

COMPREHENSIVE ANNUAL FINANCIAL REPORT



2015

2016



ADDISON

TOWN OF ADDISON, TEXAS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Town of Addison, Texas
Comprehensive Annual Financial Report

For the Year Ended September 30, 2016

City Council

Expiration of Term

Todd Meier, Mayor	May 2017
Bruce Arfsten, Mayor Pro Tempore	May 2017
Ivan Hughes, Deputy Mayor Pro Tempore	May 2017
Al Angell, Councilmember	May 2018
Jim Duffy, Councilmember	May 2018
Paul Walden, Councilmember	May 2018
Dale Wilcox, Councilmember	May 2017

City Manager

Wesley S. Pierson

**Prepared by the
Department of Finance**

Olivia Riley, CPA, CGMA, CFO
Amanda Turner, CPA, Controller
Ashley Boatright, Accounting Supervisor
Heather Claffey, Senior Accountant



Town of Addison, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

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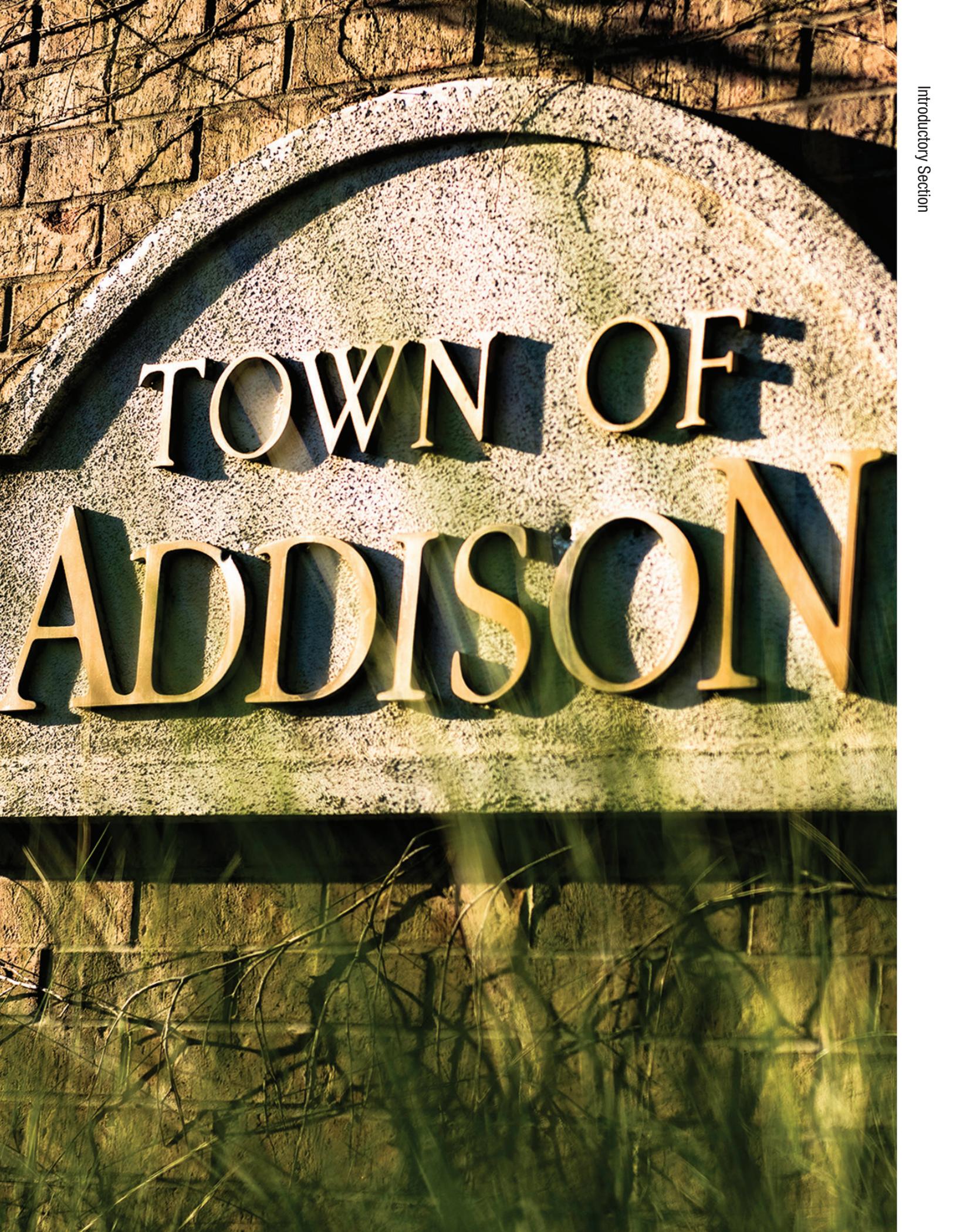
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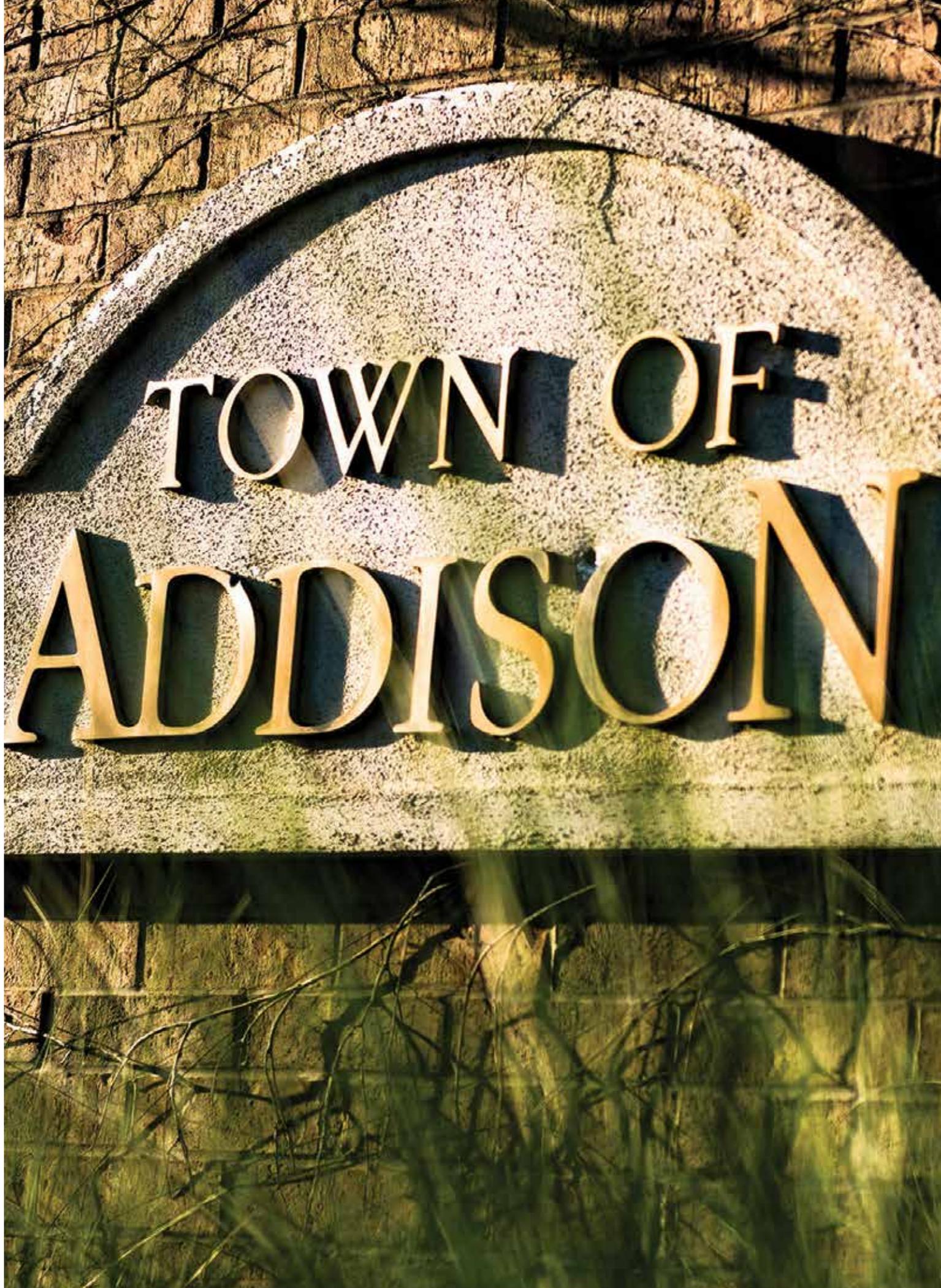
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A photograph of a stone archway set into a brick wall. The arch is filled with a light-colored, textured material. Mounted on the arch are the words "TOWN OF" on the top line and "ADDISON" on the bottom line in large, raised, gold-colored letters. The scene is lit from the side, creating strong shadows. Bare tree branches are visible in the foreground and background.

