OFFICIAL STATEMENT

Dated February 25, 2014

Ratings:
Moody's: "Aa1"
S&P: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under existing law and the Tax-Exempt Bonds are not "private activity bonds". See "Tax Matters – The Tax-Exempt Bonds and the Certificates - Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

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

$12,000,000
TOWN OF ADDISON, TEXAS
(Dallas County)
GENERAL OBLIGATION BONDS, TAX-EXEMPT SERIES 2014

Dated Date: February 15, 2014 **Due: February 15, as shown below**

PAYMENT TERMS . . . Interest on the $12,000,000 Town of Addison, Texas, General Obligation Bonds, Tax-Exempt Series 2014 (the "Tax-Exempt Bonds") will accrue from February 15, 2014 (the "Dated Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2015, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Tax-Exempt Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Tax-Exempt Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Tax-Exempt Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Tax-Exempt Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Tax-Exempt Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Tax-Exempt Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, Section 5.11 of the Town's Home Rule Charter, and an election held within the Town on May 12, 2012 (the "Election") and are direct obligations of the Town of Addison, Texas (the "Town"), payable from a continuing ad valorem tax levied annually on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the issuance of the Tax-Exempt Bonds (the "Tax-Exempt Bond Ordinance" and together with the AMT Bond Ordinance, and the Certificate Ordinance, the "Ordinances") (see "The Obligations - Authority for Issuance" and "The Obligations – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Tax-Exempt Bonds will be used 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.

MATURITY SCHEDULE **CUSIP Prefix (1): 006644**

Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix (1)	Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix (1)
$ 195,000	2015	3.000%	0.230%	D47	$ 600,000	2024	3.000%	2.630%	E53
450,000	2016	3.000%	0.380%	D54	625,000	2025	3.000%	2.890% (2)	E61
100,000	2017	3.000%	0.580%	D62	650,000	2026	3.000%	3.000%	E79
470,000	2018	3.000%	0.888%	D70	675,000	2027	3.000%	3.190%	E87
490,000	2019	3.000%	1.180%	D88	705,000	2028	3.250%	3.360%	E95
510,000	2020	3.000%	1.590%	D96	735,000	2029	3.375%	3.470%	F29
530,000	2021	3.000%	1.950%	E20	760,000	2030	3.375%	3.540%	F37
555,000	2022	4.000%	2.270%	E38	795,000	2031	3.500%	3.650%	F45
575,000	2023	3.000%	2.500%	E46	825,000	2032	3.625%	3.740%	F52

$1,755,000 3.75% TERM BOND DUE FEBRUARY 15, 2034 PRICED TO YIELD 3.85% CUSIP #006644F78

(Accrued Interest from February 15, 2014 to be added)

(1) CUSIP numbers are included solely for the convenience of the owners of the Tax-Exempt Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Priced to February 15, 2024 redemption date at par.

REDEMPTION . . . The Town reserves the right, at its option, to redeem Tax-Exempt Bonds having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "The Obligations - Optional Redemption"). In addition, the Tax-Exempt Bonds maturing February 15, 2034 (the "Term Bonds") are subject to mandatory sinking fund redemption, as further described herein (see "The Obligations - Mandatory Sinking Fund Redemption").

SEPARATE ISSUES . . . The Tax-Exempt Bonds are being offered by the Town concurrently with the "Town of Addison, Texas, General Obligation Refunding Bonds, Series 2014 (AMT)" (the "AMT Bonds"), and "Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014" (the "Certificates"), under a common Official Statement, and such Tax-Exempt Bonds, AMT Bonds, and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Tax-Exempt Bonds, AMT Bonds, and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Tax-Exempt Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Tax-Exempt Bonds will be available for delivery through DTC on March 27, 2014.

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OFFICIAL STATEMENT

Dated February 25, 2014

Ratings:
Moody's: "Aa1"
S&P: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, (i) interest on the AMT Bonds (as defined below) is excludable from gross income for federal income tax purposes except for any period an AMT Bonds is held by a person who, within the meaning of section 147(a) of the Internal Revenue Code, as amended, is a "substantial user" or a "related person" to a "substantial user" of the facilities financed or refinanced with the proceeds of the AMT Bonds, as described under "Tax Matters - The AMT Bonds - Tax Exemption" herein, and (ii) interest on the AMT Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.

$2,145,000
TOWN OF ADDISON, TEXAS
(Dallas County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014 (AMT)

Dated Date: February 15, 2014 **Due: February 15, as shown below**

PAYMENT TERMS . . . Interest on the $2,145,000 Town of Addison, Texas, General Obligation Refunding Bonds, Series 2014 (AMT) (the "AMT Bonds") will accrue from February 15, 2014 (the "Dated Date"), will be payable August 15 and February 15 of each year, commencing August 15, 2014, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive AMT Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the AMT Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the AMT Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the AMT Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the AMT Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The AMT Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, Section 5.11 of the Town's Home Rule Charter, and an election held within the Town on May 12, 2012 (the "Election") and are direct obligations of the Town of Addison, Texas (the "Town"), payable from a continuing ad valorem tax levied annually on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the issuance of the AMT Bonds (the "AMT Bond Ordinance" and together with the Tax-Exempt Bond Ordinance and the Certificate Ordinance, the "Ordinances") (see "The Obligations - Authority for Issuance" and "The Obligations – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the AMT Bonds will be used to provide funds to: (i) refund a portion of the Town's outstanding debt described in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuing the AMT Bonds.

MATURITY SCHEDULE **CUSIP Prefix (1): 006644**

Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix (1)	Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix (1)
$ 340,000	2015	1.000%	0.350%	F86	$ 360,000	2018	1.250%	1.050%	G36
345,000	2016	1.000%	0.500%	F94	370,000	2019	1.500%	1.450%	G44
350,000	2017	1.000%	0.750%	G28	380,000	2020	2.000%	1.850%	G51

(Accrued Interest from February 15, 2014 to be added)

(1) CUSIP numbers are included solely for the convenience of the owners of the AMT Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The AMT Bonds are not subject to redemption prior to maturity.

SEPARATE ISSUES . . . The AMT Bonds are being offered by the Town concurrently with the "Town of Addison, Texas, General Obligation Bonds, Tax-Exempt Series 2014" (the "Tax-Exempt Bonds"), and "Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014" (the "Certificates"), under a common Official Statement, and such Tax-Exempt Bonds, AMT Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Tax-Exempt Bonds, AMT Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . It is expected that the AMT Bonds will be available for delivery through DTC on March 27, 2014.

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FirstSouthwest
Continuing Disclosure Services

OFFICIAL STATEMENT

Dated February 25, 2014

Ratings:
Moody's: "Aa1"
S&P: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and the Certificates are not "private activity bonds". See "Tax Matters – The Tax-Exempt Bonds and the Certificates - Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

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

ADDISON

$7,565,000
TOWN OF ADDISON, TEXAS
(Dallas County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014

Dated Date: February 15, 2014 **Due: February 15, as shown below**

PAYMENT TERMS . . . Interest on the $7,565,000 Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") will accrue from February 15, 2014 (the "Dated Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Section 5.11 of the Town's Home Rule Charter, and constitute direct obligations of the Town of Addison, Texas (the "Town"), payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the Town, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the Town's Waterworks and Sewer System as provided in the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance" and together with the Tax-Exempt Bond Ordinance, and the AMT Bond Ordinance, the "Ordinances") (see "The Obligations - Authority for Issuance" and "The Obligations – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (a) 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.

MATURITY SCHEDULE **CUSIP Prefix [1]: 006644**

Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix [1]	Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix [1]
$ 110,000	2015	1.000%	0.220%	A81	$ 385,000	2025	3.000%	2.890% [2]	C22
265,000	2016	1.000%	0.350%	A99	400,000	2026	3.000%	3.050%	C30
280,000	2017	1.000%	0.550%	B23	415,000	2027	3.125%	3.240%	C48
290,000	2018	1.250%	0.850%	B31	430,000	2028	3.250%	3.386%	C55
300,000	2019	1.500%	1.170%	B49	450,000	2029	3.375%	3.527%	C63
315,000	2020	2.000%	1.600%	B56	470,000	2030	3.500%	3.600%	C71
325,000	2021	3.000%	1.970%	B64	485,000	2031	3.625%	3.705%	C89
340,000	2022	3.000%	2.300%	B72	505,000	2032	4.000%	3.700% [2]	C97
355,000	2023	3.000%	2.540%	B80	525,000	2033	4.000%	3.780% [2]	D21
370,000	2024	3.000%	2.700%	B98	550,000	2034	4.000%	3.830% [2]	D39

(Accrued Interest from February 15, 2014 to be added)

(1) CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Priced to February 15, 2024 redemption date at par.

REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SEPARATE ISSUES . . . The Certificates are being offered by the Town concurrently with the "Town of Addison, Texas, General Obligation Bonds, Series 2014" (the "Tax-Exempt Bonds") and the "Town of Addison and Texas, General Obligation Refunding Bonds, Series 2014 (AMT)" (the "AMT Bonds"), under a common Official Statement, and such Certificates, Tax-Exempt Bonds and AMT Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates, Tax-Exempt Bonds and AMT Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . IT IS EXPECTED THAT THE CERTIFICATES WILL BE AVAILABLE FOR DELIVERY THROUGH DTC ON MARCH 27, 2014.

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

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

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the Town's undertaking to provide certain information on a continuing basis.

Neither the Town nor its Financial Advisor makes any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page for each series of Obligations contains certain information for general reference only and is not intended as a summary of the respective offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

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

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Obligations are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which the Obligations have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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APPENDICES

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

OFFICIAL STATEMENT SUMMARY

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

THE TOWN .... The Town is a political subdivision and home-rule municipal corporation of the State, located in Dallas County, Texas. The Town covers approximately 4.4 square miles (see "Introduction - Description of the Town").

THE TAX-EXEMPT BONDS .... The $12,000,000 General Obligation Bonds, Tax-Exempt Series 2014 are scheduled to mature on February 15 in the years 2015 through 2032 and as Term Bonds maturing on February 15, 2034 (see "The Obligations - Description of the Obligations").

THE AMT BONDS .... The $2,145,000 General Obligation Refunding Bonds, Series 2014 (AMT) are scheduled to mature on February 15 in the years 2015 through 2020 (see "The Obligations - Description of the Obligations").

THE CERTIFICATES .... The $7,565,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 are scheduled to mature on February 15 in the years 2015 through 2034 (see "The Obligations - Description of the Obligations").

PAYMENT OF INTEREST .... Interest on the Tax-Exempt Bonds and Certificates accrues from February 15, 2014, and is payable February 15, 2015, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the AMT Bonds accrues from February 15, 2014, and is payable August 15, 2014, and each February 15 and August 15 thereafter until maturity (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").

AUTHORITY FOR ISSUANCE OF THE TAX-EXEMPT BONDS.... The Tax-Exempt Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, Section 5.11 of the Town's Home Rule Charter, an election held within the Town on May 12, 2012 (the "Election"), and the Tax-Exempt Ordinance passed by the Town Council (see "The Obligations - Authority for Issuance").

AUTHORITY FOR ISSUANCE OF THE AMT BONDS .... The AMT Bonds are issued pursuant to the Constitution and general laws of the State, including particularly V.T.C.A., Texas Government Code, Chapter 1207, as amended, and the AMT Ordinance passed by the Town Council (see "The Obligations - Authority for Issuance").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES .... The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Section 5.11 of the Town's Home Rule Charter, and the Certificate Ordinance passed by the Town Council (see "The Obligations - Authority for Issuance").

SECURITY FOR THE TAX-EXEMPT BONDS AND THE AMT BONDS .... The Tax-Exempt Bonds and the AMT Bonds constitute direct obligations of the Town, payable from a direct and continuing ad valorem tax levied annually, within the limits prescribed by law, on all taxable property located within the Town (see "The Obligations - Security and Source of Payment").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the Town, payable from a combination of (i) a direct and continuing ad valorem tax levied annually, within the limits prescribed by law, on all taxable property within the Town, and (ii) a limited pledge (not to exceed $1,000) of the surplus net revenues of the Town's Waterworks and Sewer System (see "The Obligations - Security and Source of Payment").

OPTIONAL REDEMPTION .... The Town reserves the right, at its option, to redeem the Tax-Exempt Bonds and Certificates having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption"). In addition, the Tax-Exempt Bonds maturing February 15, 2034 (the "Term Bonds") are subject to mandatory sinking fund redemption, as further described herein (see "The Obligations - Mandatory Sinking Fund Redemption").

The AMT Bonds are not subject to redemption prior to maturity.

TAX EXEMPTION - THE TAX-EXEMPT BONDS AND CERTIFICATES...................... In the opinion of Bond Counsel, under existing law interest on the Tax-Exempt Bonds and Certificates (the "Tax-Exempt Obligations") is excludable from gross income for federal income tax purposes and the Tax-Exempt Obligations are not "private activity bonds". See "Tax Matters – The Tax-Exempt Bonds and the Certificates" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

TAX EXEMPTION – THE AMT BONDS .... In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, **except** as explained under "Tax Matters – The AMT Bonds" in this Official Statement, **and will be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals, corporations, trusts and estates.** For further information, see "Tax Matters – The AMT Bonds" and "Tax Accounting Treatment of Discount Bonds" in this Official Statement.

USE OF PROCEEDS .... Proceeds from the sale of the Tax-Exempt Bonds will be used 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.

Proceeds from the sale of the AMT Bonds will be used to provide funds to: (i) refund a portion of the Town's outstanding debt described in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuing the AMT Bonds.

Proceeds from the sale of the Certificates will be used for (a) 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.

RATINGS .... The Obligations and the presently outstanding tax-supported debt of the Town are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") (see "Other Information - Ratings").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

PAYMENT RECORD .... The Town has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net Funded Tax Debt Outstanding [3]	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections to Tax Levy
2010	13,056 [1]	$ 3,311,049,800	$ 253,604	$ 50,837,380	$ 3,894	1.54%	96.60%
2011	13,060 [2]	3,058,773,717	234,209	47,518,770	3,638	1.55%	97.00%
2012	13,680 [2]	3,028,042,568	221,348	73,739,314	5,390	2.44%	99.00%
2013	13,700 [2]	3,134,894,878	228,824	77,428,154	5,652	2.47%	98.90%
2014	15,830 [2]	3,490,007,698	220,468	84,967,000 [4]	5,367	2.43%	NA

(1) Source: U.S. Census Bureau.
(2) Source: North Central Texas Council of Governments ("NCTCOG")
(3) The above statement of indebtedness does not include currently outstanding convention center revenue bonds payable from a hotel occupancy tax and revenues of the convention center, as provided in the ordinances authorizing such bonds and general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the drainage revenue fund, and the airport fund ("self-supporting debt"). It is the Town's current policy to provide these debt payments from the respective revenue sources to the extent such revenues are available; however, this policy is subject to change in the future, although the Town has no current plans to change this policy. The Town is obligated to assess ad valorem taxes to make such payments in the event and to the extent that such payments are not made from other revenue sources. See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein for additional details on the Town's self-supporting debt.
(4) Projected, includes the Tax-Exempt Bonds. Excludes self-supporting debt.

For additional information regarding the Town, please contact:

Ron Whitehead		David K. Medanich
Eric Cannon		Nick Bulaich
Town of Addison	or	First Southwest Company
P.O. Box 9010		777 Main Street, Suite 1200
Addison, Texas 75001		Fort Worth, Texas 76102
(972) 450-7001		(817) 332-9710

TOWN OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Todd Meier Mayor	2 1/2 Years	May, 2015	Business Person/Attorney
Blake W. Clemens Mayor Pro Tempore	4 1/2 Years	May, 2015	Corporate Real Estate
Bruce Arfsten Deputy Mayor Pro Tempore	2 1/2 Years	May, 2015	Residential Real Estate
Chris DeFrancisco Councilmember	2 1/2 Years	May, 2015	Commerical Banking
Margie Gunther Councilmember	1 1/2 Years	May, 2014	Executive Director of Education Retired
Janelle Moore Councilmember	1 1/2 Years	May, 2014	Consultant and Business Development
Neil Resnik Councilmember	3 1/2 Years	May, 2014	Financial Services/Life Insurance

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Ronald Whitehead (1)	City Manager	31 1/2 Years
Lea Dunn	Deputy City Manager	18 1/2 Years
Chris Terry	Assistant City Manager	20 1/2 Years
Eric Cannon, CPA, CGFO	Chief Financial Officer	1 1/2 Years

(1) Mr. Whitehead has retired effective as of February 28, 2014. Lea Dunn has been appointed City Manager.

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Weaver and Tidwell LLP
Dallas, Texas

Bond Counsel .... Bracewell & Giuliani LLP
Dallas, Texas

Financial Advisor .... First Southwest Company
Fort Worth, Texas

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OFFICIAL STATEMENT

RELATING TO

$12,000,000	$2,145,000
TOWN OF ADDISON, TEXAS	**TOWN OF ADDISON, TEXAS**
GENERAL OBLIGATION BONDS, TAX-EXEMPT SERIES 2014	**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014 (AMT)**

$7,565,000
TOWN OF ADDISON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2014

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $12,000,000 Town of Addison, Texas, General Obligation Bonds, Tax-Exempt Series 2014 (the "Tax-Exempt Bonds"), $2,145,000 Town of Addison, Texas, General Obligation Refunding Bonds, Series 2014 (AMT) (the "AMT Bonds"), and $7,565,000 Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") (collectively, the "Obligations"). The Obligations are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Tax-Exempt Bond Ordinance", "AMT Bond Ordinance", and the "Certificate Ordinance", and collectively the "Ordinances") adopted by the Town Council of the Town, but are being offered and sold pursuant to a common Official Statement, and while the Tax-Exempt Bonds, AMT Bonds, and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances to be adopted on the date of sale of the Obligations, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the Town and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Financial Advisor, First Southwest Company, Dallas, Texas.

