



**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 420,883	\$ 188,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable:										
Inventories	-	-	87,835	114,733	44,486	66,933	63,176	41,001	39,550	54,843
Prepaid Items	-	-	67,135	57,054	291,424	272,713	267,357	84,681	449,442	442,875
Assigned for Other Purposes	-	-	61,193	23,061	-	-	-	-	-	-
Unassigned	10,231,859	10,668,716	10,150,531	12,178,216	13,643,488	15,166,365	11,271,328	12,765,117	15,879,046	20,465,238
Total General Fund	10,652,742	10,856,751	10,366,694	12,373,064	13,979,398	15,506,011	11,601,861	12,890,799	16,368,038	20,962,956
All Other Governmental Funds										
Reserved	1,309,497	1,302,623	-	-	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	16,573	51,469	-	-	-	-	-	-	-	-
Capital Project Funds	29,190,201	20,334,339	-	-	-	-	-	-	-	-
Debt Service Funds	902,577	863,925	-	-	-	-	-	-	-	-
Hotel Fund	4,635,799	4,423,339	-	-	-	-	-	-	-	-
Nonspendable:										
Prepaid Items	-	-	-	36,974	-	-	-	50,836	38,669	-
Restricted for:										
Debt Service	-	-	1,945,104	1,840,901	1,234,727	1,020,159	831,366	541,074	370,527	168,535
Promotion of Tourism & Hotel Industry	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,861,008	4,331,245	4,122,537
Capital Projects	-	-	9,851,762	39,654,624	41,716,425	45,239,484	40,901,630	33,162,293	21,834,283	13,687,452
Child Safety	-	-	-	-	93,472	101,664	88,479	98,540	86,906	84,284
Justice Administration	-	-	-	-	30,635	31,898	28,893	30,952	21,851	23,222
Court Technology	-	-	83,827	201,286	74,895	79,591	77,831	86,147	74,667	33,370
Building Security	-	-	72,462	66,716	64,742	65,782	63,789	63,655	53,584	-
Court Security	-	-	-	-	-	19,185	19,190	28,125	46,900	46,844
Public Safety	-	-	-	-	-	-	-	30,521	31,059	82,691
Other Purposes	-	-	45,500	36,793	22,235	-	25,484	327,000	191,575	242,042
Committed for:										
Capital Projects	-	-	-	-	-	-	-	-	7,688,169	8,120,427
Economic Development	-	-	358,676	516,823	664,401	477,233	752,819	968,178	1,257,093	1,437,025
Assigned for:										
Other Purposes	-	-	27,603	-	-	-	-	-	-	-
Unassigned	-	-	115,223	(3,883)	(6,364)	3,115	-	-	-	-
Total All Other Governmental Funds	36,054,647	26,975,695	12,500,157	44,343,274	45,837,546	48,720,276	45,318,752	39,248,329	36,026,528	28,048,429
Total Governmental Funds	\$ 46,707,389	\$ 37,832,446	\$ 22,866,851	\$ 56,716,338	\$ 59,816,944	\$ 64,226,287	\$ 56,920,613	\$ 52,139,128	\$ 52,394,566	\$ 49,011,385

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Notes: The Town implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

2015 and prior Public Safety included in Other Purposes. Starting in 2016, Public Safety is separate from Other Purposes.