TOWN OF
ADDISON





March 8, 2017

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

I am pleased to submit the Comprehensive Annual Financial Report of the Town of Addison, Texas for the fiscal year ended September 30, 2016. The purpose of the report is to provide the City Council, management, staff, the public, and other interested parties with detailed information reflecting the Town's financial condition.

THE REPORT

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

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

The *Financial Section* contains the opinion of the Town's independent auditor. The Town of Addison's financial statements have been audited by BKD,LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Addison for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Addison's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

**CITY MANAGER'S
OFFICE**

P.O. Box 9010
Addison, TX 75001

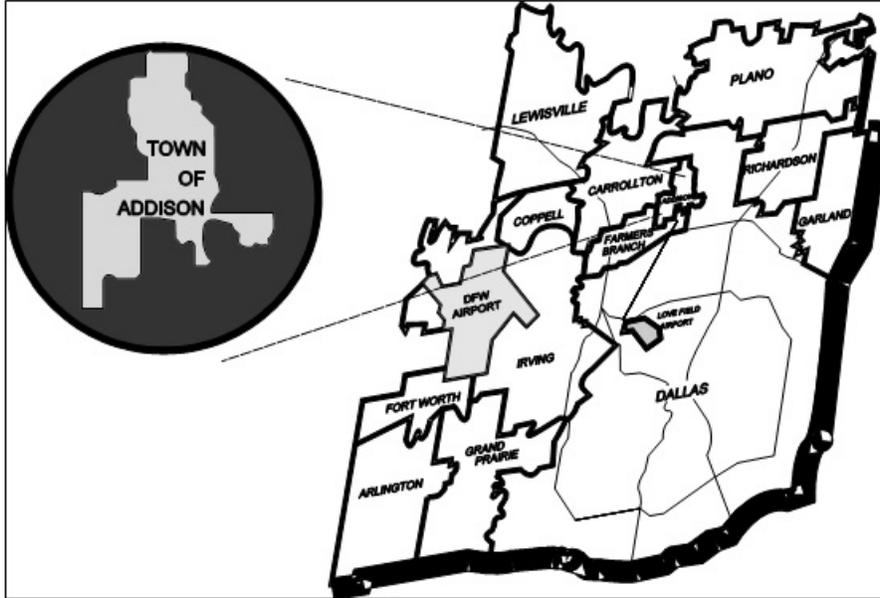
phone: 972.450.7001
fax: 972.450.7043

ADDISONTXAS.NET

IT ALL COMES
TOGETHER.

THE REPORTING ENTITY

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



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

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

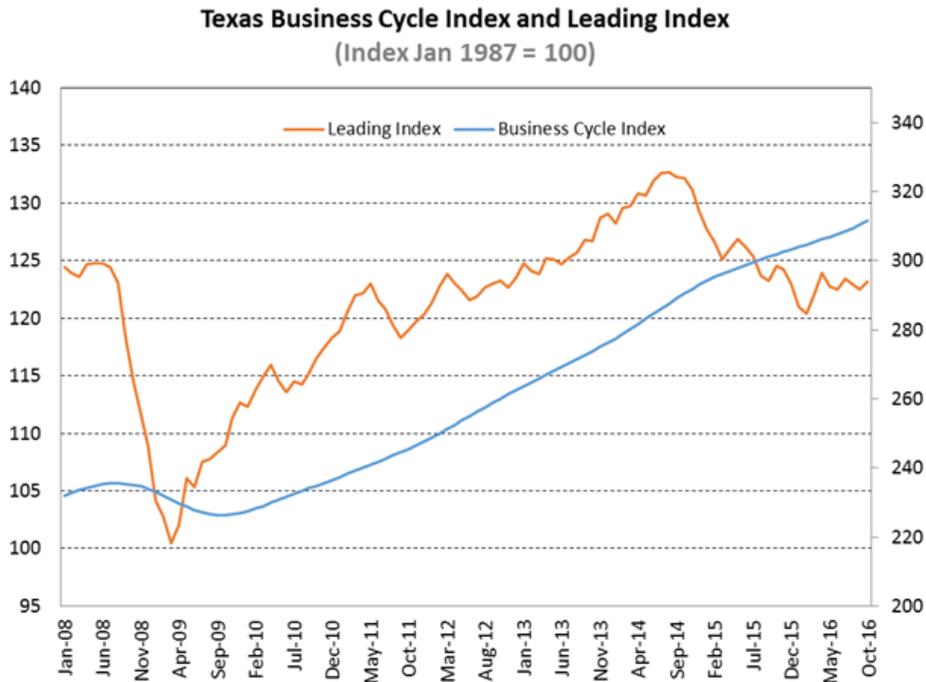
The annual budget of the Town of Addison serves as the foundation for the Town's financial planning and control. The budget is prepared by the City Manager and adopted by the City Council in accordance with policies and procedures established by the Town Charter and council ordinances. The appropriated budget is prepared and presented by fund, department (e.g. police) or function (e.g. debt service), and major cost category (e.g. personal services). All expenses of the Town are made in accordance with the adopted annual budget. The department level is the legal level of control enacted by the Town Charter. Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the City Manager and Chief Financial Officer provided that a department's total budget is not changed by more than five percent. Transfers between funds or transfers between departments that change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