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

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the Town's Home Rule Charter. The Town's Home Rule Charter originally adopted in 1978, was last amended in 2010. The Town operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office for Councilmembers is two years with the terms of the Mayor and three of the Councilmembers expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the Town was 13,056, and the estimated 2014 population is 15,830. The Town covers approximately 4.4 square miles and is located within the Dallas, Texas, Standard Metropolitan Statistical Area (SMSA).

PLAN OF FINANCING

PURPOSE . . .

The Tax-Exempt Bonds . . . Proceeds from the sale of the Tax-Exempt Bonds will be used 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 AMT Bonds . . . Proceeds from the sale of the AMT Bonds will be used to provide funds to: (i) refund a portion of the Town's outstanding debt described in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) to pay the costs of issuing the AMT Bonds.

The Certificates . . . Proceeds from the sale of the Certificates will be used for (a) 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.

REFUNDED OBLIGATIONS . . . The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds to be deposited with the Paying Agent/Registrar for the Refunded Obligations. The Ordinance provides that from the proceeds of the sale of the AMT Bonds received from the Purchaser and other funds of the Town, if any, the Town will deposit with the Paying Agent/Registrar for the Refunded Obligations an amount sufficient to accomplish the discharge and final payment of the Refunded Obligations on the redemption date.

By the deposit of Bond proceeds and cash with the Paying Agent/Registrar for the Refunded Obligations, the Town will have affected the defeasance of all of the Refunded Obligations in accordance with the law. As a result of such defeasance, and in reliance upon the sufficiency certificate of the City's financial advisor or the Paying Agent/Registrar for the Refunded Obligations the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Paying Agent/Registrar for the Refunded Obligations and such Refunded Obligations will not be deemed as being outstanding obligations of the Town payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated February 15, 2014 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the cover page, page 3and page 5 hereof. Interest on the Obligations will accrue from the Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months. The Tax-Exempt Bonds and Certificates will be payable on August 15 and February 15 of each year, commencing February 15, 2015, until maturity or prior redemption. The AMT Bonds will be payable on February 15 and August 15 of each year, commencing August 15, 2014. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Tax-Exempt Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, Section 5.11 of the Town's Home Rule Charter, the Election, and the Tax-Exempt Bond Ordinance. The Tax-Exempt Bonds constitute the second installment of bonds approved by the voters of the Town at the Election. See "Table 11 – Authorized But Unissued General Obligation Bonds."

The AMT Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and the Taxable Ordinance pass by the Town Council of the Town.

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Tax-Exempt Bonds and AMT Bonds . . . The Tax-Exempt Bonds and AMT Bonds constitute direct obligations of the Town and the principal thereof and interest thereon are payable from an annual ad valorem tax levied annually by the Town, within the limits prescribed by law, upon all taxable property in the Town, as provided in the Tax-Exempt Bond Ordinance and AMT Bond Ordinance.

The Certificates . . . The Certificates constitute direct obligations of the Town and the principal thereof and interest thereon are payable from an annual ad valorem tax levied annually by the Town, within the limits prescribed by law, upon all taxable property in the Town, and are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus net revenues of the Town's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Town's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all Town purposes. The Home Rule Charter of the Town adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Assessed Valuation for all Town purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for debt service on all tax supported debt, based on a 90% collection rate and as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem the Tax-Exempt Bonds and Certificates having stated maturities on and after February 15, 2025 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Tax-Exempt Bonds and Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Tax-Exempt Bonds and Certificates are in Book-Entry-Only form) shall determine by lot the Tax-Exempt Bonds and Certificates, or portions thereof, within such maturity to be redeemed. If a Tax-Exempt Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Tax-Exempt Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Tax-Exempt Bonds maturing on February 15, 2034, (the "Term Bonds") are subject to mandatory redemption in part prior to their schedule maturities, and will be redeemed by the Town at a redemption price equal to the principal amount of the Term Bonds or portions thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Redemption Date	Principal Amount
February 15, 2033	$ 860,000
February 15, 2034*	895,000

____
* Stated maturity.

The Paying Agent/Registrar shall select by lot or other customary method of random selection the Term Bonds to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund for the Bonds. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds of a stated maturity required to be redeemed on a mandatory redemption date shall be reduced, at the option and direction of the Town, by the principal amount of Term Bonds of like stated maturity which, at least 45 days prior to the mandatory redemption date, shall have been acquired by the Town at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and collected by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds, plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

The AMT Bonds are not subject to redemption prior to maturity.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Tax-Exempt Bonds and Certificates, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Tax-Exempt Bonds and Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER ONE OR MORE REGISTERED OWNERS MAY HAVE FAILED TO RECEIVE SUCH NOTICE.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations are to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town and the Initial Purchaser believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

Redemption notices (with respect to the Tax-Exempt Bonds or Certificates) shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Town, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Town and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation physical certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

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

*Effect of Termination of Book-Entry-Only System***.** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town, printed Certificates will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinances, the Town retains the right to replace the Paying Agent/Registrar. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

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

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

AMENDMENTS . . . The Town, may, without the consent of or notice to any Owners, from time to time and at any time, amend the Tax-Exempt Bond Ordinance, AMT Bond Ordinance, Taxable Bond Ordinance or the Certificate Ordinance, as applicable, in any manner not detrimental to the interests of the Owners, to cure any ambiguity, inconsistency, or formal defect or omission therein and to provide additional security for the payment of the Tax-Exempt Bonds, AMT Bonds, Taxable Bonds or Certificates, as applicable. In addition, the Town may, with the written consent from the owners holding a majority in aggregate principal amount of the Tax-Exempt Bonds, AMT Bonds Taxable Bonds or Certificates, as applicable, then Outstanding (excluding Tax-Exempt Bonds, AMT Bonds, Taxable Bonds or Certificates acquired by or held for the account of the Town) affected thereby, amend, add to, or rescind any of the provisions of the Tax-Exempt Bond Ordinance, AMT Bond Ordinance, Taxable Bond Ordinance or Certificate Ordinance, as applicable; provided that, without the written consent of all Owners of Tax-Exempt Bonds, AMT Bonds, Taxable Bonds or Certificates, as applicable, then Outstanding, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the Tax-Exempt Bonds, AMT Bonds, Taxable Bonds or Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Tax-Exempt Bonds, AMT Bonds, Taxable Bonds or Certificates, (2) give any preference to any Tax-Exempt Bonds, Taxable Bond or Certificate over any other Tax-Exempt Bond, AMT Bonds, Taxable Bond or Certificate, or (3) reduce the aggregate principal amount of Tax-Exempt Bonds, AMT Bonds, Taxable Bond or Certificate required to be held for consent to any such amendment, addition, or rescission.

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish as "events of default" (i) the failure to make payment of principal of or interest on any of the Obligations when due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Town, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the Town. Under State law there is no right to the acceleration of maturity of the Obligations upon the failure of the Town to observe any covenant under the Ordinances. Although a registered owner of Obligations could presumably obtain a judgment against the Town if a default occurred in the payment of principal of or interest on any such Obligations, such judgment could not be satisfied by execution against any property of the Town. Such registered owner's only practical remedy, if a default occurs, is to seek to enforce the covenants of the Town through an action for specific performance or mandamus. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. Town of Mexia, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the Town's immunity from suit for money damages, an Obligationholder may not be able to bring such a suit against the Town for breach of the Obligations or the Ordinances. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The Town is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Town, permits the Town to waive sovereign immunity in the proceedings authorizing its obligations, but in connection with the issuance of the Obligations, the Town is not using Chapter 1371 as statutory authority for the Obligations and has not waived sovereign immunity in the manner provided by Chapter 1371. As noted above, the Ordinances provide that Obligationholders may exercise the remedy of mandamus to enforce the obligations of the Town under the Ordinances. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Ordinances do not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Town to perform in accordance with the terms of the Ordinances, or upon any other condition. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, and also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the Town is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year that the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The Town may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the Town by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Article VIII, Section 1-b, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Homeowners who turn 65 during a tax year qualify immediately for the over-65 homestead exemption.

State law and Article VIII, Section 2, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The Town can make no representations or predictions concerning the impact such tax limitation would have on the Town's tax rate, financial condition or ability to make debt service payments.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section l-1, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Under Section 11.25 of the Property Tax Code, the governing body of a taxing may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or archeological site, if the structure or archeological site is: (1) designated as a Recorded Texas Historic Landmark under Chapter 442, Texas Government Code, or a state archeological landmark under Chapter 191, Texas Natural Resources Code, by the Texas Historical Commission; or (2) designated as a historically or archeologically significant site in need of tax relief to encourage its preservation pursuant to an ordinance or other law adopted by the governing body of the unit.

Under Section 11.253 of the Property Tax Code, "goods-in-transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the State or outside of the State; (ii) is detained at a location in the State in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the State or outside the State not later than 175 days after the date the person acquired the property in or imported the property into the State; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to December 31, 2011 to continue its taxation of goods-in-transit in the 2012 tax year and beyond.

A municipality may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the municipality created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation. The Town's tax increment for any TIF is not available for general Town use but is restricted to paying for improvements in the reinvestment zone.

The Town also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The Town in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The Town is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the Town. The Town may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By the later of September 30 or 60 days following the receipt by the Town of the Certified Appraisal Roll, the Town Council is required to adopt a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. Under the Property Tax Code, the Town must annually calculate and publicize its "effective tax rate" and "rollback tax rate." The Town Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the Town's website if the Town owns, operates or controls an internet website and public notice be given by television if the Town has free access to a television channel) and the Town Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the Town by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

If the Town Council does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the Town for the preceding tax year.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, the penalty remains at 12%, and accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

Taxes levied by the Town are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the Town, having the power to tax the property. The Town's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest. At any time after taxes on property become delinquent, the Town may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Town must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the Town to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an Order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by Order of the bankruptcy court.

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

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

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

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

The Town does not tax nonbusiness personal property or aircraft.

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

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

The Town does tax freeport property.

The Town does tax goods-in-transit.

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

The Town has not adopted a tax abatement policy.

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

TABLE 1 - VALUATION, EXEMPTIONS, AND GENERAL OBLIGATION DEBT

2013/14 Market Valuation Established by Dallas Central Appraisal District [1]		$ 3,891,654,760
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	$ 99,551,076	
Disabled Veterans Exemptions	362,468	
Agricultural Land Use Reductions	664,672	
Over 65	27,630,032	
Disabled Person	840,000	
Government/Airport Exemptions	272,032,970	
Parcels Under $500	34,730	
Capped Value Loss	522,080	
Pollution Control	9,034	401,647,062
2013/14 Taxable Assessed Valuation		$ 3,490,007,698
Town Funded Debt Payable from Ad Valorem Taxes (as of 12-31-13)		
General Obligation Bonds	$ 41,035,000	
Certificates of Obligation	59,975,000 [2]	
The Tax-Exempt Bonds	12,000,000	
The AMT Bonds	2,145,000	
The Certificates	7,565,000	
Funded Debt Payable from Ad Valorem Taxes		$ 122,720,000
Less Self-Supporting Debt: [3]		
Hotel Fund General Obligation Debt		$ 3,305,000
Airport Fund General Obligation Debt		5,355,000 [4]
Drainage Fund General Obligation Debt		7,275,000
Water and Sewer System General Obligation Debt		15,261,846 [5]
Net Funded Debt Payable from Ad Valorem Taxes		$ 91,523,154
Interest and Sinking Fund as of 12-31-13		$ 2,518,083
Ratio Total Funded Debt to Taxable Assessed Valuation		3.52%
Ratio Net Funded Debt to Taxable Assessed Valuation		2.62%

2014 Estimated Population - 15,830
Per Capita Taxable Assessed Valuation - $220,468
Per Capita Total Funded Debt $7,752
Per Capita Net Funded Debt - $5,782

(1) As reported on the Town's 2013 Certified Tax Roll.
(2) Excludes the Refunded Obligations.
(3) General obligation debt in the amounts shown for which repayment is provided from revenues of the waterworks and sewer system, airport revenue fund, drainage revenue fund, and hotel special revenue fund, as applicable. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the Town's current policy to provide these payments from the respective revenue sources. This policy is subject to change in the future. To the extent such policy is changed and such self-supporting debt is not paid from such revenue sources, such debt will be paid from ad valorem taxes.
(4) Includes the AMT Bonds. Excludes the Refunded Obligations.
(5) Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2014		2013		2012	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 600,276,420	15.42%	$ 593,764,970	16.80%	$ 587,685,260	17.03%
Real, Residential Multi-Family	556,026,390	14.29%	410,654,340	11.62%	387,558,770	11.23%
Real, Vacant Lots/Tracts	118,705,520	3.05%	125,917,640	3.56%	139,255,040	4.04%
Real, Farm and Ranch Improvements	664,900	0.02%	664,900	0.02%	-	0.00%
Real, Commercial and Industrial	1,991,599,140	51.18%	1,821,453,070	51.52%	1,747,060,700	50.63%
Minerals, Oil and Gas	200	0.00%	200	0.00%	-	0.00%
Real, Railroad	2,320,550	0.06%	2,113,670	0.06%	1,983,810	0.06%
Real and Tangible Personal, Utilities	20,853,580	0.54%	20,971,160	0.59%	19,569,570	0.57%
Tangible Personal, Aircraft	80,824,620	2.08%	89,085,700	2.52%	116,861,760	3.39%
Tangible Personal, Commercial.	447,510,330	11.50%	405,724,570	11.48%	384,851,390	11.15%
Tangible Personal, Industrial	63,521,120	1.63%	57,454,160	1.63%	59,201,990	1.72%
Tangible Personal, Other	9,351,990	0.24%	7,446,210	0.21%	6,832,220	0.20%
Total Appraised Value Before Exemptions	$ 3,891,654,760	100.00%	$ 3,535,250,590	100.00%	$ 3,450,860,510	100.00%
Less: Total Exemptions/Reductions	(401,647,062)		(400,355,712)		(422,817,942)	
Taxable Assessed Value	$ 3,490,007,698		$ 3,134,894,878		$ 3,028,042,568	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2011		2010	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 593,174,490	17.07%	$ 600,829,690	16.11%
Real, Residential Multi-Family	327,367,980	9.42%	348,397,310	9.34%
Real, Vacant Lots/Tracts	157,077,060	4.52%	164,892,620	4.42%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%
Real, Commercial and Industrial	1,792,641,490	51.60%	1,978,850,900	53.07%
Minerals, Oil and Gas	-	0.00%	-	0.00%
Real, Railroad	1,755,230	0.05%	1,626,950	0.04%
Real and Tangible Personal, Utilities	20,103,170	0.58%	21,034,860	0.56%
Tangible Personal, Aircraft	146,420,100	4.21%	142,963,430	3.83%
Tangible Personal, Commercial	374,004,410	10.76%	421,250,640	11.30%
Tangible Personal, Industrial	54,784,770	1.58%	42,247,360	1.13%
Tangible Personal, Other	7,119,040	0.20%	6,477,340	0.17%
Total Appraised Value Before Exemptions	$ 3,474,447,740	100.00%	$ 3,728,571,100	100.00%
Less: Total Exemptions/Reductions	(415,674,023)		(417,521,300)	
Taxable Assessed Value	$ 3,058,773,717		$ 3,311,049,800	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Funded Tax Debt Outstanding (3)	Ratio Tax Debt to Taxable Assessed Valuation	Net Funded Debt Per Capita
2010	13,056(2)	$ 3,311,049,800	$ 253,604	$ 50,837,380	1.54%	$ 3,894
2011	13,060(1)	3,058,773,717	234,209	47,518,770	1.55%	3,638
2012	13,680(1)	3,028,042,568	221,348	73,739,314	2.44%	5,390
2013	13,700(1)	3,134,894,878	228,824	77,428,154	2.47%	5,652
2014	15,830(1)	3,490,007,698	220,468	84,967,000 (4)	2.43%	5,367

(1) Source: North Central Texas Council of Governments ("NCTCOG").
(2) Source: U.S. Census Bureau.
(3) The above statement of indebtedness does not include currently outstanding convention center revenue bonds payable from a hotel occupancy tax and revenues of the convention center, as provided in the ordinances authorizing such bonds and general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the drainage revenue fund, and the airport fund ("self-supporting debt"). The Town expects debt service on the AMT Bonds to be payable from revenues from the Town's Airport Fund and the Certificates to be payable from revenues from the Town's Waterworks and Sewer System. See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.
(4) Projected. Includes the Tax-Exempt Bonds.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2010	$ 0.4960	$ 0.3360	$ 0.1600	$ 16,422,810	96.60%	96.60%
2011	0.5300	0.3479	0.1821	16,211,500	96.70%	97.00%
2012	0.5800	0.3819	0.1981	17,562,650	98.40%	99.00%
2013	0.5800	0.3593	0.2207	18,000,570	98.70%	98.90%
2014	0.5718	0.3588	0.2130	19,955,860	68.04% (1)	68.24% (1)

(1) Collections for part year only, through January 31, 2014.