Town of Addison, Texas
Statistical Section

Changes in Fund Balances,
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012
REVENUES:				
Ad Valorem Taxes	\$ 15,636,534	\$ 15,900,747	\$ 15,803,400	\$ 17,471,642
Non-Property Taxes	14,478,768	13,744,620	14,564,185	16,183,779
Franchise Fees	2,761,511	2,578,154	2,760,188	2,727,370
Licenses and Permits	429,681	833,178	1,210,058	953,709
Intergovernmental	257,429	1,323,831	3,543,357	2,676,792
Service Fees	2,696,581	3,135,434	2,840,317	3,104,592
Fines and Forfeitures	1,322,196	1,215,414	1,104,477	1,208,773
Earnings on Investments	1,234,816	298,634	122,128	75,972
Rental Charges	670,546	700,207	733,957	931,619
Recycling Proceeds	18,570	21,126	22,608	26,414
Other	90,574	2,277,342	531,149	483,009
Total Revenues	39,597,206	42,028,687	43,235,824	45,843,671
EXPENDITURES:				
Current:				
General Government	6,357,501	6,323,891	6,353,784	6,135,191
Public Safety	14,374,702	13,812,617	14,857,023	15,075,757
Development Services	864,234	887,132	885,218	886,705
Streets	2,356,219	1,672,375	1,612,011	1,612,699
Parks and Recreation	4,072,051	3,698,831	4,061,666	4,269,381
Visitor Services	6,216,141	5,445,391	7,655,939	6,171,479
Municipal Court	-	-	-	54,370
Economic Development	-	-	342,200	469,679
Debt Service:				
Principal Retirement	4,115,100	4,369,520	3,873,610	4,738,040
Interest and Fiscal Charges	2,808,332	2,444,875	2,284,774	1,918,640
Debt Issuance Costs	-	-	-	141,666
Capital Projects:				
Salaries and Fringe Benefits	4,325	-	-	-
Supplies	2,878	937	-	17,635
Maintenance and Materials	41,480	231,367	9,870	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Engineering and Contractual Services	1,591,103	2,585,480	1,846,919	796,958
Construction and Equipment	3,573,333	9,431,214	14,375,210	3,038,501
Total Expenditures	46,377,399	50,903,630	58,158,224	45,326,701
Excess/(Deficiency) of Revenues over Expenditures	(6,780,193)	(8,874,943)	(14,922,400)	516,970
OTHER FINANCING SOURCES/(USES):				
Proceeds from Refunding Bonds Issued	-	-	-	46,315,000
Payment to Refunded Bond Escrow Agent	-	-	-	(14,834,842)
Issuance of Debt	-	-	-	-
Discount on issuance of bonds	-	-	-	(632,482)
Bond Issuance Costs	-	-	-	-
Premium on Issuance of Bonds	-	-	-	4,133,956
Transfers In	896,489	2,133,827	1,384,156	1,258,263
Transfers Out	(979,528)	(2,133,827)	(1,384,156)	(3,074,679)
Proceeds on Asset Sales	-	-	-	-
Total Other Financing Sources/(Uses)	(83,039)	-	-	33,165,216
Net Change in Fund Balance	\$ (6,863,232)	\$ (8,874,943)	\$ (14,922,400)	\$ 33,682,186
Debt Service as a Percentage of Non-Capital Expenditures	17.51%	17.63%	15.40%	16.32%

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 4

	2013	2014	2015	2016	2017	2018
\$	18,047,998	\$ 19,274,720	\$ 20,560,124	\$ 22,559,004	\$ 23,521,642	\$ 23,783,670
	17,604,795	19,444,668	19,728,511	20,181,697	21,217,028	23,148,710
	2,695,073	2,818,869	2,828,420	3,074,519	2,664,422	2,624,458
	886,423	901,645	1,011,223	768,964	1,225,373	1,404,035
	73,578	19,093	180,612	160,619	15,565	16,228
	2,939,606	2,758,458	2,543,707	4,463,789	4,520,358	3,620,748
	1,082,115	988,574	764,144	603,282	468,734	358,737
	122,169	143,299	277,680	372,088	472,896	831,714
	1,119,737	1,119,551	1,201,389	949,956	704,701	635,165
	25,539	13,295	10,403	2,426	3,258	11,407
	105,803	206,157	199,880	377,608	391,883	324,961
	44,702,836	47,688,329	49,306,093	53,513,952	55,205,860	56,759,833
	6,371,055	6,646,587	7,657,465	7,598,584	8,057,632	8,381,216
	14,945,841	15,876,424	16,699,726	16,301,539	16,945,126	17,919,259
	927,684	962,584	1,090,973	1,207,871	1,158,967	1,374,246
	1,750,500	1,727,403	1,803,139	1,791,257	1,942,584	1,895,171
	4,316,689	4,874,394	4,755,341	4,912,455	5,020,975	5,054,566
	7,116,334	6,730,501	5,454,910	7,077,371	7,595,136	6,780,909
	53,112	30,878	60,426	17,610	66,616	75,904
	624,014	1,029,585	1,281,649	1,349,920	1,747,750	1,475,201
	4,701,161	5,086,153	5,473,152	5,800,151	5,618,331	4,909,148
	2,747,654	3,110,704	3,417,820	3,089,643	2,810,607	2,631,422
	-	-	-	-	-	-
	-	-	-	-	-	-
	80,660	-	-	-	-	-
	3,946	12,459	-	-	-	-
	49	-	-	-	-	-
	138,236	-	-	-	-	-
	2,165,012	422,982	5,076,254	62,647	416,179	758,687
	3,742,776	8,241,546	3,840,912	9,086,389	7,583,129	9,414,596
	49,684,723	54,752,200	56,611,767	58,295,437	58,963,032	60,670,325
	(4,981,887)	(7,063,871)	(7,305,674)	(4,781,485)	(3,757,172)	(3,910,492)
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,790,000	12,000,000	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	292,493	97,299	-	-	-	-
	578,501	570,000	5,226,082	2,349,124	7,624,205	3,618,152
	(578,501)	(570,000)	(5,226,082)	(2,349,124)	(6,824,205)	(3,118,152)
	-	-	-	-	3,212,610	27,311
	8,082,493	12,097,299	-	-	4,012,610	527,311
\$	3,100,606	\$ 5,033,428	\$ (7,305,674)	\$ (4,781,485)	\$ 255,438	\$ (3,383,181)
	17.27%	16.11%	18.38%	18.07%	16.41%	14.71%