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

FACTORS AFFECTING FINANCIAL CONDITION

Status of Local Economy

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



The United States unemployment rate continues to decline, with Texas faring better than the nation as a whole. Texas began fiscal year 2016 at 4.0% unemployment, reached as low as 3.5%, and ended the year at 4.1%, just below the U.S. rate of 4.9%.

Because Addison is densely developed with nearly 12 million square feet of office space distributed among 116 office buildings, much attention is given to the occupancy rates of buildings in Addison. At the end of September 2016, Addison's occupancy rate stood at 86.4 percent compared with the 85.3 percent recorded a year earlier. Addison's occupancy rate is 0.8% higher than the 85.6 percent average for all of the Dallas/Ft. Worth Area. (Source: CoStar Group)

The Town experienced a 6.5 percent increase in taxable property values for the 2016 certified levy compared to a 6.1 percent increase for the 2015 certified levy.

For the 2016 fiscal year, General Fund revenues of \$34.2 million represented an increase from \$32.1 million in fiscal year 2015. The property tax levy produced 40% of the total revenue available to the Town's General Fund for this year, while the sales tax revenue category produced 38%. The Town's sales tax receipts decreased 1.6 percent from fiscal year 2015, due to the loss of a major sales tax contributor. General Fund expenditures and transfers for the 2016 fiscal year totaled \$32.9 million. The General Fund ending fund balance increased by \$1.3 million to \$12.9 million, with an ending fund balance of 41% of General Fund operating expenditures. The primary reason for the increase was due to an increased property tax levy.

Long-Term Financial Planning

Users of this document as well as others interested in the programs and services offered by the Town of Addison are encouraged to read the Town's 2015-16 Annual Budget. The document details the Town's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the Town's capital improvement program. The Town's Annual Budget also includes long-term financial plans for the major operating funds that forecast revenues and expenditures over a five-year horizon. The plans are driven by financial policies adopted by the City Council that are designed to protect the Town's financial integrity. The policies include establishing significant fund balances, or reserves, to protect the Town from the boom/bust economic cycle common to the state and the region. The budget document can be obtained from the Town of Addison's Financial and Strategic Services Department by calling (972) 450-7051. The Annual Budget can also be accessed through the department's web site at http://addisontexas.net/index.php?section=finance-department_Addison-budget

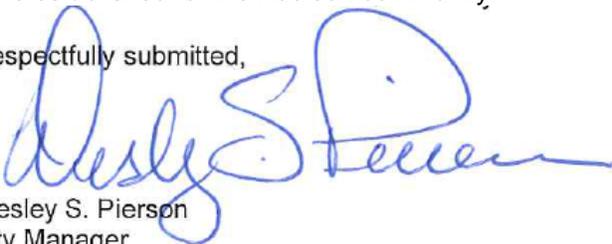
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town of Addison, Texas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. The *Certificate*, which is reproduced herein, is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a *Certificate of Achievement*, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The document must satisfy both generally accepted accounting principles and applicable legal requirements. A *Certificate of Achievement* is valid for a period of one year only. The Town of Addison has received a *Certificate* for the last 40 consecutive years. We believe our current report continues to conform to the *Certificate of Achievement* program requirements, and we are submitting it to GFOA for consideration.