TABLE 5 - TEN LARGEST TAXPAYERS (1)

Name of Taxpayer	Nature of Property	2013/14 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
DCO Realty Inc.	Apartments	$ 206,092,200	5.91%
FPG Colonnade LP	Office Buildings	186,204,000	5.34%
Post Properties Inc.	Apartments	141,335,800	4.05%
Real Pink Limited	Office Buildings	68,295,710	1.96%
COP Spectrum Center LLC	Land, Office Buildings	59,100,000	1.69%
Sir Properties Trust	Office Buildings	58,200,000	1.67%
KBS Millennium I LLC	Office Buildings	54,910,500	1.57%
MHSS-Addison LP	Hospital	51,636,170	1.48%
Behringer Harvard Addison Circle	Apartments	51473950	1.47%
Fairfield Addison Circle SPE L	Apartments	47,610,000	1.36%
		$ 924,858,330	26.50%

(1) As shown in the table above, the top ten taxpayers in the Town currently account for in excess of 26.50% of the Town's tax base. Adverse developments in economic conditions, could adversely impact the businesses of these taxpayers and the tax values in the Town, resulting in less local tax revenue. If any of these taxpayers were to default in the payment of their taxes, the ability of the Town to make timely payment of debt service on the Obligations will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "The Obligations– Obligationholders' Remedies" and "Tax Information" herein.

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

TABLE 6 - TAX ADEQUACY (1)

2014 Net Principal and Interest Requirements for Debt	$ 7,430,528
$0.2162 Tax Rate at 98.50% Collection Produces	$ 7,432,216
Average Annual Net Principal and Interest Requirements for Debt, 2014 - 2038	$ 5,253,216
$0.1529 Tax Rate at 98.50% Collection Produces	$ 5,256,178
Maximum Net Principal and Interest Requirements for Debt, 2015	$ 8,217,855
$0.2391 Tax Rate at 98.50% Collection Produces	$ 8,219,439

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(1) Includes the Obligations. Excludes self-supporting debt (see "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Computation of Self-Supporting Debt").

TABLE 7 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2013/14 Taxable Assessed Value	2013/14 Tax Rate	Total G.O. Debt	Estimated % Applicable	Overlapping G.O. Debt As of 1-31-14	Authorized But Unissued Debt as of 1/31/2014
Town of Addison	$ 3,490,007,698	$ 0.58000	$ 91,523,154 (1)	100.00%	$ 91,523,154	$ 26,000,000 (2)
Carrollton/Farmers Branch Independent School District	14,665,284,688	1.32350	331,290,000	0.96%	3,180,384	45,865,000
Dallas County	164,158,531,709	0.24310	136,430,000	1.99%	2,714,957	6,200,000
Dallas County Community College District	171,740,619,594	0.12470	355,880,000	1.99%	7,082,012	-
Dallas County Hospital District	164,348,742,683	0.27600	743,250,000	1.99%	14,790,675	-
Dallas County Schools	164,158,531,709	0.01000	68,160,000	1.99%	1,356,384	-
Dallas Independent School District	80,640,109,025	1.28209	2,614,110,000	3.37%	88,095,507	-
Total Direct and Overlapping G.O. Debt					$ 208,743,073	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation . . .					5.98%	
Per Capita Overlapping G.O. Debt . . .					$ 13,186.55	

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(1) Net of self-supporting debt. Includes the Obligations. Excludes self-supporting debt.
(2) Reflects remaining authorization after the issuance of the Tax-Exempt Bonds.

TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt Service Requirements (1) Principal	Outstanding Debt Service Requirements (1) Interest	The Tax-Exempt Bonds (2) Principal	The Tax-Exempt Bonds (2) Interest	The AMT Bonds (3) Principal	The AMT Bonds (3) Interest	The Certificates (4) Principal	The Certificates (4) Interest	Total Debt Service Requirements	Less: Airport Self-Supporting Debt Service Requirements (5)(7)	Less: Hotel Self-Supporting Debt Service Requirements (7)	Less: W&S Self-Supporting Debt Service Requirements (6)(7)	Less: Stormwater Drainage Self-Supporting Debt Service Requirements (7)	Total Net Tax Supported Debt Service Requirements	% of Principal Retired
2014	$ 5,975,000	$ 3,875,678	$ -	$ -	$ -	$ 14,000	$ -	$ -	$ 9,864,678	$ 581,385	$ 711,650	$ 597,097	$ 544,018	$ 7,430,528	
2015	5,920,000	3,585,278	195,000	589,894	340,000	26,300	110,000	337,831	11,104,303	583,266	710,800	1,047,315	545,066	8,217,855	
2016	6,015,000	3,399,765	450,000	382,613	345,000	22,875	265,000	223,163	11,103,415	587,691	711,300	1,089,514	544,716	8,170,193	
2017	6,200,000	3,210,578	100,000	374,363	350,000	19,400	280,000	220,438	10,754,778	587,016	711,200	1,100,495	544,266	7,811,800	
2018	5,140,000	3,022,809	470,000	365,813	360,000	15,400	290,000	217,225	9,881,246	590,816	710,500	1,107,832	543,716	6,928,382	27.20%
2019	4,620,000	2,851,824	490,000	351,413	370,000	10,375	300,000	213,163	9,206,774	597,966	-	1,116,393	546,566	6,945,849	
2020	3,780,000	2,702,256	510,000	336,413	380,000	3,800	315,000	207,763	8,235,231	602,866	-	1,128,003	542,791	5,961,570	
2021	3,925,000	2,562,896	530,000	320,813	-	-	325,000	199,738	7,863,446	219,766	-	1,131,149	542,266	5,970,265	
2022	4,010,000	2,410,431	555,000	301,763	-	-	340,000	189,763	7,806,956	219,666	-	1,138,580	544,766	5,903,944	
2023	4,190,000	2,237,159	575,000	282,038	-	-	355,000	179,338	7,818,534	218,691	-	1,144,583	544,991	5,910,268	48.39%
2024	4,375,000	2,038,340	600,000	264,413	-	-	370,000	168,463	7,816,215	216,816	-	1,147,845	542,866	5,908,687	
2025	4,585,000	1,833,196	625,000	246,038	-	-	385,000	157,138	7,831,371	214,691	-	1,151,949	544,866	5,919,865	
2026	4,800,000	1,626,853	650,000	226,913	-	-	400,000	145,363	7,849,128	217,191	-	1,155,723	545,866	5,930,347	
2027	5,025,000	1,404,459	675,000	207,038	-	-	415,000	132,878	7,859,374	219,191	-	1,157,592	545,866	5,936,725	
2028	4,780,000	1,178,915	705,000	185,456	-	-	430,000	119,406	7,398,778	215,816	-	1,158,671	544,866	5,479,424	72.29%
2029	4,530,000	969,618	735,000	161,597	-	-	450,000	104,825	6,951,039	217,876	-	1,055,206	544,891	5,133,066	
2030	4,735,000	763,673	760,000	136,369	-	-	470,000	89,006	6,954,048	215,348	-	1,059,364	545,914	5,133,423	
2031	4,945,000	556,483	795,000	109,631	-	-	485,000	71,991	6,963,104	217,365	-	1,056,519	545,749	5,143,472	
2032	5,130,000	352,286	825,000	80,766	-	-	505,000	53,100	6,946,151	218,814	-	1,055,869	544,371	5,127,097	
2033	3,920,000	163,382	860,000	49,688	-	-	525,000	32,500	5,550,569	219,703	-	1,055,724	546,703	3,728,440	96.88%
2034	550,000	68,506	895,000	16,781	-	-	550,000	11,000	2,091,288	-	-	561,000	-	1,530,288	
2035	570,000	49,950	-	-	-	-	-	-	619,950	-	-	-	-	619,950	
2036	585,000	30,459	-	-	-	-	-	-	615,459	-	-	-	-	615,459	
2037	610,000	10,294	-	-	-	-	-	-	620,294	-	-	-	-	620,294	100.00%
	$ 98,915,000	$ 40,905,085	$ 12,000,000	$ 4,989,806	$ 2,145,000	$ 112,150	$ 7,565,000	$ 3,074,088	$ 169,706,129	$ 6,961,943	$ 3,555,450	$ 22,216,423	$ 10,895,123	$ 126,077,189	

(1) Does not include lease/purchase obligations, includes self-supporting debt. Excludes the Refunded Obligations.
(2) Average life of the issue - 12.268 years. Interest on the Tax-Exempt Bonds has been calculated at the rates stated on the cover page hereof..
(3) Average life of the issue - 3.450 years. Interest on the AMT Bonds has been calculated at the rates stated on page 3 hereof.
(4) Average life of the issue - 12.022 years. Interest on the Certificates has been calculated at the rates stated on page 5 hereof.
(5) Includes the AMT Bonds. Excludes the Refunded Obligations.
(6) Includes the Certificates.
(7) See "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Computation of Self-Supporting Debt" for additional details on the Town’s self-supporting debt.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/14		$ 7,430,528
Budgeted Interest and Sinking Fund Balance, as of 9/30/13	$ 1,097,930	
Budgeted Interest and Sinking Fund Tax Levy @ 98% Collection	7,386,660	
Other Revenues and Income	7,500	8,492,090
Ending Fund Balance, 9/30/14		$ 1,061,562

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System	
Net Revenues Available from Waterworks and Sewer System, Fiscal Year 9-30-13	$ 2,999,860
Less: Revenue Bond Requirements, 2014 Fiscal Year	-
Balance	$ 2,999,860
Less: System General Obligation Bond Requirements, 2014 Fiscal Year	597,097
Balance	$ 2,402,763
Percentage of System General Obligation Bonds Self-Supporting	100.00%
Hotel Special Revenue Fund	
Hotel Special Revenue Fund Balance, Fiscal Year 9-30-13	$ 1,934,740
Less: System General Obligation Bond Requirements, 2014 Fiscal Year	711,650
Balance	$ 1,223,090
Percentage of System General Obligation Bonds Self-Supporting	100.00%
Airport Enterprise Fund	
Net Revenues Available from Airport Revenue, Fiscal Year 9-30-13	$ 1,086,266
Less: System General Obligation Bond Requirements, 2014 Fiscal Year	581,385
Balance	$ 504,881
Percentage of System General Obligation Bonds Self-Supporting	100.00%
Stormwater Drainage Enterprise Fund	
Net Revenues Available from Stormwater Revenue, Fiscal Year 9-30-13	$ 1,233,631
Less: System General Obligation Bond Requirements, 2014 Fiscal Year	544,018
Balance	$ 689,613
Percentage of System General Obligation Bonds Self-Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued	Unissued Balance
Street Improvements	5/12/2012	$ 29,500,000	$ 4,500,000	$ 2,000,000	$ 23,000,000
Road Utilities	5/12/2012	10,000,000	-	10,000,000	-
Parking Facilities	5/12/2012	3,000,000	-	-	3,000,000
		$ 42,500,000	$ 4,500,000	$ 12,000,000	$ 26,000,000

ANTICIPATED ISSUANCE OF TAX SUPPORTED DEBT . . . The Town anticipates the issuance of approximately $6 million of additional bonds in 2015.

TABLE 12- OTHER OBLIGATIONS

As of September 30, 2013, the Town has no unfunded debt outstanding.

PENSION FUND . . . The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 833 administered by TMRS, an agent multiple-employer public employee retirement system. The service retirement eligibilities for the Town are: 5 years/age 60, 20 years/any age. A member is vested after 5 years.

The TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. Such report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

In reading this section, investors should be aware that (i) the information included in this Official Statement relating to the TMRS relies on information produced by the TMRS and its independent accountant and actuary, (ii) actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the TMRS and (iii) actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the TMRS.

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The Town contributes to the TMRS plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The Town has always paid the full rate required by the TMRS in each year, and the Town has continued contributing at the full rate in calendar year 2013, which is 10.69% of covered payroll. The TMRS has determined that the Town's contribution rate for calendar year 2014 will decrease to 10.39%. To date, the Town has always contributed the total net pension obligation in each year, and therefore the Town's total accrued net pension obligation is $0.

As of December 31, 2012, the most recent actuarial valuation date, the plan was 100.2% funded. The actuarial accrued liability for benefits was $94,730,798, and the actuarial value of assets was $94,883,851, resulting in an unfunded actuarial accrued liability (UAAL) of $(153,053). The covered payroll (annual payroll of active employees covered by the plan as of the valuation date) was $15,598,079, and the ratio of the UAAL to the covered payroll was (1)%.

For more information concerning the Town's pension plan and funding progress relating thereto, see Appendix B, "Excerpts from the Town's Annual Financial Report" - Note IV.B.1.

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the TMRS plan described above, 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 (TMRS and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB 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.

Current retirees in the OPEB 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 OPEB Plan at the total blended contribution rate for active and retiree participants. Since an irrevocable trust has not been established, the OPEB Plan is not accounted for as a trust fund. The OPEB 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 Council.

Funding Policy . . . 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 2013 contribute $395 to $1,387 per month depending on coverage levels selected. In fiscal year 2013, total retiree contributions were $149,672. The Town contributions to the plan for fiscal year 2013, which are also equal to premiums paid in excess of premiums collected from retirees, were $23,813.

Annual OPEB Cost and Net OPEB Obligation . . . The Town's annual other postemployment benefit ("OPEB") cost (expense) for the OPEB Plan is calculated based on the annual required contribution ("ARC") of the Town, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the Town's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and the net OPEB obligation for fiscal year 2013:

Annual Required Contribution	$ 182,254
Interest on OPEB Obligation	18,653
Adjustment to ARC	(17,282)
Annual OPEB Cost (Expense)	$ 183,625
Contributions Made	(155,383)
Change in OPEB Obligation	$ 28,242
Net OPEB Obligation (Asset) – Beginning of Year	386,542
Net OPEB Obligation (Asset) – End of Year	$ 414,784

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the fiscal year ending September 30, 2013 and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Costs	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 177,978	$ 290,457 (1)	163.20%	$ 351,990
2012	182,900	148,348	81.10%	386,542
2013	183,625	155,383	81.70%	414,784

(1) Employer contributions for the fiscal year ending September 30, 2011 includes historical implicit subsidies which were not reflected in prior years.

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $2,003,539, none of which is funded. The covered payroll (annual payroll of active employees covered by the plan) was $15,598,079, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.8. Of the total actuarial accrued liability, $1,252,212 or 62.5% comprises the implied subsidy of health care for current retirees and active employees upon retirement. As noted previously, qualified retirees pay the blended cost of their health coverage, less the $150 monthly stipend. However, GASB 45 requires governments to report the "implicit rate subsidy" that is provided to retirees who remain with the health plan provided to employees. It is assumed by actuaries that the cost of health care increases with the age of the covered employee or retiree.

For more information concerning the OPEB Plan and funding progress relating thereto, see Appendix B, "Excerpts from the Town's Annual Financial Report" - Note IV.B.2.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
Revenues:	2013	2012	2011	2010	2009
Program Revenues					
Charges for Services	$ 5,604,940	$ 6,188,713	$ 7,671,920	$ 5,820,732	$ 5,237,294
Operating Grants and Contributions	73,578	164,749	223,792	230,290	2,044,979
Capital Grants and Contributions	-	568,285	3,429,804	1,348,141	-
General Revenues					
Property Taxes	17,975,149	17,400,696	15,772,858	15,900,631	15,711,056
Other Taxes	20,626,694	18,982,785	17,398,190	16,232,374	17,558,644
Other	666,286	868,902	921,242	2,814,471	1,709,377
Total Revenues	$ 44,946,647	$ 44,174,130	$ 45,417,806	$ 42,346,639	$ 42,261,350
Expenses:					
General Government	$ 7,291,814	$ 6,485,716	$ 6,709,095	$ 6,876,385	$ 6,527,735
Public Safety	15,751,666	15,130,157	14,914,759	14,550,333	14,743,542
Development Services	947,501	879,253	866,023	938,059	856,793
Street and Sanitation	6,353,706	5,028,071	4,913,524	5,277,938	4,998,440
Parks and Recreation	5,100,011	4,963,327	4,742,946	4,502,295	5,119,320
Visitor Services	7,224,511	6,852,198	6,431,136	6,027,442	6,687,392
Interest on Long-term Debt	2,916,703	1,898,595	2,261,571	2,423,732	2,420,908
Total Expenses	$ 45,585,912	$ 41,237,317	$ 40,839,054	$ 40,596,184	$ 41,354,130
Increase (Decrease) in Net Assets	$ (639,265)	$ 2,936,813	$ 4,578,752	$ 1,750,455	$ 907,220
Net Assets - October 1	155,059,394 (1)	151,998,474	147,419,722	145,669,267	144,762,047
Net Assets - September 30	$ 154,420,129	$ 154,935,287	$ 151,998,474	$ 147,419,722	$ 145,669,267

(1) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues	2013	2012	2011	2010	2009
Taxes	$ 23,510,020	$ 22,822,102	$ 20,936,751	$ 20,849,005	$ 20,272,497
Franchise Fees	2,695,073	2,727,370	2,760,188	2,578,154	2,761,511
Licenses and Permits	886,423	953,709	1,210,058	833,178	429,681
Intergovernmental Revenues	-	-	-	-	101,300
Service Fees	1,469,715	1,443,787	1,414,120	1,491,528	1,400,529
Fines and Forfeitures	959,684	1,071,177	1,062,986	1,158,581	1,253,029
Interest Income	3,790	19,928	25,514	60,681	273,920
Rental and Other	305,212	267,435	266,926	291,491	230,754
Total Revenues	$ 29,829,917	$ 29,305,508	$ 27,676,543	$ 27,262,618	$ 26,723,221
Expenditures					
General Government	$ 6,340,932	$ 6,082,777	$ 6,353,784	$ 6,323,891	$ 6,357,501
Public Safety	14,868,330	14,372,574	14,553,921	13,477,643	14,290,988
Development Services	927,684	886,703	885,218	887,132	864,234
Streets	1,724,741	1,612,701	1,612,011	1,672,375	2,356,219
Parks and Recreation	4,289,396	4,269,383	4,061,666	3,698,831	4,055,278
Total Expenditures	$ 28,151,083	$ 27,224,138	$ 27,466,600	$ 26,059,872	$ 27,924,220
Revenues Over (Under) Expenditures	$ 1,678,834	$ 2,081,370	$ 209,943	$ 1,202,746	$ (1,200,999)
Other Sources (Uses), Net	(2,581)	(75,000)	(700,000)	(998,737)	157,811
Change in Fund Balance	$ 1,676,253	$ 2,006,370	$ (490,057)	$ 204,009	$ (1,043,188)
Beginning Fund Balance	12,373,064	10,366,694	10,856,751	10,652,742	11,695,930
Ending Fund Balance	$ 14,049,317	$ 12,373,064	$ 10,366,694	$ 10,856,751	$ 10,652,742

TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	1% Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2009	$ 9,584,496	56.74%	$ 0.2573	$ 715
2010	9,155,849	55.75%	0.2765	701
2011	9,632,640	59.42%	0.3149	738
2012	11,089,866	63.14%	0.3662	811
2013	12,217,439	67.87%	0.3897	892

FINANCIAL POLICIES

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

Government-wide and Fund Financial Statements … The governmental-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation . . .The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 50 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closer/post close costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Town receives the cash as the resulting receivables are deemed immaterial.