**GENERAL GOVERNMENTAL REVENUES
BY SELECTED SOURCES**
Last Ten Fiscal Years

Fiscal Year	Taxes	Franchise Fees	Licenses and Permits	Inter-governmental	Service Fees	Fines and Forfeitures	Interest	Rental Charges	Other (1)	Total
2009	\$ 30,115,302	\$ 2,761,511	\$ 429,681	\$ 257,429	\$ 2,696,581	\$ 1,322,196	\$ 1,234,816	\$ 670,546	\$ 18,570	\$ 39,506,632
2010	29,645,367	2,578,154	833,178	1,323,831	3,135,434	1,215,414	298,634	700,207	21,126	39,751,345
2011	30,367,585	2,760,188	1,210,058	3,543,357	2,840,317	1,104,477	122,128	733,957	22,608	42,704,675
2012	33,655,421	2,727,370	953,709	2,676,792	3,104,592	1,208,773	75,972	931,619	26,414	45,360,662
2013	35,652,793	2,695,073	886,423	73,578	2,939,606	1,082,115	122,169	1,119,737	25,539	44,597,033
2014	38,719,388	2,818,869	901,645	19,093	2,758,458	988,574	143,299	1,119,551	13,295	47,482,172
2015	40,288,635	2,828,420	1,011,223	180,612	2,543,707	764,144	277,680	1,201,389	10,403	49,106,213
2016	42,740,701	3,074,519	768,964	160,619	4,463,789	603,282	372,088	949,956	2,426	53,136,344
2017	44,738,670	2,664,422	1,225,373	15,565	4,520,358	468,734	472,896	704,701	3,258	54,813,977
2018	46,932,380	2,624,458	1,404,035	16,228	3,620,748	358,737	831,714	635,165	336,368	56,759,833

Table includes General, Special Revenue, Capital Project, and Debt Service Funds

Notes: (1) Includes recycling fees and contributions.

**GENERAL GOVERNMENTAL EXPENDITURES
BY FUNCTION**
Last Ten Fiscal Years

Fiscal Year	General Government ³	Public Safety	Development Services	Streets	Parks and Recreation ¹	Visitor Services ²	Economic Development	Debt Service	Total
2009	\$ 6,357,501	\$ 14,374,702	\$ 864,234	\$ 2,356,219	\$ 4,072,051	\$ 6,216,141	\$ -	\$ 6,923,432	\$ 41,164,280
2010	6,323,891	13,812,617	887,132	1,672,375	3,698,831	5,445,391	-	6,814,395	38,654,632
2011	6,353,784	14,857,023	885,218	1,612,011	4,061,666	7,655,939	342,200	6,158,384	41,926,225
2012	6,135,191	15,130,127	886,705	1,612,699	4,269,381	6,171,479	469,679	6,798,346	41,473,607
2013	6,371,055	14,998,953	927,684	1,750,500	4,316,689	7,116,334	624,014	7,448,815	43,554,044
2014	6,646,587	15,907,302	962,584	1,727,403	4,874,394	6,730,501	1,029,585	8,196,857	46,075,213
2015	7,657,465	16,760,152	1,090,973	1,803,139	4,755,341	5,454,910	1,281,649	8,890,972	47,694,601
2016	7,598,584	16,319,149	1,207,871	1,791,257	4,912,455	7,077,371	1,349,920	8,889,794	49,146,401
2017	8,057,632	17,011,742	1,158,967	1,942,584	5,020,975	7,595,136	1,747,750	8,428,938	50,963,724
2018	8,457,120	17,919,259	1,374,246	1,895,171	5,054,566	6,780,909	1,475,201	7,540,570	50,497,042

Table includes General, Special Revenue, and Debt Service funds.

Notes:

- (1) The Arbor Fund was created in fiscal year 1996 to account for the activities of the Addison Parks Foundation, a Texas non-profit corporation, and is included in the Parks and Recreation category through fiscal year 2009. As of October 1, 2009, the bylaws of the foundation were amended to remove the direct involvement of the Town in the foundation's affairs.
- (2) Hotel Fund.
- (3) Includes Municipal Court

SUMMARY OF TAX REVENUES AND FRANCHISE FEES
 Last Ten Fiscal Years

Fiscal Year	Property Taxes ¹	1% Town Sales Tax	Mixed Beverage Taxes	Franchise Fees	Hotel Occupancy Tax	Total
2009	\$ 15,636,534	\$ 9,584,496	\$ 936,034	\$ 2,761,511	\$ 3,958,238	\$ 32,876,813
2010	15,900,747	9,155,849	921,990	2,578,154	3,666,781	32,223,521
2011	15,803,400	9,632,640	930,759	2,760,188	4,000,786	33,127,773
2012	17,471,642	11,089,866	798,764	2,727,370	4,295,149	36,382,791
2013	18,047,998	12,217,439	812,273	2,695,073	4,575,083	38,347,866
2014	19,274,720	13,440,938	994,609	2,818,869	5,009,121	41,538,257
2015	20,560,124	13,038,912	1,176,643	2,828,420	5,512,956	43,117,055
2016	22,559,004	12,831,723	1,211,761	3,074,519	6,138,213	45,815,220
2017	23,521,642	14,032,616	1,229,708	2,664,422	5,954,703	47,403,091
2018	23,783,670	16,449,993	1,146,633	2,624,458	5,552,084	49,556,838

Table includes General, Special Revenue, Capital Project, and Debt Service funds.