In addition to the *Certificate*, the Town received GFOA's *Award for Distinguished Budget Presentation* for its fiscal year 2016 annual budget document. In order to qualify for the *Award*, the Town's budget document was judged to be proficient or exceptional in several categories including policy documentation, financial planning, and operations guide. The Town has received the *Award* for 29 consecutive years. Together, the *Award* and the *Certificate* are evidence of the Finance Department's dedication to producing documents that effectively communicate the Town's financial condition to elected officials, city administrators, and the general public.

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

Respectfully submitted,



Wesley S. Pierson
City Manager



Government Finance Officers Association

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

Presented to

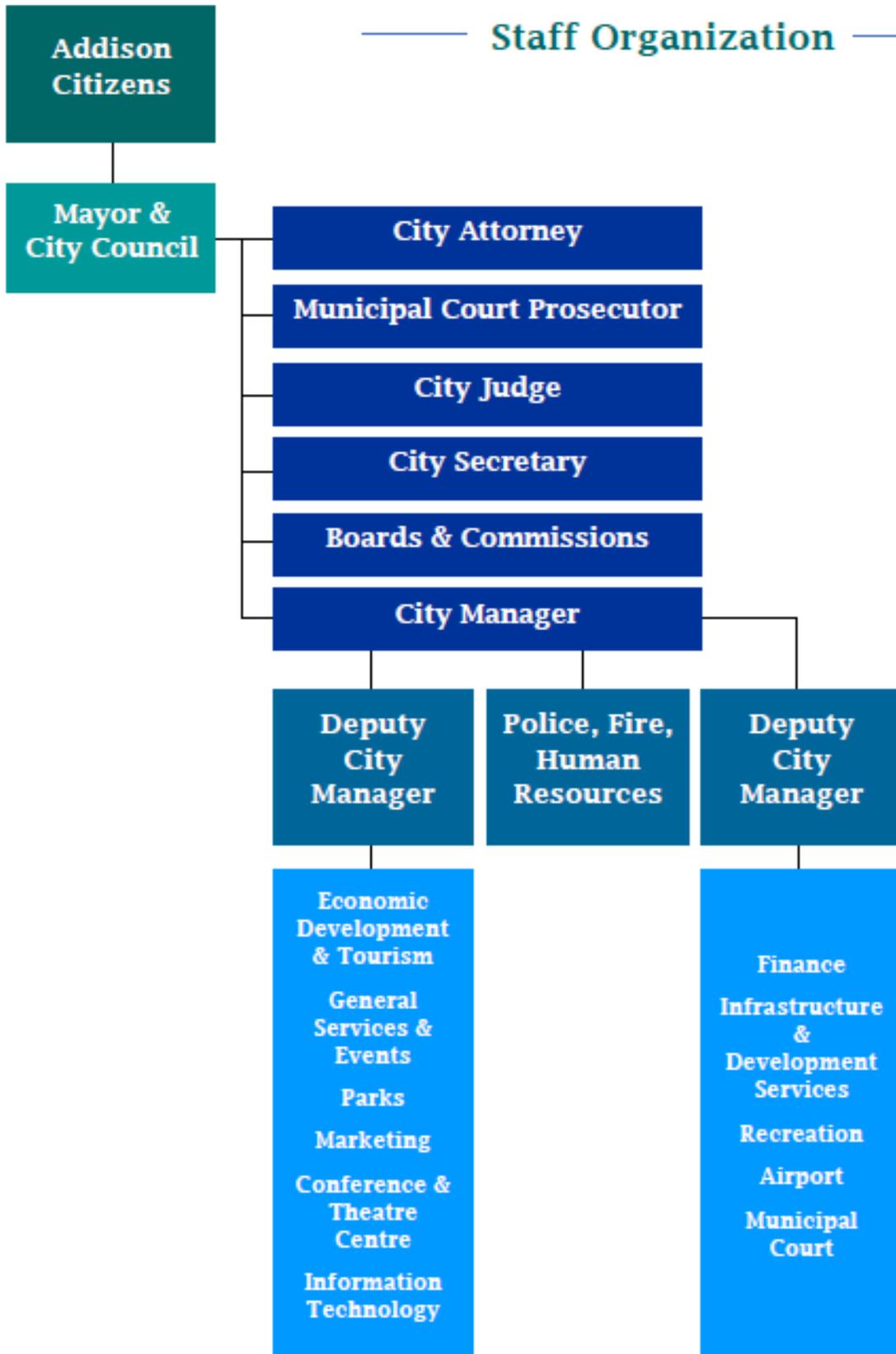
**Town of Addison
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