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

1. At least 60 days prior to the beginning of each fiscal year, the 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 of financing them.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the City Manager and Chief Financial Officer provided that a department's total budget is not changed by more than five percent. Transfers between fund or transfers between departments which change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

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

Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at September 30, 2013.

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

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement (the "Certificate") for Excellence in Financial Reporting to the Town of Addison, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2012. The Certificate is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only.

In addition to the Certificate, the Town received GFOA's Award for Distinguished Budget Presentation (the "Award") for its fiscal year 2013 annual budget document. Together, the Award and the Certificate are evidence of the Finance department's dedication to producing documents which effectively communicate the Town's financial condition to elected officials, city administrators, and the general public.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the Town is authorized to invest in (1) obligations, including letter of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Town deposits; or (ii) where: (a) the funds are invested by the Town through a broker (selected from a list adopted by the Town) or a depository institution that has a main office or branch office in the State and that is selected by the Town; (b) the broker or depository institution selected by the Town arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution, broker, clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3, or certain entities described in Section 2257.041(d) of the Texas Government Code selected by the Town acts as a custodian for the Town with respect to the certificates of deposit issued for the account of the Town; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The Town may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the Town are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

TABLE 15 - CURRENT INVESTMENTS [(1)]

As of December 31, 2013, the Town's investable funds were invested in the following categories:

Description	Percent	Book Value	Market Value
TexPool	5.57%	$ 4,607,669	$ 4,607,669
TexStar	19.19%	15,866,387	15,866,387
Agency Securites	32.24%	26,662,904	26,664,162
Certificate of Deposit	29.71%	24,566,886	24,566,886
Commercial Paper	13.29%	10,992,031	10,994,130
	100.00%	$ 82,695,878	$ 82,699,234

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

TAX MATTERS

THE TAX-EXEMPT BONDS AND THE CERTIFICATES

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Tax-Exempt Bonds and Certificates is excludable from gross income for federal income tax purposes and (ii) the Tax-Exempt Bonds and Certificates are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Tax-Exempt Bonds and Certificates is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

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

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

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax-exempt obligations, such as the Tax-Exempt Bonds and Certificates, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Tax-Exempt Bonds and Certificates.

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

THE AMT BONDS

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the AMT Bonds is excludable from gross income for federal income tax purposes except for any period an AMT Bond is held by a person who, within the meaning of section 147(a) of the Code, is a "substantial user" or a "related person" to a "substantial user" of the facilities financed or refinanced with the proceeds of the AMT Bonds, and (ii) the AMT Bonds are "private activity bonds" under the Code and, as such, interest on the AMT Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

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

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

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26% of so much of such taxable excess as does not exceed $175,000 plus 28% of so much of such taxable excess as exceeds $175,000. The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds" issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the AMT Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The Town will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The Town will update and provide this information within six months after the end of each fiscal year ending in or after 2014. The Town will provide the updated information to the MSRB.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the Town commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Town will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation.

The Town's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Obligations nor the Ordinances make any provision for debt service reserves, credit enhancements, or liquidity enhancement. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

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

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

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

OTHER INFORMATION

RATINGS

The Obligations and the outstanding tax-supported debt of the Town are rated "Aa1" by Moody's and "AAA" by S&P, in each case without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Town makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either rating company, may have an adverse effect on the market price of the Obligations.

LITIGATION

It is the opinion of the Town Attorney and Town Staff that there is no pending, or to their knowledge, threatened litigation or other proceeding against the Town that would have a material adverse financial impact upon the Town or its operations.

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Town has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS

The Town will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Tax-Exempt Bond, the Initial AMT Bond and the Initial Certificate and to the effect that the Obligations are valid and legally binding special obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Tax-Exempt Bonds, and the Certificates and the AMT Bonds will be excludable from gross income for federal income tax purposes under the existing law and the Obligations are not private activity bonds, subject to the matters described under "Tax Matters - The Tax-Exempt Bonds and the Certificates" and "Tax Matters - The AMT Bonds" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notices of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify an of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

INITIAL PURCHASER OF THE TAX-EXEMPT BONDS

After requesting competitive bids for the Tax-Exempt Bonds, the Town accepted the bid of Piper Jaffray & Co. (the "Initial Purchaser of the Tax-Exempt Bonds") to purchase the Tax-Exempt Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $97,298.65. The Initial Purchaser of the Tax-Exempt Bonds can give no assurance that any trading market will be developed for the Tax-Exempt Bonds after their sale by the Town to the Initial Purchaser of the Tax-Exempt Bonds. The Town has no control over the price at which the Tax-Exempt Bonds are subsequently sold and the initial yields at which the Tax-Exempt Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Tax-Exempt Bonds.

INITIAL PURCHASER OF THE AMT BONDS

After requesting competitive bids for the AMT Bonds, the Town accepted the bid of Citigroup Global Markets Inc. (the "Initial Purchaser of the AMT Bonds") to purchase the AMT Bonds at the interest rates shown on the cover page of the Official Statement at a price of par. The Initial Purchaser of the AMT Bonds can give no assurance that any trading market will be developed for the AMT Bonds after their sale by the Town to the Initial Purchaser of the AMT Bonds. The Town has no control over the price at which the AMT Bonds are subsequently sold and the initial yields at which the AMT Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the AMT Bonds.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the Town accepted the bid of Citigroup Global Markets Inc. (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 3 of the Official Statement at a price of par plus a cash premium of $34,189.72. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser of the Certificates. The Town has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Certificates.

The Initial Purchaser of the Tax-Exempt Bonds, the Initial Purchaser of the AMT Bonds and the Initial Purchaser of the Certificates are herein collectively referred to as the "Purchasers".

CERTIFICATION OF THE OFFICIAL STATEMENT

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

The respective Ordinances authorized the issuance of the Obligations and approved the form and content of this Official Statement, and any addenda, supplement, or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Purchasers.

TODD MEIER
Mayor
Town of Addison, Texas

ATTEST:

MATT MCCOMBS
Town Secretary

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Schedule I

SCHEDULE OF REFUNDED BONDS

Combination Tax and Revenue Certificates of Obligation, Series 2004

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
11/15/2004	2/15/2015	4.000%	$ 315,000	$ 315,000
	2/15/2016	4.000%	325,000	325,000
	2/15/2017	4.000%	340,000	340,000
	2/15/2018	4.100%	355,000	355,000
	2/15/2019	4.150%	370,000	370,000
	2/15/2020	4.250%	390,000	390,000
			$ 2,095,000	$ 2,095,000

The 2015 - 2020 maturities will be redeemed prior to original maturity on April 28, 2014, at par.

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<u>**APPENDIX A**</u>

GENERAL INFORMATION REGARDING THE TOWN

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

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

POPULATION . . . The U.S. Census Bureau set the 1970 population at 550, the 1980 population at 5,553, the 1990 population at 8,783 and the 2010 population at 13,056, and the NCTCOG estimates the 2014 population to be 15,830.

ECONOMY . . . Addison is located in the "platinum corridor" of North Dallas and has been called the "epicenter of a new downtown uptown". The Dallas area has become a major financial center of the nation and is rapidly emerging as a national leader in the areas of corporate headquarter locations, product distribution centers, light "clean" manufacturing in such areas as electronics and data processing, and as a principal fashion center. Addison manifests the best features of the area by creating an environment conducive to office, retail and residential uses. With its beautifully landscaped boulevards and strict enforcement of building, sign and landscaping codes, the Town has attracted quality development without the nuisances usually associated with rapid urbanization. Fine restaurants, boutiques and specialty stores are located in the Town to serve the growing work force and the affluent Addison-North Dallas area. Addison is a prime and desirable location for many businesses seeking relocation in the area.

Among the top employers in the Town are the following:

Company	Type of Business	Estimated Number of Employees
Bank of America	Finance	3,400
Mary Kay Cosmetics Inc.	Cosmetics	1,070
National Default Exchange Management	Mortgage	566
Rexel	Industrial Electrical Supplies	550
American Mortgage Servicing	Mortgage	500
United Surgical Partners International	Medical	360
Concentra Operating Corporation	Medical	321
Hilton Worldwide, Incorporated	Hospitality	319
Glazer's Family of Companies	Spirits	280
Greenhill School	Education	256

Source: Addison Town staff.

AIRPORT . . . The Town of Addison owns a general aviation airport, a single runway facility ranked by the Federal Aviation Administration as the busiest airport of its kind. The runway is 7,200 feet in length and can accommodate general aviation aircraft through 120,000 pounds gross weight including Boeing 737's and DC9's. The airport is home to 291 aircraft valued at over $88 million and houses several fixed base operations, which provide fuel and maintenance services. The airport is used extensively by corporate executives who wish to conduct business in offices located in the north Dallas area.

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

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

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

BUILDING PERMITS

Fiscal Year	Number of Permits	Commercial	Residential	Total Value
2009	803	$ 28,978,561	$ 1,638,405	$ 30,616,966
2010	1,125	82,918,102	57,494,260	140,412,362
2011	1,450	41,600,000	68,100,000	109,700,000
2012	1,120	41,338,498	48,656,566	89,995,064
2013	1,130	52,746,268	5,474,759	58,221,027

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APPENDIX B

EXCERPTS FROM THE

TOWN OF ADDISON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the Town of Addison, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2013, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Addison (the Town) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251
P: 972.490.1970 F: 972.702.8321

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Hotel Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System Analysis of Funding Progress, and the Retiree Health Plan Analysis of Funding Progress on pages 13-21 and 63-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

Weaver and Tidwell, L.L.P.
Dallas, Texas

February 18, 2014

ADDISON

SM

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, 2013. 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.***

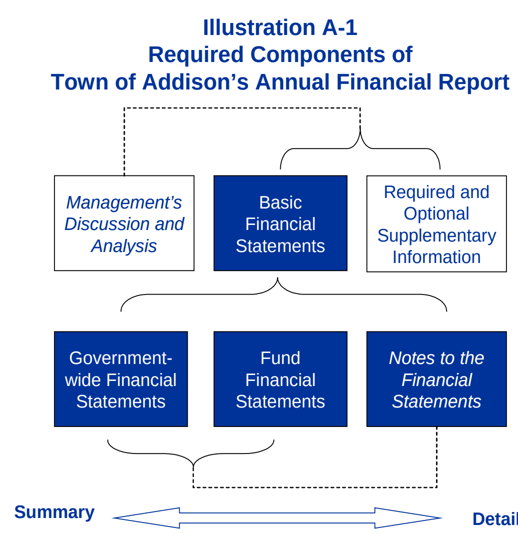
Financial Highlights

- The Town's assets exceeded its liabilities at the close of the 2013 fiscal year by $228,118. This amount represents an increase over the previous year by $9,099. The increase is attributed to governmental revenue from taxes and charges for services exceeding the cost of government activities; however, the majority of the increase relates to capital grants and contributions received from the Town's business-type activities related to airport and utility operations.
- As of September 30, 2013, the Town's governmental funds reported combined ending fund balances of $59,817, an increase of $3,101. The majority of the increase is due the proceeds from bond issuance in the Capital Project fund and higher than anticipated sales tax collections.
- At the end of the 2013 fiscal year, fund balance for the General Fund was $13,979, or 49.5 percent of total fund expenditures. Fund balance increased $1,606 during the year.
- At year-end, the Town of Addison's outstanding debt totals $104,544, an increase of $10,646 from the previous year which is attributed to the issuance of new debt and the scheduled retirement of existing debt during the year.

Overview of Financial Statements

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

- The *government-wide financial statements* provide both long-term and short-term information about the Town's <u>overall</u> financial status.
- The fund financial statements focus on <u>individual parts</u> of Addison's government, reporting the Town's operations in more detail than the government-wide statements.
  - The *governmental funds statements* explain how <u>general government</u> services like 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 <u>like businesses</u>, such as the airport.



The financial statements also include *notes*, which elaborate on some of the information in the financial statements and that provide 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 long-term debt schedules and a 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

		Fund Statements	
	Government-wide 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 private businesses: airport, water/sewer utility
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* 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 22-23 of this document.

- The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two 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 how the Town's net position changed 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 visitor 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 and utility system fall within this category.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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.

Because 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, and various grant and capital project funds, 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 all its governmental funds. A budgetary comparison statement is provided for each fund to demonstrate compliance with this budget.

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 activitie*s 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 for its management information systems. Because both of these services predominantly benefit governmental rather than business-type functions, 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 and utility system, both 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 33-60 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 and to provide other postemployment benefits to Town employees upon retirement. This information is presented on pages 63-64.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 90-103 and 115-123. Individual proprietary comparative statements are presented on pages 104-122

The Town has included schedules of Capital Assets starting on page 126 and Long-Term Debt starting on page 130.

Government-wide Financial Analysis

As of the close of the 2013 fiscal year, the Town's net position (assets exceeding liabilities) totaled $228,118 (see Table A-1). Of this amount $192,687, or 86 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. Because 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 retiring the Town's long-term general obligation debt $904, promotion of tourism and hotel industry ($1,942) and other restrictions ($286). The remaining amount of net position is labeled as unrestricted and totals $29,763. 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 two 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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	$ 73,586	$ 71,794	$ 28,163	$ 16,382	$ 101,749	$ 88,176
Capital Assets	168,701	170,066	70,543	62,832	239,244	232,898
Total Assets	242,287	241,860	98,706	79,214	340,993	321,074
Liabilities:						
Long-Term Liabilities Outstanding	85,153	81,885	20,734	13,244	105,887	95,129
Other Liabilities	3,982	5,040	3,006	2,010	6,988	7,050
Total Liabilities	89,135	86,925	23,740	15,254	112,875	102,179
Net Assets:						
Invested in Capital Assets, Net of Related Debt	135,261	129,471	57,426	49,640	192,687	179,111
Restricted :						
Debt Service	904	1,699	-	-	904	1,699
Tourism/Hotel	1,942	1,993	-	-	1,942	1,993
Child Safety	31	-	-	-	31	-
Justice Administration	93	-	-	-	93	-
Court Technology	75	176	-	-	75	176
Building Security	65	-	-	-	65	-
Court Security	22	-	-	-	22	-
Unrestricted	14,758	21,596	17,541	14,320	32,299	35,916
Total Net Position	$ 153,151	$ 154,935	$ 74,967	$ 63,960	$ 228,118	$ 218,895

As reflected in Table A-2, the Town's net position increased $9,099, or 4 percent during the 2013 fiscal year. The increase is primarily due to grant funding at the Addison Airport.