Notes:

(1) Includes penalty and interest.

**ASSESSED AND ESTIMATED
MARKET VALUE OF TAXABLE PROPERTY**
Last Ten Fiscal Years

Fiscal Year	Actual Levy Year	Real Property Assessed Value ¹	Personal Property Assessed Value	Less Tax-Exempt Property Assessed Value	Total Taxable Value	Total Direct Tax Rate ²
2009	2008	\$ 3,316,069,140	\$ 759,489,460	\$ (350,731,677)	\$ 3,724,826,923	0.4535
2010	2009	3,095,240,320	633,330,780	(417,521,300)	3,311,049,800	0.4960
2011	2010	2,872,659,100	601,788,640	(415,674,023)	3,058,773,717	0.5300
2012	2011	2,864,186,430	586,674,080	(422,817,942)	3,028,042,568	0.5800
2013	2012	2,955,211,640	580,038,950	(400,355,712)	3,134,894,878	0.5800
2014	2013	3,270,235,970	621,418,790	(401,647,062)	3,490,007,698	0.5718
2015	2014	3,538,702,310	685,963,840	(419,085,309)	3,805,580,841	0.5618
2016	2015	3,742,314,940	722,808,570	(428,399,743)	4,036,723,767	0.5792
2017	2016	3,996,508,870	757,661,770	(453,899,085)	4,300,271,555	0.5605
2018	2017	4,179,274,260	730,791,690	(459,532,446)	4,450,533,504	0.5500

SOURCE: Dallas Central Appraisal District

Notes:

- (1) Assessed value is 100% of estimated market value.
- (2) Per \$100 of valuation.

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
 Last Ten Fiscal Years

Fiscal Year	City Direct Rates ¹			Overlapping Rates ²					
	Operating General Rates	General Obligation Debt Service	Total Direct Ad Valorem Rate	Dallas County	Community College District	Dallas ISD	Carrollton/Farmers Branch ISD	Dallas County Hospital District	Total Ad Valorem Rate
2009	0.2828	0.1707	0.4535	0.2330	0.0894	1.1834	1.3623	0.2540	2.2133
2010	0.3360	0.1600	0.4960	0.2333	0.0949	1.2713	1.3422	0.2740	2.3696
2011	0.3479	0.1821	0.5300	0.2531	0.0992	1.2378	1.3469	0.2710	2.3911
2012	0.3819	0.1981	0.5800	0.2531	0.0997	1.2903	1.3568	0.2710	2.4941
2013	0.3593	0.2207	0.5800	0.2530	0.1194	1.2903	1.3306	0.2710	2.5138
2014	0.3588	0.2130	0.5718	0.2531	0.1247	1.2820	1.3235	0.2760	2.5076
2015	0.3437	0.2181	0.5618	0.2531	0.1248	1.2820	1.3033	0.2860	2.5077
2016	0.3767	0.2024	0.5792	0.2531	0.1237	1.2821	1.2817	0.2860	2.5240
2017	0.3812	0.1793	0.5605	0.2524	0.1229	1.2821	1.3917	0.2794	2.4973
2018	0.3970	0.1530	0.5500	0.2531	0.1242	1.2821	1.3810	0.2794	2.4888

SOURCE: Dallas County Tax Office

Notes:

- (1) The Town's operating tax rate may be increased only by a majority vote of the City Council up to the limit prescribed by State law, after which the Town's residents may petition for a vote. Rates for debt service are set based on each year's requirements.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the Town of Addison. The Carrollton/Farmers Branch ISD tax rate is excluded from the total Ad Valorem rate because most of the property owners in Addison are within the Dallas ISD geographic boundaries.

PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Fiscal Year	Actual Levy Year	Taxes Levied for the Fiscal Year	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
			Current Tax Collections	Percentage of Levy		Total Tax Collections	Percentage of Levy
2009	2008	\$ 16,892,090	\$ 15,628,630	92.5%	\$ (25,508)	\$ 15,603,122	92.4%
2010	2009	16,475,365	15,867,761	96.3%	3,531	15,871,292	96.3%
2011	2010	16,249,988	15,678,212	96.5%	52,882	15,731,094	96.8%
2012	2011	17,612,952	17,280,758	98.1%	119,185	17,399,943	98.8%
2013	2012	18,227,706	17,940,483	98.4%	32,002	17,972,485	98.6%
2014	2013	20,000,565	19,246,998	96.2%	(11,276)	19,235,722	96.2%
2015	2014	21,430,622	20,641,789	96.3%	(125,202)	20,516,587	95.7%
2016	2015	23,445,994	22,584,093	96.3%	(77,086)	22,507,007	96.0%
2017	2016	24,175,503	23,458,172	97.0%	(6,535)	23,451,637	97.0%
2018	2017	24,531,963	23,833,997	97.2%	(115,949)	23,718,048	96.7%

SOURCE: Dallas County Tax Office

Notes:

(1) Negative amounts represent refunds of taxes to property owners who appealed their values for the current year (or previous years) to the Dallas Central Appraisal District and received lower valuations as a result of the appeal.

RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (%)	Per Capita
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
2009	\$ 26,495,000	\$ 33,766,900	\$ 9,940,301	\$ 9,748,100	\$ 79,950,301	13.79	\$ 5,966
2010	22,775,000	33,117,380	7,740,152	9,467,620	73,100,152	13.09	5,599
2011	19,575,000	32,443,770	5,245,003	9,176,230	66,440,003	11.14	5,087
2012	40,587,307	40,779,773	2,656,792	10,580,639	94,604,511	15.50	6,916
2013	44,865,727	39,564,153	-	20,668,963	105,098,843	16.11	7,594
2014	52,868,244	38,578,326	2,145,000	25,322,281	118,913,851	15.71	7,834
2015	48,157,452	37,513,716	1,805,000	24,545,293	112,021,461	14.93	7,213
2016	65,165,138	15,642,986	8,122,465	17,312,599	106,243,188	14.10	6,810
2017	59,974,766	14,009,287	7,663,243	16,305,591	97,952,887	12.89	6,227
2018	56,085,819	12,309,771	7,186,019	15,274,984	90,856,593	10.65	5,765

SOURCE: Town of Addison Comprehensive Annual Financial Reports.
See Table 16 for personal income and population data.

RATIO OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds ¹	Certificates of Obligation ¹	Less: Amounts Available in Debt Service Fund ²	Total Outstanding Debt	Percentage of Actual Taxable Value (%)	Per Capita
2009	\$ 36,435,301	\$ 43,515,000	\$ 1,082,061	\$ 78,868,240	2.12	\$ 5,885.69
2010	30,515,152	42,585,000	1,126,069	71,974,083	2.17	5,512.72
2011	24,820,003	41,620,000	1,127,831	65,312,172	2.14	5,000.93
2012	43,244,099	51,360,412	1,079,254	93,525,257	3.09	6,836.64
2013	44,865,727	60,233,116	1,234,727	103,864,116	3.31	7,504.63
2014	55,013,244	63,900,607	1,020,159	117,893,692	3.38	7,766.38
2015	49,962,452	62,059,009	831,367	111,190,094	2.92	7,159.70
2016	73,287,603	32,955,585	541,075	105,702,113	2.62	6,775.78
2017	67,638,009	30,314,878	370,527	97,582,360	2.27	6,203.58
2018	63,271,838	27,584,755	168,535	90,688,058	2.04	5,754.32

NOTES: (1) The schedule of general bonded debt includes general obligation debt of both governmental activities and business-type activities.
 (2) This is the amount restricted for debt service principal payments at the fund level.

SOURCE: Town of Addison Comprehensive Annual Financial Reports
 See Table 8 for taxable values and Table 16 for population data.

DIRECT AND OVERLAPPING DEBT
Year Ended September 30, 2018

Taxing Jurisdiction	Bonded Debt	Percent Applicable ¹	Estimated Share of Overlapping Debt
Carrollton-Farmers Branch ISD	\$ 178,785,000	1.36%	\$ 2,431,476
Dallas County	172,265,000	1.74%	2,997,411
Dallas County Community College District	228,350,000	1.74%	3,973,290
Dallas County Hospital District	687,775,000	1.74%	11,967,285
Dallas County Schools	36,600,000	2.08%	761,280
Dallas ISD	2,817,050,000	3.49%	98,315,045
Total Overlapping Debt			120,445,787
Town of Addison (Direct Debt)	\$ 84,840,000 ⁽²⁾	100%	84,840,000
Total Direct and Overlapping Debt			\$ 205,285,787
Ratio of Overlapping Bonded Debt to 2014 Taxable Assessed Valuation			461.00%
Per Capita Overlapping Bonded Debt			\$ 13,026

SOURCE: Municipal Advisory Council of Texas
See Table 8 for taxable values and Table 16 for population data.