Staff Organization



Town of Addison
LIST OF PRINCIPAL OFFICIALS
September 30, 2016

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

Elected Officials

Mayor	Todd Meier	(972) 450-7000
Mayor Pro Tempore	Bruce Arfsten	(972) 450-7000
Deputy Mayor Pro Tempore	Ivan Hughes	(972) 450-7000
Council Member	Al Angell	(972) 450-7000
Council Member	Jim Duffy	(972) 450-7000
Council Member	Paul Walden	(972) 450-7000
Council Member	Dale Wilcox	(972) 450-7000

Town Management

City Manager	Wesley Pierson	(972) 450-7037
Deputy City Manager	Cheryl Delaney	(972) 450-7036
Deputy City Manager	Ashley Mitchell	(972) 450-7010
City Secretary	Laura Bell	(972) 450-7017
Director of Airport Administration	Joel Jenkinson	(972) 392-4855
Director of Economic Development & Tourism	Orlando Campos	(972) 450-7034
Chief Financial Officer	Olivia Riley	(972) 450-7050
Fire Chief	David Jones	(972) 450-7206
Director of General Services & Events	Mark Acevedo	(972) 450-2848
Director of Human Resources	Passion Hayes	(972) 450-2819
Director of Information Technology	Hamid Khaleghipour	(972) 450-2868
Director of Infrastructure and Development Services	Lisa Pyles	(972) 450-2878
Director of Parks and Recreation	Michael Kashuba	(972) 450-2831
Police Chief	Paul Spencer	(972) 450-7167
Director of Public Communications	Mary Rosenbleeth	(972) 450-7032







Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Addison, Texas (Town), as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Addison, Texas, as of September 30, 2016, and the respective changes in financial position and where applicable, cash flows, thereof 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, pension and other post-employment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual fund financial statements and schedules and introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
March 8, 2017

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, 2016. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the Town’s financial statements, which follow this section. **All amounts reported in this MD&A, unless otherwise indicated, are expressed in thousands of dollars (000's).**

Financial Highlights

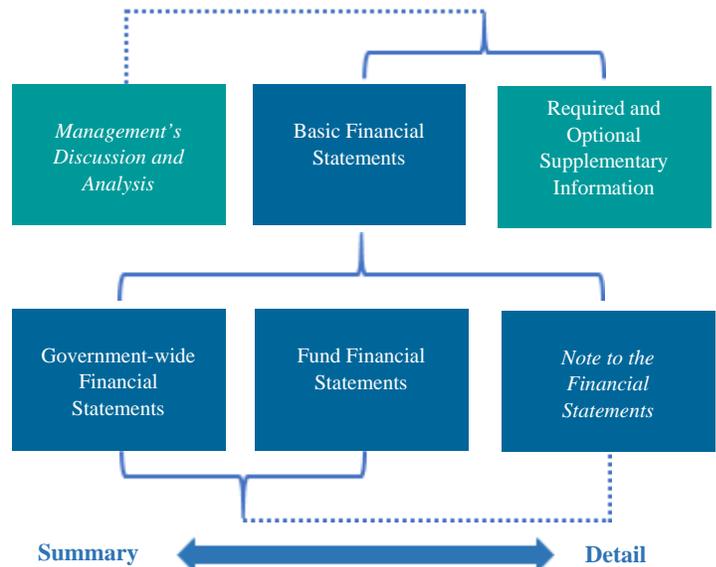
- The Town’s assets and deferred outflows of exceeded its liabilities and deferred inflows of resources at the close of the 2016 fiscal year by \$221,767. This amount represents an increase over the previous year of \$3,189. The increase is primarily the result of deferrals of debt refunding charges and pension expenses that will be recognized in future periods.
- As of September 30, 2016, the Town’s governmental funds reported combined ending fund balances of \$52,139, a decrease of \$4,781. The majority of the decrease is due to no debt issuance in 2016 with additional outlay for scheduled retirement of existing debt.
- At the end of the 2016 fiscal year, the fund balance for the General Fund was \$12,891, or 40.6 percent of total fund expenditures. Fund balance increased \$1,289 during the year.
- At year-end, the Town of Addison’s outstanding long-term liabilities totals \$134,932, an increase of \$2,464 from the previous year, which is attributed to the increase in net pension liability offset by 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 overall financial status.
- The fund financial statements focus on individual parts of Addison’s government, reporting the Town’s operations in more detail than the government-wide statements.
 - The *governmental funds statements* explain how general government services such as public safety were financed in the short-term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the government operates as business-like, such as the airport.