Table A-2
Town of Addison's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	$ 5,605	$ 6,189	$ 16,616	$ 15,384	$ 22,221	$ 21,573
Grants & Contributions	74	733	9,332	1,259	9,406	1,992
General Revenues:						
Property Taxes	17,975	17,401	-	-	17,975	17,401
Other Taxes	20,626	18,983	-	-	20,626	18,983
Other	595	868	(102)	(52)	493	816
Total Revenues	44,875	44,174	25,846	16,591	70,721	60,765
Expenses:						
General Government	7,021	6,486	-	-	$ 7,021	$ 6,486
Public Safety	15,229	15,130	-	-	15,229	15,130
Development Services	926	879	-	-	926	879
Streets	8,388	5,028	-	-	8,388	5,028
Parks & Recreation	5,063	4,963	-	-	5,063	4,963
Visitor Services	7,239	6,852	-	-	7,239	6,852
Interest on Long-Term Debt	2,917	1,899	-	-	2,917	1,899
Airport	-	-	5,154	4,505	5,154	4,505
Storm water	-	-	140	-	140	-
Water & Sewer Utility	-	-	9,545	9,075	9,545	9,075
Total Expenses	46,783	41,237	14,839	13,580	61,622	54,817
Change in Net Position	(1,908)	2,937	11,007	3,011	9,099	5,948
Net Position - 10/01/12	155,059	151,998	63,960	60,949	219,019	212,947
Net Position - 09/30/13	$ 153,152	$ 154,935	$ 74,967	$ 63,960	$ 228,118	$ 218,895

Illustration A-3
Total Sources of Revenue

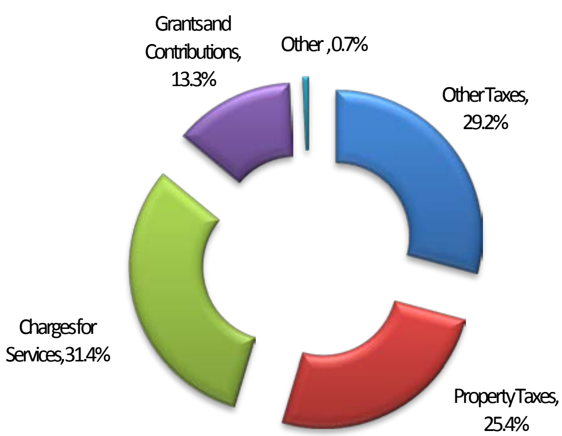
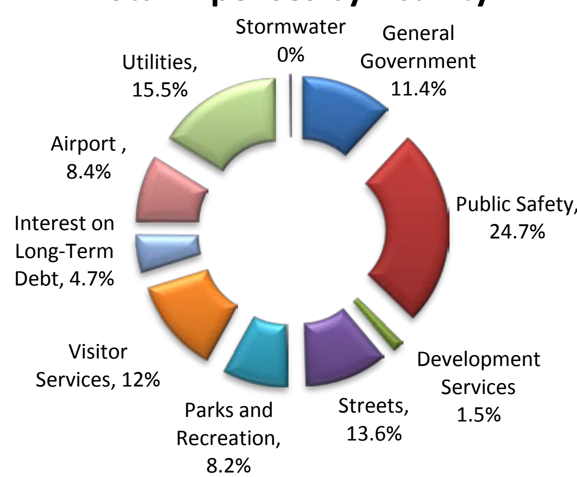


Illustration A-4
Total Expenses by Activity



Governmental Activities

Governmental activities decreased the Town of Addison's net position by $1,908 primarily due to the purchase of land which was contributed to the Addison Airport.

Business-Type Activities

The Town's business-type activities experienced an $11,007 increase in net position with the Airport Fund recording an increase of $8,601, while the Utility Fund posted a gain of $1,235 and the Storm Water Fund increased by $1,171. Of the Airport Fund's increase, $9,238 is attributed to capital grants for improvements at the Addison Airport.

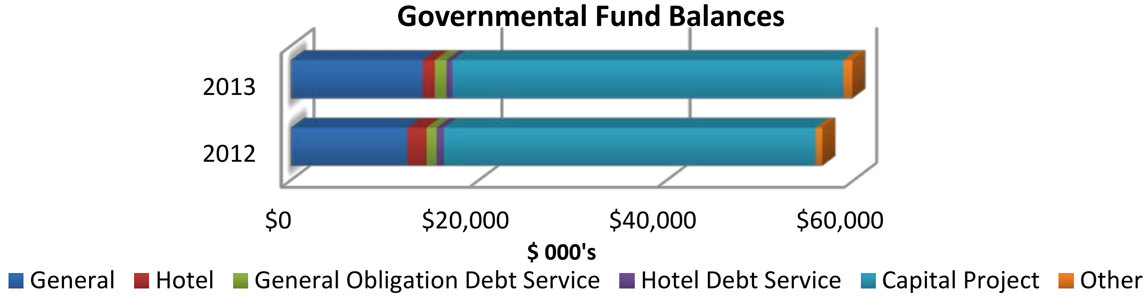
Financial Analysis of the Government Funds

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, 2013, the Town's governmental funds reported combined ending fund balances of $59,817, an increase of $3,101 compared to balances a year earlier. Illustration A-5 graphically presents the composition of the various fund balances. Of the ending balance, $13,637 or 22.8 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects ($41,716), debt service ($1,235) or *committed* for Economic Development ($664). Components of the net increase of total fund balance are:

- In the General Fund, expenditures and transfers out totaled $25,640 compared to revenues of $29,830. Revenues increased $524 from the previous year. The increase was due to receiving an additional $1,141 in non-property (sales) taxes and an additional $81 in rental income offset by a decline of $453 in property taxes. Expenditures increased $997 from the 2012 fiscal year. This increase is primarily due to public safety ($506) and general government expenditures ($264).
- In the Hotel Fund, expenditures and transfers out to other funds totaled $7,686 compared to revenues of $6,970. Fund revenues increased $230 from the previous year, due to an increase in non-property taxes. Expenditures increased $845 from fiscal year 2012 due in large part to the purchase of a new HVAC system for the Town's Conference and Theater Centre facilities.
- Capital project funds recorded a net increase in fund balance of $2,060 primarily due to proceeds from bonds issued.

Illustration A-5
Governmental Fund Balances



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 $5,224, the Utility Fund reported an unrestricted net position of $11,146, while the Stormwater Fund reported an unrestricted net position of $1,171.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget are described below:

- Revenues were amended to recognize increase in sales tax revenue ($1,470), and building and construction permits ($60). All revenue amendments resulted in a net budget increase of $1,761. Allocations to various departments were made that resulted in a net increase to appropriations of $172.

The adjustments resulted in increasing budgeted revenue 6.3 percent and increasing expenditures by .58 percent. The projected deficit of expenditures and other uses exceeding revenues decreased from $1,381 to a surplus of $207. Fund balance actually increased $207.

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, 2013, totals $239,244 (net of accumulated depreciation). This amount represents a $6,346 increase from the previous year and is attributed to investment in new assets exceeding depreciation of existing assets. Projects that are in progress include the Belt Line Road Utility Undergrounding, Pedestrian Connectivity, and Midway Road Revitalization. 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)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 66,233	$ 66,233	$ 12,319	$ 10,277	$ 78,552	$ 76,510
Buildings	11,114	11,086	7,850	1,406	18,964	12,492
Improvements other than Buildings	82,403	81,816	40,750	40,915	123,153	122,731
Machinery and Equipment	4,049	3,117	650	783	4,699	3,900
Construction in Progress	4,902	7,814	8,974	9,451	13,876	17,265
Total Capital Assets	$ 168,701	$ 170,066	$ 70,543	$ 62,832	$ 239,244	$ 232,898

Long-term debt – At the end of the 2013 fiscal year, the Town of Addison had total bonded debt outstanding of $104,544 as detailed in Table A-4. The Town did issue new debt during 2013. The Town of Addison maintains an underlying bond rating of "AAA" from Standard & Poor's and "Aa1" from Moody's. Other than the 2008, 2011, and both 2012 issues, all of the Town's outstanding debt is insured; however the insurers' ratings have been downgraded in the past few years. Of the Town's insurers as of September 30, 2013 MBIA carries a rating of "B" from Standard & Poor's. Ambac's rating was withdrawn by both S&P and Moody's. The insurer FSA changed its name to Assured Guaranty Municipal Corporation (AGM) and currently holds a rating of "A2" by Moody's. Because of the strength of the Town's own credit ratings, future bond sales should obtain competitive bids with relatively low financing rates. 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
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 44,156	$ 39,765	$ -	$ 2,611	$ 44,156	$ 42,376
Certificates of Obligation	39,719	40,941	20,669	10,581	60,388	51,522
Total Debt Outstanding	$ 83,875	$ 80,706	$ 20,669	$ 13,192	$ 104,544	$ 93,898

Economic Factors and Next Year's Budget and Rates

The Texas Workforce Commission no longer maintains individual statistics for cities with a population of less than 25,000, and therefore information related to Addison employment is unavailable. However, the average unemployment rate for the adjacent cities of Carrollton and Farmers Branch as of December 2013 averaged 5.05 percent, somewhat lower than the 5.45 percent rate recorded a year earlier. This unemployment rate is less than that of the Dallas/Plano/Irving Metro Division, which recorded a 5.3 percent rate. The December 2013 rate for the State of Texas was 5.6 percent, lower than the 6 percent in December 2012.[1]

Sales tax collections for the Town were up 10.17 percent from the amount collected in 2012 after three consecutive years of increases in annual collections. This increase appears to indicate an improving local economy.

Hotel occupancy tax collections increased 6.52 percent from the previous year. This represents three consecutive years of increasing annual collections, although collections are still down 12.14 percent from the 2008 fiscal year. In July 2013 Addison received its certified property tax roll from the Dallas Central Appraisal District. This certified roll is what Texas local governments use to levy taxes for the 2013-14 fiscal year. Certified taxable property values in Addison totaled $3,490,007 which represented an 11.33 percent increase from the previous year, and was the second year of increased values following three consecutive years of decreased values.

These various factors were taken into consideration in development of the Town's 2013-14 annual budget. 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 operating revenues and expenses and changes in fund balances related to the Town's adopted financial policy to work to maintain a minimum 25% fund balance for these funds. Major aspects of the adopted 2013-14 budget include:

The property tax rate was lowered from $.5800 to $.5718 per $100 appraised value. The decreased rate and increase in property values will provide an additional $516 for the Town's annual debt service. Of the 2014 budget tax rate, $.3588 was levied for operation/maintenance (including $.0229 for economic development funding) and $.213 for debt service. This compares to the 2013 distribution of $.3593 and $.2207 respectively. (Note: The preceding tax rates are not reflected in $000's of dollars).

The General Fund balance is projected to decline $778,669 from the actual beginning fund balance of $13,336 to $12,557. The projected ending fund balance is 40 percent of operating expenditures.

The Hotel Fund balance is projected to raise $200 from the actual beginning fund balance of $1,471 to $1,671. The projected ending fund balance is 25% percent of operating expenditures, which is in line with the long-term financial plan for the fund.

The budget includes a water and sewer rate adjustment, which provides for a slight increase in water rates and a decrease in sewer rates. Overall, the new rates reflect an approximate reduction of 5% in the average Residential customer's monthly bill.

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[1] "Indicators." *Texas Labor Market Review* (Jan. 2013): 16. *Texas Labor Market Information*. Texas Workforce Commission, Jan. 2013. Web. 01 Jan. 2014. <http://www.tracer2.com/admin/uploadedPublications/2075_TLMR-January13.pdf>.
"Indicators." *Texas Labor Market Review* (Jan. 2014): 16. *Texas Labor Market Information*. Texas Workforce Commission, Jan. 2014. Web. 01 Jan. 2014. <http://www.tracer2.com/admin/uploadedPublications/2100_TLMR-January_14.pdf>.

Requests for Information

This financial report is designed to provide a general overview of the Town of Addison's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

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

ADDISON

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TOWN OF ADDISON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Cash and Investments	$ 67,187,288	$ 18,144,839	$ 85,332,127
Receivables, Net of Allowances for Uncollectibles	5,550,116	2,787,791	8,337,907
Prepaid Items	291,424	-	291,424
Inventories, at Cost	44,486	-	44,486
Deferred Charges	512,187	106,027	618,214
Investment in Joint Venture	-	7,125,020	7,125,020
Capital Assets, Net of Accumulated Depreciation			
Land	66,233,100	12,319,116	78,552,216
Buildings	11,114,177	7,850,267	18,964,444
Improvements other than Buildings	82,403,034	40,749,542	123,152,576
Machinery and Equipment	4,049,172	650,266	4,699,438
Construction in Progress	4,901,991	8,973,626	13,875,617
Total Assets	$ 242,286,975	$ 98,706,494	$ 340,993,469
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 3,921,130	$ 1,728,036	$ 5,649,166
Contracts and Retainage Payable	4,198	299,774	303,972
Intergovernmental Payable	14,985	24,088	39,073
Customer Deposits	41,978	954,562	996,540
Non-Current Liabilities:			
Due within One Year	5,506,640	903,397	6,410,037
Due in More Than One Year	79,646,501	19,830,106	99,476,607
Total Liabilities	89,135,432	23,739,963	112,875,395
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 135,260,723	$ 57,425,620	$ 192,686,343
Restricted			
Debt Service	904,422	-	904,422
Promotion of Tourism and Hotel Industry	1,942,378	-	1,942,378
Child Safety	30,635	-	30,635
Justice Administration	93,472	-	93,472
Court Technology	74,895	-	74,895
Building Security	64,742	-	64,742
Court Security	22,235	-	22,235
Unrestricted	14,758,041	17,540,911	32,298,952
Total Net Position	$ 153,151,543	$ 74,966,531	$ 228,118,074

TOWN OF ADDISON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense)/Revenue and Changes in Net Assets – Primary Government: Business - Type Activities	Net (Expense)/Revenue and Changes in Net Assets – Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	$ 7,021,312	$ 225,731	$ 66,170	$ -	$ (6,729,411)	$ -	$ (6,729,411)
Public Safety	15,229,474	1,611,320	3,348	-	(13,614,806)	-	(13,614,806)
Development Services	925,830	888,908	-	-	(36,922)	-	(36,922)
Streets	8,387,857	384,303	4,060	-	(7,999,494)	-	(7,999,494)
Parks and Recreation	5,062,784	114,866	-	-	(4,947,918)	-	(4,947,918)
Visitor Services	7,239,033	2,379,812	-	-	(4,859,221)	-	(4,859,221)
Interest on Long-Term Debt	2,916,703	-	-	-	(2,916,703)	-	(2,916,703)
Total Governmental Activities	46,782,993	5,604,940	73,578	-	(41,104,475)	-	(41,104,475)
Business-Type Activities:							
Airport	5,153,445	4,505,430	-	9,238,288	-	8,590,273	8,590,273
Utilities	9,545,377	10,802,692	-	93,552	-	1,350,867	1,350,867
Stormwater	139,843	1,307,573	-	-	-	1,167,730	1,167,730
Total Business-Type Activities	14,838,665	16,615,695	-	9,331,840	-	11,108,870	11,108,870
Total Primary Government	$ 61,621,658	$ 22,220,635	$ 73,578	$ 9,331,840	$ (41,104,475)	$ 11,108,870	$ (29,995,605)
GENERAL REVENUES							
Taxes:							
Property Taxes, Levied for General Purposes					17,975,149	-	17,975,149
Sales Taxes					13,029,712	-	13,029,712
Franchise Taxes					3,021,899	-	3,021,899
Hotel/Motel Taxes					4,575,083	-	4,575,083
Interest on Investments					133,140	(71,264)	61,876
Miscellaneous					461,641	(30,525)	431,116
Total General Revenues					39,196,624	(101,789)	39,094,835
Change in Net Assets					(1,907,851)	11,007,081	9,099,230
NET ASSETS, Beginning of Year					155,059,394	63,959,450	219,018,844
NET ASSETS, End of Year					$ 153,151,543	$ 74,966,531	$ 228,118,074

Governmental Funds
Balance Sheet
September 30, 2013

	General	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments	$ 13,438,176	$ 2,053,790	$ 1,266,634	$ 628,278	$ 42,206,250	$ 1,147,964	$ 60,741,092
Receivables:							
Ad Valorem Taxes, Including Interest and Penalties	200,458	-	88,887	-	-	(1,441)	287,904
Non-Property Taxes	2,586,467	354,446	-	-	-	-	2,940,913
Franchise Fees	510,028	-	-	-	-	-	510,028
Service Fees	1,070,855	-	-	-	-	-	1,070,855
Ambulance	197,428	-	-	-	-	-	197,428
Interest	9,725	1,487	928	446	30,697	819	44,102
Other	7,899	248,720	-	-	10,335	227,351	494,305
Interfund	818,715	-	-	-	-	-	818,715
Prepaid Items	291,424	-	-	-	-	-	291,424
Inventories, at Cost	44,486	-	-	-	-	-	44,486
Total Assets	$ 19,175,661	$ 2,658,443	$ 1,356,449	$ 628,724	$ 42,247,282	$ 1,374,693	$ 67,441,252
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 1,921,673	$ 721,918	$ 447	$ 215	$ 543,833	$ 178,138	$ 3,366,224
Contracts and Retainage Payable	-	-	-	-	4,198	-	4,198
Interfund Payable	-	585,000	-	-	-	233,715	818,715
Accrued Interest	-	-	32,388	-	-	-	32,388
Intergovernmental Payable	14,985	-	-	-	-	-	14,985
Customer Deposits	12,895	29,083	-	-	-	-	41,978
Deferred Revenue	3,246,710	8,573	88,887	-	-	1,650	3,345,820
Total Liabilities	5,196,263	1,344,574	121,722	215	548,031	413,503	7,624,308
Fund Balances:							
Nonspendable							
Inventories	44,486	-	-	-	-	-	44,486
Prepaid Items	291,424	-	-	-	-	-	291,424
Restricted							
Debt service	-	-	1,234,727	-	-	-	1,234,727
Promotion of Tourism and Hotel Industry	-	1,313,869	-	628,509	-	-	1,942,378
Capital Projects	-	-	-	-	41,699,251	17,174	41,716,425
Child safety	-	-	-	-	-	93,472	93,472
Justice administration	-	-	-	-	-	30,635	30,635
Court Technology	-	-	-	-	-	74,895	74,895
Building Security	-	-	-	-	-	64,742	64,742
Court Security	-	-		-	-	22,235	22,235
Committed							
Economic development	-	-	-	-	-	664,401	664,401
Assigned							
Other purposes	-		-	-	-	-	-
Unassigned	13,643,488	-	-	-	-	(6,364)	13,637,124
Total Fund Balance	13,979,398	1,313,869	1,234,727	628,509	41,699,251	961,190	59,816,944
Total Liabilities and Fund Balance	$ 19,175,661	$ 2,658,443	$ 1,356,449	$ 628,724	$ 42,247,282	$ 1,374,693	$ 67,441,252