Notes:

- (1) The percentage of overlapping debt is estimated using taxable assessed property values. Applicable percentages were estimated by determining the assessed valuation of taxable property within both the overlapping taxing body and the Town's boundaries and dividing that shared value by the total taxable assessed value within the overlapping taxing body.
- (2) Total bonded debt shown for the Town of Addison excludes self-supporting debt and amount available for repayment in the Debt Service funds. It includes all bonded debt that is secured by ad valorem taxes.

SCHEDULE OF REVENUE BOND COVERAGE
WATER AND SEWER FUND
Last Ten Fiscal Years

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements ²			Revenue Bond Coverage ³
	Gross Revenue	Expense ¹	Net Revenue	Principal	Interest	Total	
2009	\$ 9,362,976	\$ 7,105,167	\$ 2,257,809	\$ -	\$ -	\$ -	N/A
2010	8,803,804	6,811,662	1,992,142	-	-	-	N/A
2011	10,726,977	7,024,544	3,702,433	-	-	-	N/A
2012	11,068,924	7,529,490	3,539,434	-	-	-	N/A
2013	10,743,714	8,052,963	2,690,751	-	-	-	N/A
2014	9,894,247	8,449,185	1,445,062	-	-	-	N/A
2015	10,241,191	9,017,932	1,223,259	-	-	-	N/A
2016	10,688,878	9,116,360	1,572,518	-	-	-	N/A
2017	11,087,788	8,988,724	2,099,064	-	-	-	N/A
2018	12,211,566	11,121,149	1,090,417	-	-	-	N/A

Notes:

- (1) Includes "operating expenses excluding depreciation" and "non-operating expenses excluding interest expense".
- (2) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the enterprise fund.
- (3) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest. Revenue bonds were retired in fiscal year 2002. Current year debt associated with the Town's Utility (Water and Sewer) Fund is limited to general obligation bonds and certificates of obligation. This debt is secured by the Town's property taxes but is supported by Utility Fund revenues.

SCHEDULE OF COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION COVERAGE
HOTEL FUND
Last Ten Fiscal Years

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements			Bond Coverage ²
	Gross Revenue	Expenditure ¹	Net Revenue	Principal	Interest	Total	
2009	\$ 5,887,509	\$ 973,467	\$ 4,914,042	\$ 515,000	\$ 196,788	\$ 711,788	6.9
2010	5,900,022	963,908	4,936,114	535,000	181,037	716,037	6.9
2011	6,026,377	1,007,162	5,019,215	555,000	164,988	719,988	7.0
2012	6,740,112	1,080,980	5,659,132	620,000	108,143	728,143	7.8
2013	6,970,189	1,626,644	5,343,545	600,000	104,623	704,623	7.6
2014	7,181,306	1,063,116	6,118,190	625,000	86,650	711,650	8.6
2015	7,512,047	959,140	6,552,907	640,000	70,800	710,800	9.2
2016	9,680,180	1,156,760	8,523,420	660,001	52,050	712,051	12.0
2017	9,307,410	1,211,193	8,096,217	680,000	31,200	711,200	11.4
2018	7,889,706	1,027,977	6,861,729	700,000	10,500	710,500	9.7

Notes:

(1) Combination Tax and Revenue Certificates of Obligation bond covenants require only Conference Centre expenditures be considered when calculating bond coverage.

(2) Bond coverage is equal to net revenue available for debt service divided by total principal and interest.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
AS OF SEPTEMBER 30**
Last Ten Fiscal Years

Fiscal Year	Estimated Population ¹	Assessed Valuations ²	Personal Income (Thousands)	Per Capita Personal Income ³	Labor Force ⁴	Unemployment Rate ⁴
2009	13,400	\$ 3,724,826,923	\$ 579,743	\$ 43,264	2,115,943	8.5%
2010	13,056	3,311,049,800	558,248	42,758	2,205,675	7.9%
2011	13,060	3,058,773,717	596,254	45,655	2,249,760	7.6%
2012	13,680	3,028,042,568	610,333	44,615	2,273,350	6.4%
2013	13,840	3,134,894,878	652,418	47,140	2,325,125	5.9%
2014	15,180	3,490,007,698	756,981	49,867	2,361,123	4.8%
2015	15,530	3,805,580,841	750,379	48,318	2,411,843	3.9%
2016	15,600	4,036,723,767	753,761	48,318	2,519,036	3.9%
2017	15,730	4,300,271,555	760,042	48,318	2,566,491	3.3%
2018	15,760	4,450,533,504	852,821	54,113	2,638,077	3.4%

SOURCES:

(1) North Central Texas Council of Governments estimates

(2) Dallas Central Appraisal District

(3) United States Census American Community Survey; figures are based on the most current data available.

(4) Texas Workforce Commission - Effective January 2005, data for cities of less than 25,000 was no longer provided. The information presented represents the Dallas, Plano, Irving Metro Area.