See accompanying notes to 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, 2013

Total Fund Balances - Governmental Funds	$	59,816,944
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 assets. The effect of this consolidation is to increase net assets.		9,379,057
Capital assets used in governmental activities, including infrastructure and developer contributions, are not financial resources and therefore are not reported in fund financial statements. Capital assets of $165,669,868, net of accumulated depreciation of $95,511,204, exclusive of the capital assets of internal service funds with a net carrying value of $3,031,606, included above increased net assets in the government-wide financial statements.		165,669,868
Debt issue costs have been reflected net of amortization in the government-wide financial statements.		512,187
Bonds payable, contractual obligations, and related premium and deferred refunding amounts have not been included in the fund financial statements.		(83,855,981)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		(882,375)
Net OPEB obligation is not reflected in the fund financial statements.		(414,785)
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 assets.		(419,192)
Revenue from property taxes, sales taxes, franchise fees, court bonds, ambulance billing, and intergovernmental grants is deferred 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.		3,345,820
Net Position of Governmental Activities	$	153,151,543

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2013

	General	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental
REVENUES:							
Ad Valorem Taxes	$ 10,480,308	$ -	$ 6,867,590	$ -	$ -	$ 700,100	$ 18,047,998
Non-Property Taxes	13,029,712	4,575,083	-	-	-	-	17,604,795
Franchise Fees	2,695,073	-	-	-	-	-	2,695,073
Licenses and Permits	886,423	-	-	-	-	-	886,423
Intergovernmental	-	-	-	-	-	73,578	73,578
Service Fees	1,469,715	1,469,891	-	-	-	-	2,939,606
Fines and Forfeitures	959,684	-	-	-	-	122,431	1,082,115
Earnings on Investments	3,790	5,164	6,502	1,485	102,004	3,224	122,169
Rental Charges	243,958	875,779	-	-	-	-	1,119,737
Recycling Proceeds	25,539	-	-	-	-	-	25,539
Other	35,715	44,272	25,573	-	-	243	105,803
Total Revenues	29,829,917	6,970,189	6,899,665	1,485	102,004	899,576	44,702,836
EXPENDITURES:							
Current:							
General Government	6,347,191	-	-	-	-	23,864	6,371,055
Public Safety	14,878,938	-	-	-	-	66,903	14,945,841
Development Services	927,684	-	-	-	-	-	927,684
Streets	1,750,500	-	-	-	-	-	1,750,500
Parks and Recreation	4,316,689	-	-	-	-	-	4,316,689
Visitor Services	-	7,116,334	-	-	-	-	7,116,334
Municipal Court	-	-	-	-	-	53,112	53,112
Economic Development	-	-	-	-	-	624,014	624,014
Debt Service:							
Principal Retirement	-	-	4,101,161	600,000	-	-	4,701,161
Interest and Fiscal Charges	-	-	2,643,031	104,623	-	-	2,747,654
Bond issuance costs	-	-	-	-	-	-	-
Capital Projects:							
Administration:							
Supplies	-	-	-	-	80,660	-	80,660
Maintenance and Materials	-	-	-	-	3,946	-	3,946
Contractual Services					49		49
Other	-	-	-	-	138,236		138,236
Design and Engineering:							
Engineering and Contractual Services	-	-	-	-	2,165,012	-	2,165,012
Construction and Equipment	-	-	-	-	3,742,776	-	3,742,776
Total Expenditures	28,221,002	7,116,334	6,744,192	704,623	6,130,679	767,893	49,684,723
Excess/(Deficiency) of Revenues over Expenditures	1,608,915	(146,145)	155,473	(703,138)	(6,028,675)	131,683	(4,981,887)
OTHER FINANCING SOURCES/(USES):							
Transfers In	2,960	-	-	570,000	5,541	-	578,501
Transfers Out	(5,541)	(570,000)	-	-	-	(2,960)	(578,501)
Proceeds from bond issuance	-	-	-	-	7,790,000	-	7,790,000
Premium on issuance	-	-	-	-	292,493	-	292,493
Total Other Financing Sources/(Uses)	(2,581)	(570,000)	-	570,000	8,088,034	(2,960)	8,082,493
Net Change in Fund Balance	1,606,334	(716,145)	155,473	(133,138)	2,059,359	128,723	3,100,606
Fund Balances at Beginning of Year	12,373,064	2,030,014	1,079,254	761,647	39,639,892	708,360	56,592,231
Prior Period Adjustment	-	-	-	-	-	124,107	124,107
Fund Balances at End of Year	$ 13,979,398	$ 1,313,869	$ 1,234,727	$ 628,509	$ 41,699,251	$ 961,190	$ 59,816,944

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, 2013

Total Net Change in Fund Balances - Governmental Funds		$ 3,100,606
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 assets.		35,254
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. Developer contributions are recorded as capital contributions in the government-wide financial statements. The effect of removing the capital outlays and recording the developer contributions is to increase net assets.		4,501,828
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 assets.		(6,195,742)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net assets. The amortization of bond issuance costs, 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, expenses, and changes in fund balance. This amount represents the increase(decrease) in net assets of the following:		
Bond proceeds	(7,790,000)	
Bond repayments	4,701,161	
Debt issuance costs	81,253	
Bond premiums	(292,493)	
Bond discounts	56,983	
Amortization	63,011	(3,180,085)
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 assets.		(69,146)
The change in the net OPEB obligation is not shown in the fund financial statements. The effect of recording the increase in liability is to decrease net assets.		(28,242)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording the increase in accrued interest is to decrease net assets.		(169,049)
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.		96,725
Change in Net Position of Governmental Activities		$ (1,907,851)

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2013

	Budget Original	Budget Final	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Ad Valorem Taxes	$ 10,483,730	$ 10,483,730	$ 10,480,308	$ (3,422)
Non-Property Taxes	11,560,010	13,216,000	13,029,712	(186,288)
Franchise Fees	2,724,690	2,724,690	2,695,073	(29,617)
Licenses and Permits	724,490	784,490	886,423	101,933
Service Fees	1,436,010	1,436,010	1,469,715	33,705
Fines and Forfeitures	1,047,000	1,047,000	959,684	(87,316)
Earnings on Investments	5,000	5,000	3,790	(1,210)
Rental Charges	137,500	137,500	243,958	106,458
Recycling Proceeds	21,000	21,000	25,539	4,539
Other	26,730	71,730	35,715	(36,015)
Total Revenues	28,166,160	29,927,150	29,829,917	(97,233)
EXPENDITURES:				
General Government	6,965,520	7,030,520	6,347,191	683,329
Public Safety	15,004,000	15,111,290	14,878,938	232,352
Development Services	984,930	984,930	927,684	57,246
Streets	1,811,450	1,811,450	1,750,500	60,950
Parks and Recreation	4,781,600	4,781,600	4,316,689	464,911
Total Expenditures	29,547,500	29,719,790	28,221,002	1,498,788
Excess/(Deficiency) of Revenues over Expenditures	(1,381,340)	207,360	1,608,915	1,401,555
OTHER FINANCING SOURCES/(USES):				
Transfers In	50,000	-	2,960	2,960
Transfers Out	-	-	(5,541)	(5,541)
Net Change in Fund Balance	(1,331,340)	207,360	1,606,334	1,398,974
Fund Balances at Beginning of Year	12,373,064	12,373,064	12,373,064	-
Fund Balances at End of Year	$ 11,041,724	$ 12,580,424	$ 13,979,398	$ 1,398,974

Hotel Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2013

	Budget Original	Budget Final	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Hotel/Motel Occupancy Taxes	$ 4,200,000	$ 4,595,000	$ 4,575,083	$ (19,917)
Proceeds from Special Events	1,697,400	1,812,400	1,469,891	(342,509)
Conference Centre Rental	603,390	603,390	601,509	(1,881)
Theatre Centre Rental	70,000	70,000	58,647	(11,353)
Visitor Centre Rental	230,000	230,000	215,623	(14,377)
Earnings on Investments	5,000	5,000	5,164	164
Other	5,500	5,500	44,272	38,772
Total Revenues	6,811,290	7,321,290	6,970,189	(351,101)
EXPENDITURES:				
Visitor Services	1,008,600	1,008,600	967,711	40,889
Visit Addison	570,690	570,690	498,655	72,035
Conference Centre	1,041,840	1,690,840	1,626,644	64,196
Marketing	995,860	995,860	880,924	114,936
Special Events	2,522,430	2,631,330	2,646,869	(15,539)
Performing Arts	505,460	505,460	495,531	9,929
Total Expenditures	6,644,880	7,402,780	7,116,334	286,446
Excess/(Deficiency) of Revenues over Expenditures	166,410	(81,490)	(146,145)	(64,655)
OTHER FINANCING SOURCES/(USES):				
Transfer to Debt Service Fund	(620,000)	(570,000)	(570,000)	-
Net Change in Fund Balance	(453,590)	(651,490)	(716,145)	(64,655)
Fund Balances at Beginning of Year	2,030,014	2,030,014	2,030,014	-
Fund Balances at End of Year	$ 1,576,424	$ 1,378,524	$ 1,313,869	$ (64,655)

Proprietary Funds
Statement of Net Position
September 30, 2013

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Cash and Investments	$ 5,570,758	$ 4,055,484	$ 8,518,597	$ 18,144,839	$ 6,446,196
Interest Receivable	3,957	2,209	6,025	12,191	4,580
Accounts Receivable	442,148	2,088,737	244,715	2,775,600	-
Total Current Assets	6,016,863	6,146,430	8,769,337	20,932,630	6,450,776
Non-Current Assets:					
Deferred Charges	38,010	18,072	49,945	106,027	-
Capital Assets:					
Land	11,007,052	1,312,064	-	12,319,116	-
Buildings	1,637,209	8,050,067	-	9,687,276	-
Improvements other than Buildings	34,720,771	44,308,445	-	79,029,216	-
Machinery and Equipment	1,343,207	2,135,490	-	3,478,697	13,259,946
Accumulated Depreciation	(19,112,225)	(23,832,889)	-	(42,945,114)	(10,228,340)
Total Capital Assets, Net of Accumulated Depreciation	29,596,014	31,973,177	-	61,569,191	3,031,606
Construction in Progress	8,744,904	228,722	-	8,973,626	-
Net Property, Plant, and Equipment	38,340,918	32,201,899	-	70,542,817	3,031,606
Investment in Joint Venture	-	7,125,020	-	7,125,020	-
Total Assets	$ 44,395,791	$ 45,491,421	$ 8,819,282	$ 98,706,494	$ 9,482,382
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 575,887	$ 1,263,713	$ 96,757	$ 1,936,357	$ 103,325
Accrued Interest Payable	48,525	42,928	-	91,453	-
Current Compensated Absences Payable	-	7,301	-	7,301	-
Current Maturities of Bonds Payable	397,328	257,952	240,816	896,096	-
Intergovernmental Payable	24,088	-	-	24,088	-
Customer Deposits	182,351	772,211	-	954,562	-
Total Current Liabilities	1,228,179	2,344,105	337,573	3,909,857	103,325
Long-Term Debt, Net of Current Portion:					
Compensated Absences Payable	-	57,239	-	57,239	-
General Obligation Bonds and Certificates of Obligation Payable	5,018,378	7,443,539	7,310,950	19,772,867	-
Total Liabilities	6,246,557	9,844,883	7,648,523	23,739,963	103,325
NET POSITION:					
Invested in Capital Assets, Net of Related Debt	32,925,212	24,500,408	-	57,425,620	3,031,606
Unrestricted	5,224,022	11,146,130	1,170,759	17,540,911	6,347,451
Total Net Position	$ 38,149,234	$ 35,646,538	$ 1,170,759	$ 74,966,531	$ 9,379,057

See accomanying notes to basic financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended September 30, 2013

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	$ -	$ 5,935,142	$ -	$ 5,935,142	$ -
Sewer	-	4,760,166	-	4,760,166	-
Drainage	-	-	1,307,573	1,307,573	-
Penalties	-	88,090	-	88,090	-
Water and Sewer Taps and Other Fees	-	16,359	-	16,359	-
Fuel Flowage Fees	758,758	-	-	758,758	-
Customs Agent Fees	57,382	-	-	57,382	-
Rental Charges	3,665,520	-	-	3,665,520	-
Other Income	23,770	2,935	-	26,705	-
Department Contributions	-	-	-	-	1,335,000
Total Operating Revenues	4,505,430	10,802,692	1,307,573	16,615,695	1,335,000
OPERATING EXPENSES:					
Salaries and Fringe Benefits	389,488	1,321,529	12,521	1,723,538	-
Supplies	47,226	115,287	-	162,513	-
Maintenance and Materials	2,202,822	520,290	-	2,723,112	630
Contractual Services	796,949	665,418	70,266	1,532,633	440,278
Capital Outlay	-	-	-	-	-
Water Purchases	-	3,032,183	-	3,032,183	-
Wastewater Purchases	-	2,146,382	-	2,146,382	-
Total Operating Expenses (Excluding Depreciation)	3,436,485	7,801,089	82,787	11,320,361	440,908
Depreciation	1,588,988	1,166,161	-	2,755,149	934,419
Total Operating Expenses	5,025,473	8,967,250	82,787	14,075,510	1,375,327
OPERATING INCOME/LOSS	(520,043)	1,835,442	1,224,786	2,540,185	(40,327)
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income/(Expense)	6,830	(81,123)	3,029	(71,264)	16,387
Sale of Assets	3,911	22,144	-	26,055	59,194
Gain/(Loss) of the Joint Venture	-	(56,890)	-	(56,890)	-
Interest Expense	(127,473)	(382,834)	(62,872)	(573,179)	-
Amortization Expense	(499)	(159,583)	5,816	(154,266)	-
Fiscal Fees	-	(35,400)	-	(35,400)	-
Total Non-Operating Revenues/(Expenses)	(117,231)	(693,686)	(54,027)	(864,944)	75,581
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(637,274)	1,141,756	1,170,759	1,675,241	35,254
Capital Contributions	9,238,288	93,552	-	9,331,840	-
CHANGE IN NET POSITION	8,601,014	1,235,308	1,170,759	11,007,081	35,254
Net Position at Beginning of Year	29,548,220	34,411,230	-	63,959,450	9,343,803
Net Position at End of Year	$ 38,149,234	$ 35,646,538	$ 1,170,759	$ 74,966,531	$ 9,379,057

See accompanying notes to basic financial statements.

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	$ 4,464,541	$ 10,826,149	$ 1,062,858	$ 16,353,548	$ 1,335,000
Payments to Suppliers	(2,815,317)	(5,861,431)	(64,321)	(8,741,069)	(363,672)
Payments to Employees for Services	(389,488)	(1,321,529)	(12,521)	(1,723,538)	-
Net Cash Provided/(Used) by Operating Activities	1,259,736	3,643,189	986,016	5,888,941	971,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(308,985)	(825,327)	-	(1,134,312)	(1,263,741)
Proceeds from Certificates of Obligation and General Obligation Bonds	3,003,120	-	7,507,637	10,510,757	
Principal Paid on Certificates of Obligation and General Obligation Bonds	(290,000)	(2,953,358)	-	(3,243,358)	-
Interest Paid on Certificates of Obligation and General Obligation Bonds	(92,609)	(321,972)	27,940	(386,641)	-
Proceeds from Sale of Capital Assets	3,911	22,144	-	26,055	59,194
Fiscal Fees Related to Outstanding Debt	-	(35,400)	-	(35,400)	-
Net Cash Provided/(Used) by Capital and Related Financing Activities	2,315,437	(4,113,913)	7,535,577	5,737,101	(1,204,547)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	3,254	(82,452)	(2,996)	(82,194)	13,073
Net Cash Provided/(Used) by Investing Activities	3,254	(82,452)	(2,996)	(82,194)	13,073
Net Increase/(Decrease) in Cash and Cash Equivalents	3,578,427	(553,176)	8,518,597	11,543,848	(220,146)
Cash and Cash Equivalents, October 1	1,992,331	4,608,660	-	6,600,991	6,666,342
Cash and Cash Equivalents, September 30	$ 5,570,758	$ 4,055,484	$ 8,518,597	$ 18,144,839	$ 6,446,196
Reconciliation of Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	$ (520,043)	$ 1,835,442	$ 1,224,786	$ 2,540,185	$ (40,327)
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	1,588,988	1,166,161	-	2,755,149	934,419
Change in Assets and Liabilities:					
(Increase)/Decrease in Accounts Receivables	(61,024)	3,324	(244,715)	(302,415)	-
(Increase)/Decrease in Inventories	16	-	-	16	
(Increase)/Decrease in Prepaid Items	-	-	-	-	-
Increase/(Decrease) in Accounts Payable	231,664	618,129	5,945	855,738	77,236
Increase/(Decrease) in Customer Deposits	20,135	20,133	-	40,268	-
Net Cash Provided/(Used) by Operating Activities	$ 1,259,736	$ 3,643,189	$ 986,016	$ 5,888,941	$ 971,328
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	$ 9,238,288	$ 93,552	$ -	$ 9,331,840	$ -
Gain/(Loss) of Joint Venture	-	(56,890)	-	(56,890)	-
Net Non-Cash Items from Capital and Related Financing Activities	$ 9,238,288	$ 36,662	$ -	$ 9,274,950	$ -

See accompanying notes to the basic financial statements.

ADDISON

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NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 amended by an election on January 16, 1993. 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, 2013

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 and General Obligation Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. 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 accounts for the accumulation of resources to be used for the payment of principal and interest on the Hotel Occupancy Tax Revenue certificates of obligation.

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, 2013

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. In prior years, this fund was classified as an expendable trust fund.

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.

American Recovery and Reinvestment Act (ARRA) Grant Fund – The American Recovery and Reinvestment Act (ARRA) Grant Fund accounts for receipts and expenditures of ARRA grant monies. The Act requires the separation of ARRA funds from other grant monies.

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.

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 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 governmental 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 governmental 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, 2013

Private-sector standards of accounting and financial reporting issued after November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Assets, Liabilities, and Net Assets 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 value.

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 for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The Town considers quoted market price at September 30, 2013 to be the fair value of investments. The government investment pools, TexPool and TexSTAR, operate in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of pool shares.

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 licensing agreements and postage.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 one year or more.
- Original unit cost of the item should be $5,000 or greater and includes all costs enabling the item into operation, such as freight, installation, and accessories.
- The item should not be consumed, unduly altered, or materially reduced in value immediately by use.
- Bulk purchases of smaller equipment with a useful life of at least one year will be capitalized if the total amount of the purchase exceeds $25,000.

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 as 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 fair market 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 Town's liability for compensated absences increased $81,285 for a total liability of $946,914.

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is $9,405,418 of grants; $9,238,288 for improvements at the Addison Airport and $93,552 for utility related projects. Operating grants included $73,578 of funding for general government initiatives.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

7) 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 by a resolution by the Town Council, such as economic development funding

Assigned – Amounts intended to be used for specific purposes. The Town Council has delegated the responsibility to assign funds to the CFO or his designee. Assignments may occur subsequent to fiscal year end.

Unassigned – Amounts not contained in other classifications that can be used for any purpose

Governmental Funds 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 an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by City 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.

8) Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund fund balance 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 25 percent of budgeted expenditures.

9) Net Position

Net position represents the difference between assets and liabilities. 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 City 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:

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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.

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. Open encumbrances are reported as assignments of fund balance.

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

Budget Data – The budget amounts presented in the statements reflect original and amended budget amounts. During the fiscal year, several budget amendments were approved by the City Council. The most notable amendments are described in the remainder of this section. In the General Fund, Sales Tax revenue was increased $1,655,990 due to higher than expected sales in the Town, resulting in higher collection of sales tax revenue. Rental Income revenue was increased $60,000 due to the execution of a new lease with a local restaurant for Town owned property. The Combined Services budget was increased $25,000 to cover attorney fees resulting from normal operations. Police and Fire budgets were adjusted $41,730 and $65,560, relatively, for increased costs resulting from vehicle maintenance. Hotel Fund occupancy revenue was increased $395,000 for additional hotel occupancy tax. Also, special event revenue was increased $115,000. The special events budget was increased $108,900 primarily for increased security at Town events. The Conference Centre budget was increased $649,000 for the purchase of capital related items. The Parks Capital Project fund expenditures were increased $37,000 due to increase park projects. The 2012 Capital Project and 2013 Capital project funds revenues increased $85,000 and $8,082,493, respectively for interest income and bond proceeds. The 2012 Capital Project fund expenditures were increased $3,403,000 to recognize project expenses related to Belt Line Rd. and Vitruvian Park. Airport enterprise fund increased revenues and working capital $3,321,789 for bond proceeds and rental income. The Stormwater enterprise fund revenues and working capital were increased $8,702,481 to reflect additional revenue received and increased $65,000 in expenses for the operating costs.

Excess of Expenditures over Appropriations – For the year ended September 30, 2013, expenditures in the Hotel Fund, Special Event expenditures exceeded appropriations by $15,539 due to increased security for the events. Available fund balance was sufficient to provide for the excess expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the amounts will be expended the subsequent fiscal year.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town has five bank accounts: the Operating Account, Controlled Disbursement Account, Payroll Account, ACH/Wire Account, and Benefits 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 investment pool available for all funds. Each fund type's portion of this pool is reported on the Combined Balance Sheet as "Cash and Investments." The other demand accounts are reported in the same manner.

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, 2013. Included in Cash and Investments is $6,075 of petty cash. At year-end, the carrying amount of the Town's deposits was a debit balance of $1,494,806. The respective bank balance totaled $3,082,296. In addition, collateral with a market value of $5,507,733 was 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 investment pool.

External Investment Pools

The Town's pool investments as of September 30, 2013 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. and First Southwest Asset Management, Inc. serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMFAM provides investment management, fund accounting, transfer agency and custodial services, 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 fair value of the Town's position in the external investment pool is the same as the value of the pool shares.

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Investments

As of September 30, 2013, the Town held the following investments:

	Fair Value	Average Maturity (Days)
Agency Securities	$20,662,194	713
Commercial Paper	12,334,063	224
Certificate of Deposit	24,538,418	596
Total Investment in Securities	57,534,675	
TexStar	21,687,775	
TexPool	4,607,160	
Total Investment in Pools	26,294,935	1
Total Investments	$83,829,610	566

In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* the Town records investments at fair value. However, for investments with maturities of one year or less at time of purchase, the Town reports these investments at book value. The carrying value of the Town's investments at September 30, 2013 was $83,826,230, of which $48,628,997 had maturities of less than one year at time of purchase.

Interest Rate Risk – In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average days to maturity of its investment portfolio to 18 months (540 days).

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

a) 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.

b) Prime commercial paper with an original maturity of one hundred eighty 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.

    (1) At the time of purchase, the commercial paper must be rated by at least two of the above stated ratings agencies at the above stated minimum credit rating.
    (2) 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.
    (3) 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

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 270 days or less will be allowed.

c) 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.

d) 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 AAAm 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 current investments are Instrumentality Securities (70%) of which the Town’s portfolio is currently at 25%, Commercial Paper (30%) of which the Town’s portfolio is currently at 15%, Certificates of Deposit (30%) of which the Town’s portfolio is currently at 29%, and Local Government Investment Pools (40%) of which the Town’s portfolio is currently at 31%. The Town received a large deposit in September that was invested in the Local Government Investment Pool which put the Town over the limit for Local Government Investment Pool investments. The funds were reinvested in October to reallocate the investments.

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, 2012, upon which the fiscal year 2013 levy is based, was $3,134,894,878.

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, 2013 was $.58 per $100, of which $.3593 was allocated for general government and $.2207 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, 2013 were 98.9% 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

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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.

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 revenues and recognized as they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply. An allowance for uncollectible taxes, including principal and interest, is provided based on an analysis of historical trends. The allowance for uncollectible taxes at September 30, 2013 was $93,555.

C. Receivables

As of September 30, 2013, 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	$ 254,784	$ -	$ 124,487	$ -	$ -	$ 2,188	$ -	$ 381,459
Non-Property	2,586,467	354,446	-	-	-	-	-	2,940,913
Franchise Fees	510,028	-	-	-	-	-	-	510,028
Service Fees	1,325,915	-	-	-	-	-	-	1,325,915
Ambulance	298,004	-	-	-	-	-	-	298,004
Interest	9,725	1,487	928	446	30,697	819	4,580	48,682
Other	7,899	248,720	-	-	10,335	227,351	-	494,305
Gross Receivables	$4,992,822	$ 604,653	$ 125,415	$446	$41,032	$230,358	$ 4,580	$5,999,306
Less: Allowance for Uncollectibles	409,962	-	35,600	-	-	3,629	-	449,191
Net Receivables	$ 4,582,860	$ 604,653	$ 89,815	$ 446	$ 41,032	$ 226,729	$ 4,580	$ 5,550,115

The allowance for uncollectible accounts represents reserves for ambulance ($100,576), court warrants ($255,060), and property taxes ($93,555).

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

D. Capital Assets

Capital Asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	$ 66,233,099	$ -	$ -	$ -	$ 66,233,100
Construction in Progress	7,813,695	2,779,941	-	(5,691,645)	4,901,991
Total Capital Assets, not Depreciable	74,046,794	2,779,941	-	(5,691,645)	71,135,091
Capital Assets, Depreciable:					
Buildings	21,409,464	592,138	-	-	22,001,602
Improvements other than Buildings	158,653,799	324,264	-	5,691,645	164,669,708
Machinery and Equipment	14,649,538	2,069,225	(84,147)	-	16,634,616
Total Capital Assets, Depreciable	194,712,801	2,985,627	(84,147)	5,691,645	203,305,926
Less Accumulated Depreciation for:					
Buildings	(10,322,743)	(564,682)	-	-	(10,887,425)
Improvements other than Buildings	(76,837,673)	(5,429,001)	-	-	(82,266,674)
Machinery and Equipment	(11,533,113)	(1,136,478)	84,147	-	(12,585,444)
Total Accumulated Depreciation	(98,693,529)	(7,130,161)	84,147	-	(105,739,543)
Total Capital Assets, Depreciable, net	96,019,272	(4,144,534)	-	5,691,645	97,566,383
Governmental Activities Capital Assets, net	$ 170,066,066	$ (1,364,593)	$ -	$ -	$ 168,701,474
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	$ 10,277,084	$ 2,042,032	$ -	$ -	$ 12,319,116
Construction in Progress	9,451,410	7,710,474	-	(8,188,258)	8,973,626
Total Capital Assets, not Depreciable	19,728,494	9,752,506	-	(8,188,258)	21,292,743
Capital Assets, Depreciable:					
Buildings	3,114,952	251,161	-	6,321,162	9,687,275
Improvements other than Buildings	76,726,620	435,502	-	1,867,095	79,029,217
Machinery and Equipment	3,451,715	26,982	-	-	3,478,697
Total Capital Assets, Depreciable	83,293,287	713,645	-	8,188,257	92,195,189
Less Accumulated Depreciation for:					
Buildings	(1,708,986)	(128,022)	-	-	(1,837,008)
Improvements other than Buildings	(35,812,194)	(2,467,481)	-	-	(38,279,675)
Machinery and Equipment	(2,668,784)	(159,647)	-	-	(2,828,431)
Total Accumulated Depreciation	(40,189,964)	(2,755,150)	-	-	(42,945,114)
Total Capital Assets, Depreciable, net	43,103,323	(2,041,505)	-	8,188,257	49,250,075
Business-type Activities Capital Assets, net	$ 62,831,817	$ 7,711,000	$ -	$ -	$ 70,542,817

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

	Governmental Activities	Business-type Activities
General Government	$ 89,478	$ -
Public Safety	154,461	-
Development Services	1,406	-
Streets	4,496,359	-
Parks and Recreation	734,568	-
Visitor Services	719,470	-
IT Replacement	321,433	-
Capital Replacement	612,986	-
Airport Fund	-	1,588,988
Utility Fund	-	1,166,161
	$ 7,130,161	$ 2,755,150

The following tabulation presents the estimated significant commitment under unfinished capital construction contracts that are fully funded as of September 30, 2013:

Project	Estimated Commitments	Less Expenditures to Date	Total Unfinished Commitments
Governmental Activities			
Belt Line Road Underground Utilities	$ 10,800,000	$ 1,550,330	$ 9,249,670
Pedestrian Connectivity Improvements	3,500,000	150,177	3,349,823
	14,300,000	1,700,507	12,599,493
Business-type Activities			
Taxiway Alpha Reconstruction	$ 9,000,000	$ 7,767,149	$ 1,232,851
Engineered Materials Arresting System (EMAS)	2,700,000	43,000	2,657,000
	$ 26,000,000	$ 7,810,149	$ 3,889,851

E. Interlocal Sanitary Sewer Interceptor Agreement

The Town is party to an interlocal agreement, which establishes 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 $7,125,020, net of related debt, is included in Unrestricted Net Assets. 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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

F. Long-Term Debt

The long-term debt of the Town consisted of the following as of September 30, 2013:

	Governmental Activities	Business-type Activities
General Obligation Bonds Series of 2004		
A series of 2,139 bonds at $5,000 each dated August 15, 2004. The bonds were issued for the purpose of constructing an extension of Arapaho Road from Addison Road to Surveyor Road including construction of a bridge over Midway Road with related pedestrian walkways, for resurfacing Belt Line Road and for engineering and design of improvements to the Belt Line Road/Dallas Parkway intersection, and to pay costs associated with the issuance of the bonds. The bonds mature serially through 2018 with interest rates ranging from 3.5% to 4.5%. The bonds are callable at par plus accrued interest on or after February 15, 2015 in whole or in part in principal amounts of $5,000. Bonds and interest are payable from Ad Valorem taxes.	$ 765,000	$ -
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; FSA Insured		
Combination Tax and Revenue Certificates of Obligation Series of 2004		
A series of 880 bonds at $5,000 each dated November 15, 2004. The bonds were issued for the purpose of constructing improvements to and expanding the Addison Airport including improvements to runways, taxiways, lighting, drainage systems and facilities, the construction, design and engineering of a fuel farm, and to pay costs associated with the issuance of the certificates. The bonds mature serially through 2020 with interest rates ranging from 3.5% to 4.25%. The bonds are callable at par plus accrued interest on or after February 15, 2015 in whole or in part in principal amounts of $5,000. Bonds and interest are payable from Ad Valorem taxes.	-	2,395,000
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; MBIA Insured		
General Obligation Refunding and Improvement Bonds Series of 2005		
A series of 1,571 bonds at $5,000 each dated November 1, 2005. The bonds were issued to fund various public improvement projects up to $1,500,000 to include engineering and other professional services, refund the Town's outstanding General Obligation Bonds, Series 1995; Combination Tax and Revenue Certificates of Obligation, Series 1997; $4,335,000 of General Obligation Bonds, Series 2000; and costs of issuance associated with the sale of the bonds. The bonds mature serially through 2021 with interest rates ranging from 3.5% to 4.0%. The bonds are callable at par plus accrued interest on or after February 15, 2013 in whole or in part in principal amounts of $5,000. Bonds and interest are payable from Ad Valorem taxes.	1,880,000	-
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured		

NOTES TO FINANCIAL STATEMENTS
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	Governmental Activities	Business-type Activities
Combination Tax and Revenue Certificates of Obligation Series of 2008		
A series of 6,900 bonds at $5,000 each dated May 1, 2008. The bonds were issued for the purpose of constructing improvements to (i) water, sewer, drainage, park and streets including sidewalks, street lighting, landscaping, extensions and relocations, and acquisition of land and rights-of-way; (ii) acquisition and construction of a water tower; (iii) acquisition of land for street and other municipal purposes (collectively with items (i) and (ii)); and (iv) payment of professional services of attorneys, financial advisors and other professionals in connection with the issuance of the certificates. The bonds mature serially through 2033 with interest rates ranging from 4% to 5%. The bonds are callable at par value plus accrued interest on or after February 15, 2018 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.	24,863,153	7,696,847
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
General Obligation Refunding Bonds Series of 2011		
A series of 1,778 bonds at $5,000 each dated October 25, 2011. The bonds were issued to refund a portion of the Town's outstanding General Obligation Refunding Bonds, Series 2001, General Obligation Refund and Improvement Bonds, Series 2002 and Combination Tax and Revenue Certificates of Obligation, Series 2003; for interest savings, and costs of issuance associated with the sale of the bonds. The bonds mature serially through 2033 with interest rates ranging from 2.0% to 3.0%. The bonds are not callable. Bonds and interest are payable from a combination of Ad Valorem taxes and hotel occupancy taxes.	8,010,000	-
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

	Governmental Activities	Business-type Activities
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.	14,835,000	-
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
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 service; 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.	22,590,000	-
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 will be used to provide funds to (i) engineer, construct, improve, repairing, develop, extend and expand streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, included 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 of 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.	4,665,000	-
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
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	Governmental Activities	Business-type Activities
General Obligation Bonds Series 2013A (AMT)		
A series of 375 bonds at $5,000 each dated July 15, 2013. The bonds will be used 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	1,875,000	-
General Obligation Bonds Taxable Series 2013B		
A series of 250 bonds at $5,000 each dated July 15, 2013. The bonds, together with other available Town funds, will be used 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 Taxable Bonds. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	1,250,000	-
Combination Tax and Revenue Certificates of Obligation Series 2013		
A series of 2,037 bonds at $5,000 each dated July 15, 2013. The Certificates will be used 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	-	10,185,000
TOTAL LONG-TERM DEBT OUTSTANDING	$ 80,733,153	$ 20,276,847

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Changes in Long-Term Liabilities

A summary of long-term liability activity for the year ended September 30, 2013 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 36,725	$ 7,790	$ (3,480)	$ 41,035	$ 4,050
Premium on General Obligation Refunding Bonds	4,127	292	(280)	4,139	278
Discount on General Obligation Refunding Bonds	(405)	(57)	18	(444)	(18)
Deferred Loss on Refunding Amount on G.O. Bonds	(682)	-	108	(574)	(108)
Certificates of Obligation	40,919	-	(1,221)	39,698	1,036
Premium on Certificates of Obligation	22	-	(1)	21	1
Compensated Absences	814	882	(814)	882	67
Net OPEB Obligation	387	184	(155)	416	-
Long-Term Liabilities – Governmental Activities	$ 81,907	$ 9,091	$ (5,825)	$ 85,151	$ 5,506
Business-type Activities:					
General Obligation Bonds	$ 2,685	$ -	$ (2,685)	$ -	$ -
(Payable from utility system revenues)					
Discount on General Obligation Refunding Bonds	(28)	-	28	-	-
Deferred Loss on Refunding Amount on G.O. Bonds	(46)	-	46	-	-
Combination Tax and Revenue Certificates of Obligation	2,685	2,910	(290)	5,305	395
(Payable from levy of Ad Valorem tax)					
Premium on Combination Tax and Revenue C.O.	-	132	(3)	129	3
Discount on Combination Tax and Revenue C.O.		(19)	1	(18)	(1)
Combination Tax and Revenue Certificates of Obligation	7,891	-	(194)	7,697	259
(Payable from utility system revenues)					
Premium on Combination Tax and Revenue C.O.	5	-	-	5	1
Combination Tax and Revenue Certificates of Obligation	-	7,275	-	7,275	235
(Payable from storm water system revenues)					
Premium on Combination Tax and Revenue C.O.	-	330	(8)	321	7
Discount on Combination Tax and Revenue C.O.		(46)	1	(45)	(3)
Compensated Absences	52	65	(52)	65	7
Long-Term Liabilities – Business-type Activities	$ 13,244	$ 10,647	$ (3,156)	$ 20,734	$ 903

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 $1,234,727 available in the General Obligation Debt Service Fund to service the general obligation bonds.