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Name of Taxpayer	Nature of Property	2018			2009		
		Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Valuation
FPG Colonnade LP	Land, Office Buildings	\$ 215,721,500	1	4.85%			
Post Apartment Homes	Mixed Development	174,300,000	2	3.92%			
SAYOYE2 LLC	Apartments	119,000,000	3	2.67%			
5100 Belt Line Investors LLC	Insurance	94,500,000	4	2.12%			
Mary Kay INC	Office Buildings	90,369,680	5	2.03%			
COP Spectrum Center LLC	Office Buildings	84,600,000	6	1.90%			
Fiori LLC	Land, Hotel	80,000,000	7	1.80%			
Gaedeke Holdings IX LLC	Office Buildings	78,645,630	8	1.77%			
FSP Addison Circle LP	Office Buildings	73,241,460	9	1.65%			
DCO Realty Inc	Land, Office Buildings	69,106,450	10	1.55%			
Colonnade Realty Holdings	Land, Office Buildings				\$ 140,892,640	1	3.78%
Post Addison Circle	Mixed Development				122,170,000	2	3.28%
Richmont Properties Ltd	Land, Office Buildings				65,731,740	3	1.76%
Equastone North Dallas / Aberdeen	Mixed Development				56,550,860	4	1.52%
Spectrum Center Partners	Office Buildings				54,820,250	5	1.47%
G&I V VOP LP	Land, Office Buildings				54,587,150	6	1.47%
FSP Addison CIR/LIBERTY LP	Business Personal Property				54,067,220	7	1.45%
KBS Millennium LLC	Office Buildings				51,618,490	8	1.39%
MBNA Texas Properties	Land, Office Buildings				46,558,410	9	1.25%
DCO Greenhaven/Clipper Pointe ETAL	Apartments				43,890,420	10	1.18%
		\$					
		<u>1,079,484,720</u>		<u>24.26%</u>	<u>\$ 690,887,180</u>		<u>18.55%</u>

SOURCE: Dallas County Tax Office (2018); Town of Addison CAFR (2009)

MAJOR EMPLOYEES
Current Year and Nine Years Ago

Company	Type of Business	2018		2009	
		Estimated Number of Employees	Percent of Total Employees	Estimated Number of Employees	Percent of Total Employees
Mary Kay Cosmetics	Cosmetics	2,000	3.00%	1,250	2.74%
Bank of America	Finance	1,200	1.80%	830	1.82%
Regus Texas	Real Estate	590	0.89%	N/A	N/A
Barrett Daffin Frappier Turner	Attorney Firm	550	0.83%	N/A	N/A
Expense Reduction Analysts	Consulting Service	501	0.75%	N/A	N/A
Maxim Integrated Products	Manufacturing	500	0.75%	N/A	N/A
Intercontinental Hotel Dallas	Hospitality	450	0.68%	365	8.00%
National Bankruptcy Services	Bankruptcy Service	450	0.68%	N/A	N/A
Zurich American Insurance Co.	Insurance	400	0.60%	N/A	N/A
Greenhill School	Elementary & High School	370	0.56%	252	0.55%
Pizza Hut Corporate Office	Food Specialties	N/A	N/A	750	1.64%
Barrett Burke Wilson & Castle	Attorney Firm	N/A	N/A	550	1.20%
Jones Lang LaSalle	Real Estate	N/A	N/A	505	1.11%
Concentra Health Services	Medical	N/A	N/A	400	0.88%
United Surgical Partners	Medical	N/A	N/A	270	0.59%
Town of Addison	Municipal Government	N/A	N/A	268	0.59%

SOURCE: North Central Texas Council of Governments (2018); Town of Addison CAFR (2009)

**BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY
FUNCTION/PROGRAM
Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
City Manager's Office	8.5	8.5	8.0	7.5	6.0	7.0	8.0	7.5	6.5	6.5
Financial and Strategic Services	10.0	9.0	8.0	8.0	8.0	7.5	9.7	13.0	13.0	13.0
Municipal Court	5.7	5.7	5.4	5.4	5.4	5.7	5.7	5.8	5.8	5.8
General Services	10.0	10.0	9.0	8.0	5.0	5.0	5.0	5.0	4.8	4.8
Human Resources	5.2	5.2	4.2	5.2	4.2	4.2	3.5	4.0	4.0	4.0
Information Technology	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	7.0	7.0
Total General Government	45.4	44.4	40.6	40.1	35.6	36.4	38.9	42.3	41.1	41.1
Public Safety										
Police	70.3	73.3	72.3	73.8	73.8	75.3	79.8	79.8	71.0	71.0
Emergency Communications	13.5	13.5	13.5	13.5	13.5	13.5	13.5	14.5	-	-
Fire	55.0	54.0	53.0	52.0	52.0	55.3	55.3	55.3	56.0	57.0
Total Public Safety	138.8	140.8	138.8	139.3	139.3	144.1	148.6	149.6	127.0	128.0
Development Services										
Development Services	7.0	7.0	7.0	7.2	7.2	7.2	7.2	7.2	11.0	11.0
Economic Development										
Economic Development	-	-	-	1.0	2.0	3.0	4.0	4.0	4.0	4.0
Public Works										
Streets	7.0	7.0	7.0	5.0	5.0	5.0	5.4	5.4	6.4	6.4
Stormwater						1.4	1.7	1.7	2.0	2.0
Utilities	18.0	17.0	17.0	16.0	18.0	18.3	16.6	17.6	19.2	19.2
Total Public Works	25.0	24.0	24.0	21.0	23.0	24.7	23.7	24.7	27.6	27.6
Parks and Recreation										
Parks	21.0	20.0	20.0	20.0	21.0	21.0	21.0	22.0	22.0	22.0
Recreation	15.6	15.6	15.6	14.6	14.6	14.6	15.1	15.1	15.7	15.7
Total Parks and Recreation	36.6	35.6	35.6	34.6	35.6	35.6	36.1	37.1	37.7	37.7
Visitor Services										
Visitor Services	2.5	2.5	3.0	3.0	3.0	3.0	-	-	-	-
Conference Centre	7.5	7.5	7.5	8.0	7.0	8.7	8.5	9.5	9.5	9.5
Special Events	4.0	4.0	3.0	3.0	3.5	4.0	4.3	4.3	4.2	4.2
Marketing	-	-	-	1.0	1.0	1.0	1.0	1.0	2.0	2.0
General Hotel Operations	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Performing Arts	-	-	-	-	-	-	-	-	-	-
Total Visitor Services	14.0	14.0	13.5	15.0	14.5	16.7	14.8	15.8	16.7	16.7
Airport Fund										
Airport Fund	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.4	3.4
TOTAL	268.8	267.8	261.5	261.2	260.2	270.7	276.3	283.7	268.5	269.5

SOURCE: Town of Addison Finance Department

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Crimes Against Property	1,100	968	1,056	933	942	768	728	835	804	866
Crimes Against Persons	452	381	388	435	393	358	55	97	106	61
Arrests	3,220	2,775	2,876	2,924	2,548	2,006	1,712	1,679	1,702	1,706
Calls for Service	16,109	15,453	17,989	17,390	16,463	16,624	17,181	20,700	17,163	17,092
Fire										
Number of Fires	50	44	51	45	61	63	51	39	42	60
Dollar Loss	\$ 396,100	\$ 2,212,000	\$ 3,027,173	\$ 2,484,545	\$ 1,166,345	\$ 1,268,010	\$ 608,900	\$ 686,920	\$ 1,394,390	\$ 3,324,215
Calls for Service - Fire	893	834	866	837	896	989	996	865	652	823
Calls for Service - EMS	1,422	1,518	1,463	1,676	1,696	1,598	1,730	1,765	1,683	1,608
Streets										
Tons of Recycling Collected	343	328	330	334	360	387	323	390	419	463
Parks										
Acres Maintained	138	139	163	163	163	163	163	163	163	163
Recreation										
Recreation Event Participants	13,184	14,947	14,874	22,496	22,632	21,392	21,392	22,462	26,401	24,640
Number of Users	126,123	125,339	123,794	131,730	128,722	122,656	122,656	122,111	126,287	123,961
Active Athletic Club Members	3,222	3,300	3,428	3,637	3,669	3,942	3,942	3,665	3,815	3,949
Utilities										
Water Usage - Peak ¹	8,748	8,895	9,402	8,871	8,979	10,042	11,093	8,846	7,652	8,803
Water Usage - Average ¹	4,627	4,334	5,014	5,021	4,829	4,577	4,682	4,628	4,672	4,895
Service Line Breaks	11	11	7	10	11	16	8	4	10	12
Water Main Breaks	1	1	1	2	5	7	4	2	7	4

SOURCE: Town of Addison Department Data

Notes:

(¹) In thousands of gallons

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Public Safety</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<u>Public Works</u>										
Streets - Paved (miles)	41	41	41	41	41	41	41	43	43	43
Lane Miles	126	164	164	164	164	164	164	167	167	167
Traffic Signals	34	36	36	36	36	36	36	36	36	37
<u>Parks and Recreation¹</u>										
Acres Maintained	138	139	163	163	163	163	163	163	163	163
Parks	13	13	15	15	15	15	15	14	14	14
Playgrounds	3	3	5	5	5	5	5	3	3	3
Soccer/Football Fields	-	-	1	1	1	1	1	-	-	-
Community Centers	1	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	101	96	80	80	80	80	80	80	96	96
Fire Hydrants	1,200	1,013	1,052	1,052	1,038	1,038	1,038	1,052	1,052	1,052
<u>Wastewater</u>										
Miles of Sanitary Sewers	90	82	66	66	66	66	66	66	75	75
Miles of Storm Sewers	22	22	57	57	60	60	60	76	76	76

SOURCE: Town of Addison Department Data



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