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

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, 2013.

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.

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
General Obligation Bonds:				
2014	4,050,000	1,543,812	-	-
2015	4,210,000	1,391,583	-	-
2016	3,760,000	1,267,595	-	-
2017-2021	11,190,000	4,870,706	-	-
2022-2027	8,280,000	3,741,961	-	-
2028-2032	8,965,000	1,047,673	-	-
2033-2037	580,000	13,282	-	-
	41,035,000	13,876,612	-	-
Certificates of Obligation:				
2014	1,036,153	1,512,213	888,847	862,495
2015	1,068,152	1,474,026	956,848	799,054
2016	1,590,150	1,431,135	989,850	767,620
2017-2021	8,817,730	6,312,317	5,112,270	3,292,372
2022-2027	13,130,631	5,149,043	5,574,369	2,659,433
2028-2032	9,637,300	1,872,690	5,517,700	900,611
2033-2037	4,418,037	281,642	1,236,963	27,667
	39,698,153	18,033,066	20,276,847	9,309,252

G. Property Under Operating Leases

The Town leases land with a book value of $63,560 to tenants under non-cancelable lease agreements. The following is a schedule by year of minimum lease rental receipts as of September 30, 2013.

2014	2015	2016	2017	Thereafter	Total
$ 260,000	$ 260,000	$260,000	$220,000	$35,000	$ 1,035,000

H. Interfund Receivables, Payables, and Transfers

A summary of inter-fund receivables and payables at September 30, 2013 is as follows:

	Inter-fund Receivables:	
Inter-fund Payables:	General Fund	
Reimbursement Grant Fund	$ 233,715	Loan for grant expenditures, reimbursement expected in subsequent year
Hotel Fund	585,000	Loan for HVAC system reimbursement expected in subsequent year
Total	$ 818,715	

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Transfers between funds during the year ended September 30, 2013 were comprised of the following:

Fund	Transfers In	Transfers Out	Purpose of Transfer
Capital Project Fund	5,541	-	Close Fund
General Fund	-	5,541	Close Fund
General Fund	2,960	-	Close Fund
Grant Fund	-	2,960	Close Fund
Hotel Fund	-	570,000	For payment of debt service
Hotel Debt Service Fund	570,000	-	For payment of debt service
Total Transfers	$ 578,501	$ 578,501	

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 2012, 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 three 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. During fiscal year 2008, the one remaining claim met the stop-loss of $175,000, and the Town has no future liability for this claim.

The Town offers health benefits through one of two plans operated by Blue Cross Blue Shield. Employees may 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.

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

B. Employee's Retirement System

1) Pension Plan

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 833 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2012 TMRS 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.tmrs.org/publications.php

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Benefits depend upon the sum of the employee's contributions to the plan, with interest, 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 a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions. Beginning in 1994, the Town adopted on an annually repeating basis another type of monetary credit referred to as an updated service credit which is a theoretical amount 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 and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with 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

Funding Policy

Under the state law governing TMRS, the actuary annually determines the Town contribution rate on a calendar year basis. The rate for calendar year 2012 is 11.02%, and the rate for 2013 is 10.09%. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the Town matching percent, which are the obligation of the Town as of an employee's retirement date, not at the time the employee's contributions are made.

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Town to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the remainder of the plan's amortization period. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2013 valuation is effective for rates beginning January 2015).

Annual Pension Cost and Net Pension Obligation

The Town's annual pension cost of $1,763,244 was equal to the required contribution. As reflected in the schedule, the Town satisfied its requirements for all three years; therefore there is no net pension obligation.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

The analysis of funding progress, included as required supplementary information following the notes to the financial statements, presents multiyear trend information about the actuarial value of plan assets in relation to the actuarial accrued liability for benefits.

	Fiscal Year Ending September 30		
	2011	2012	2013
Annual Pension Cost	$ 2,328,673	$ 1,934,462	$ 1,763,244
Contributions Made	2,328,673	1,934,462	1,763,244
Net Pension Obligation (NPO) at End of Year	$ -	$ -	$ -
Contributions as a % of Annual Pension Cost	100%	100%	100%

Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 100.2% funded. The actuarial accrued liability for benefits was $94,730,798, and the actuarial value of assets was $94,883,851, resulting in an unfunded actuarial accrued liability (UAAL) of $(153,053). The covered payroll (annual payroll of active employees covered by the plan as of the valuation date) was $15,598,079, and the ratio of the UAAL to the covered payroll was (1)%.

Changes in Actuarial and Amortization Methods

Since its inception, TMRS used the traditional Unit Credit actuarial funding method. This method accounted for the liability accrued as of the valuation date but did not project the potential future liability of provisions adopted by a city. The Town, as well as the majority of cities participating in TMRS, had adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be “committed” benefits (or likely to be guaranteed); as such, at its December 8, 2007 meeting, the TMRS Board adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. For the December 31, 2007 valuation and subsequent annual valuations, the TMRS Board determined that the PUC method would be used.

In addition to the change in funding methods, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years unless a city requests that the period remain at 25 years. For cities with repeating features, these changes will likely result in higher required contributions and lower funded ratios.

To assist in this transition to higher rates, the Board also approved an optional eight-year phase-in period, which would allow cities the opportunity to increase their contributions gradually to their full, or required contribution, rate.

At its December 30, 2008 meeting, the City Council decided to withdraw the automatic repeating annuity increases to retirees, electing to approve these benefits on an ad hoc, or annual, basis in order to reduce the required contribution rate and improve funded status
.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

The City Council has approved annuity increases every calendar year since that decision.

	2010	2011	2012
Actuarial Assumptions:			
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	20.5 Yrs - Closed	13.5 Yrs -Closed	2.5 Yrs -Closed
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Inflation	3%	3%	3%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and - Service
Cost-of-Living Adjustments	2.1%	2.1%	0%

2) Postemployment Benefits

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. 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.

Funding Policy

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 2013 contribute $395 to $1,387 per month depending on coverage levels selected. In fiscal year 2013, total retiree contributions were $122,257 The Town contributions to the plan for fiscal year 2013, which are also equal to premiums paid in excess of premiums collected from retirees, were $8,027.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit (OPEB) cost (expense) for the health plan is calculated based on the annual required contribution (ARC) of the Town, an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the net OPEB obligation for 2013.

Annual Required Contribution	$ 182,254
Interest on OPEB Obligation	18,653
Adjustment to ARC	(17,282)
Annual OPEB Cost (Expense)	183,625
Contributions Made	(155,383)
Change in OPEB Obligation	28,242
Net OPEB Obligation (Asset) – Beginning of Year	386,542
Net OPEB Obligation (Asset) – End of Year	$ 414,784

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2013 and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Costs	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 177,978	$ 290,457*	163.2%	$ 351,990
2012	182,900	148,348	81.1%	386,542
2013	183,625	155,383	81.7%	414,784

* Employer contributions for the fiscal year ending September 30, 2011 includes historical implicit subsidies which were not reflected in prior years.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $2,003,539, none of which is funded. The covered payroll (annual payroll of active employees covered by the plan) was $15,598,079, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.8. Of the total actuarial accrued liability, $1,375,282 or 69% comprises the implied subsidy of health care for current retirees and active employees upon retirement. As noted previously, qualified retirees pay the blended cost of their health coverage, less the $150 monthly stipend. However, GASB 45 requires governments to report the "implicit rate subsidy" that is provided to retirees who remain with the health plan provided to employees. It is assumed by actuaries that the cost of health care increases with the age of the covered employee or retiree. Since the Town's health plan includes a blended rate that is the same for active employees and retirees, actuaries must estimate the amount the Town is subsidizing for retirees to pay the blended health plan premiums.

For example, the actuarial estimated monthly cost for a 40 year old male employee's health care benefit is $394.83. The estimate for a male employee or retiree who is 60 years old is $1,387.03. The difference in these costs not covered by the health plan premium is considered to be the "implicit rate subsidy."

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the trend of healthcare costs. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The analysis of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As the Town chose to not establish an irrevocable trust, plan assets will always be reported under GASB Statement 45 as zero. Because the majority of the actuarial accrued liability is the "implicit rate subsidy" of retiree blended health plan premiums, the Town believes that its actual health plan postemployment benefit will not significantly grow over time and will continue to fund these benefits on a pay-as-you-go method. Changes to how future healthcare benefits are funded on a national basis may cause the Town to reexamine this funding method.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the most recent valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions include a 4.5% investment rate of return (compounded annually net after investment expenses) and an annual healthcare cost trend of 7.5%, reduced by decrements to an ultimate rate of 4.5% after 9 years. Both rates include a 3% inflation assumption. The Town's unfunded actuarial accrued liability is being amortized as a level percent of active member payroll over an open period. The remaining amortization period at December 31, 2012 was 30 years.

C. Contingencies

As of September 30, 2013, litigation is pending with respect to matters arising in the normal course of the Town's operations. The Town's management is of the opinion that the settlement of the other pending litigation will not have a material adverse effect on the Town's financial statements.

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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2013

New Accounting Pronouncements

The GASB issued Statement No. 64, Accounting and Financial Reporting-for Derivative Instruments, which will be effective for periods beginning after June 15, 2011. The Statement clarifies the existing requirements for the termination of hedge accounting. This statement applies to all state and local governments and amends Statement 53, paragraphs 22d and 82. The Town has no derivative instruments. In the future, if there is a situation that applies to this Statement, the Town will account for it appropriately.

The GASB issued Statement No. 63, Accounting and Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which will be effective for periods beginning after December 15, 2011. The Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The Town will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which will be effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The Town will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which will be effective for periods beginning after December 15, 2012. The Statement reclassifies certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources. This statement applies to all state and local governmental entities. The Town will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 67, Financial Reporting for Pension Plans, which will be effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting of state and local governmental pension plans with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement applies to all state and governmental entities and amends Statements 25 and 50. The Town will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state-and governmental entities and replaces Statements 27 and 50. The Town will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

Required Supplementary Information

ADDISON

SM

REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System
Analysis of Funding Progress (Unaudited)
September 30, 2013

		(1)	(2)	(3) = (1)/(2)	(4) = (2) - (1)	(5)	(6) = (4)/(5)			
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Required Contributions	Actual Contributions	
2008	12/31/07	44,895,953	57,197,193	78.49%	12,301,240	14,455,362	85.10%	1,974,491	1,974,491	*
2008	12/31/07	44,895,953	67,325,269	66.69%	22,429,316	14,455,362	155.16%	1,974,491	1,974,491	*
2009	12/31/08	48,391,009	59,542,189	81.27%	11,151,180	16,237,145	68.68%	2,123,822	2,123,822	
2010	12/31/09	53,138,426	65,266,945	81.42%	12,128,519	16,810,483	72.15%	2,240,980	2,240,980	
2011	12/31/10	83,398,352	86,525,773	96.39%	3,127,421	16,680,756	18.75%	2,238,741	2,238,741	
2012	12/31/11	89,359,781	90,615,578	98.61%	1,255,797	15,787,262	7.95%	1,934,462	1,934,462	
2013	12/31/12	94,883,851	94,730,798	100.16%	(153,053)	15,598,079	-0.98%	1,763,244	1,763,244	

Six-year historical trend information is designed to provide information about the fund's progress made in accumulating sufficient assets to pay benefits when due for plan years 2008-2013. This information can be referred to in separately issued financial reports of the pension fund.

* For fiscal year 2008, the Town has presented two lines of information. Please see the Notes section of the CAFR for a brief explanation of the actuarial changes adopted by TMRS in calculating the Actuarial Accrued Liability (AAL). These changes became effective with the reporting period ending December 31, 2007. The first 2008 line presents the Actuarial Accrued Liability (AAL) using the old TMRS actuarial assumptions. The second 2008 line presents the Actuarial Accrued Liability (AAL) using the new TMRS actuarial assumptions.

REQUIRED SUPPLEMENTARY INFORMATION
Retiree Health Plan
Analysis of Funding Progress (Unaudited)
September 30, 2013

		(1)	(2)		(3) = (2) - (1)	(4)	(5) = (3)/(4)
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	12/31/08	$ -	$2,749,111	0.00%	$2,749,111	$15,764,082	17.44%
2011	12/31/10	-	$1,968,533	0.00%	1,968,533	15,557,784	12.65%
2013	12/31/12	-	$2,003,539	0.00%	2,003,539	15,598,079	12.84%

Note: Fiscal year 2009 was the first year the Town implemented GASB Statement No. 45.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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[Form of Bond Opinion]

[Date]

TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BONDS
TAX EXEMPT SERIES 2014

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

> TOWN OF ADDISON, TEXAS, GENERAL OBLIGATION BONDS, TAX-EXEMPT SERIES 2014, dated February 15, 2014, issued in the principal amount of $12,000,000.
>
> The Bonds mature and bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Town authorizing their issuance (the "Ordinance").

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Town and customary certificates of officers, agents and representatives of the Town and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Town;

(2) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Town, including the Bonds, does not exceed any constitutional, statutory or other limitations; and

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

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Town, the Town's financial advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Town, the Town's financial advisor and the underwriters, respectively, which we have not independently verified. In addition, we have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Town fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Town as the taxpayer. We observe that the Town has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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[Form of Bond Opinion]

[Date]
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2014 (AMT)

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

> TOWN OF ADDISON, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014 (AMT), dated February 15, 2014, issued in the principal amount of $2,145,000.
>
> The Bonds mature and bear interest and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Town authorizing their issuance (the "Ordinance"). The Bonds are not subject to redemption prior to maturity.

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Town, a sufficiency certificate (the "Sufficiency Certificate") of First Southwest Company, the Town's financial advisor, verifying the sufficiency of the deposit made with the paying agent (the "Paying Agent") for the outstanding obligations of the Town being refunded (the "Refunded Obligations") and customary certificates of officers, agents and representatives of the Town and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Town; and

(2) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Town, including the Bonds, does not exceed any constitutional, statutory or other limitations.

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the deposit of funds with the Paying Agent/Registrar for the Refunded Obligations, made in accordance with the Sufficiency Certificate, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor to the Paying Agent/Registrar for the Refunded Obligations.

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

IT IS OUR FURTHER OPINION THAT:

(3) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except for any period a Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” or a “related person” to such a “substantial user” of the facilities financed with proceeds of the Bonds; and

(4) The Bonds are “private activity bonds” under the Code, and interest on the Bonds is an item of tax preference that is includable in alternative minimum income for purposes of determining the alternative minimum income tax imposed on individuals and corporations.

In expressing the aforementioned opinions, we are relying on representations to be made by the Town, the Town’s financial advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Town, the Town’s financial advisor and the underwriters, respectively, which we have not independently verified. In addition, we have assumed continuing compliance with the covenants in the Ordinance relating to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event such representations are determined to be inaccurate or incomplete or the Town fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery regardless of the date on which the event causing such inclusion occurs.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

OWNERS OF THE BONDS should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Town as the taxpayer. We observe that the Town has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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[Form of Bond Opinion]

[Date]

TOWN OF ADDISON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2014

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

> TOWN OF ADDISON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014, dated February 15, 2014, issued in the principal amount of $7,565,000.
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Town authorizing their issuance (the "Ordinance").

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Town, customary certificates of officers, agents and representatives of the Town and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Certificate No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Town; and

(2) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Town, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Town’s Waterworks and Sewer System as provided in the Ordinance.

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

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Certificates is excludable from gross income for federal income tax purposes under existing law; and

(2) The Certificates are not “private activity bonds” within the meaning of the Code, and as such, interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Certificates may be included in the “adjusted current earnings” of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liabilities.

In providing such opinions, we have relied on representations of the Town, the Town’s financial advisor and the underwriters of the Certificates with respect to matters solely within the knowledge of the Town, the Town’s financial advisor and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Town fails to comply with the foregoing provisions of the Ordinance, interest on the Certificates could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Certificates).

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer. We observe that the Town has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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FirstSouthwest