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



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

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

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Addison's finances in a manner similar to a private-sector business. These statements can be located on pages 20-21 of this document.

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

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

- *Governmental activities* – These are functions such as fire, police, and 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 used to maintain control over resources which have been segregated for specific activities or objectives. The Town of Addison, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as *governmental activities*. However, unlike the government-wide financial statements, governmental fund financial statements focus on **short-term** inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

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, Advanced Funding Grant Fund, Reimbursement Grant Fund and PEG Fees Fund, which are considered non-major funds and are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds – Services for which the Town charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The Town of Addison maintains two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its general aviation airport, storm water (drainage), and its utility (water and sewer) system.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its fleet of vehicles and its 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, utility system, and storm drainage system, all of which are considered to be major funds of the Town of Addison. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-62 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.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 68-77.

Government-wide Financial Analysis

As of the close of the 2016 fiscal year, the Town's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$221,767 (see Table A-1). Of this amount \$184,627, or 83 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 for the Town's long-term general obligation debt (\$661), promotion of tourism and hotel industry (\$3,870) and other restrictions (\$668). The remaining amount of net position is labeled as unrestricted and totals \$31,942. This amount is available to meet the Town's ongoing obligations to citizens and creditors.

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

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

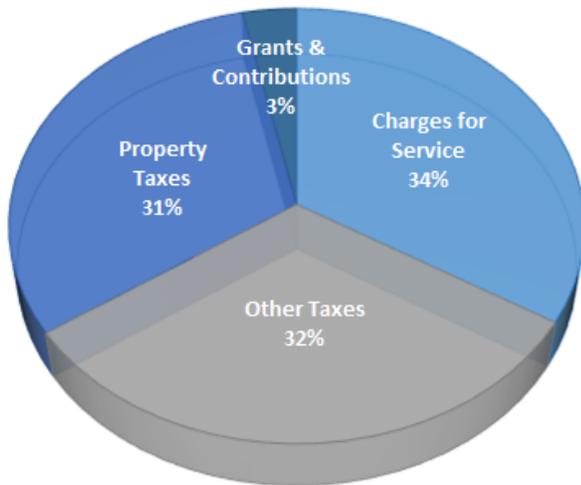
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and Other Assets	\$ 65,772	\$ 71,286	\$ 33,823	\$ 33,667	\$ 99,595	\$ 104,953
Capital Assets	172,235	168,887	83,263	83,156	255,498	252,043
Total Assets	238,007	240,173	117,086	116,823	355,093	356,996
Deferred Outflows of Resources:						
Deferred Charges	1,714	365	469	26	2,183	391
Def Outflows of Pensions-Contributions	1,376	2,458	85	143	1,461	2,601
Def Outflows of Pensions-Difference in Earnings	6,537	-	404	-	6,941	-
Def Outflows of Pensions-Assumption Changes	337	-	21	-	358	-
Total Deferred Outflows of Resources	9,964	2,823	979	169	10,943	2,992
Liabilities:						
Long-Term Liabilities Outstanding	107,613	104,672	27,318	27,796	134,931	132,468
Other Liabilities	4,628	5,451	3,204	2,724	7,832	8,175
Total Liabilities	112,241	110,123	30,522	30,520	142,763	140,643
Deferred Inflows of Resources:						
Deferred Inflows of Pensions	1,420	725	86	42	1,506	767
Total Deferred Inflows of Pensions	1,420	725	86	42	1,506	767
Net Position:						
Net Investment in Capital Assets	122,080	121,444	62,547	63,308	184,627	184,752
Restricted :						
Debt Service	661	555	-	-	661	555
Tourism/Hotel	3,870	2,529	-	-	3,870	2,529
Child Safety	98	191	-	-	98	191
Justice Administration	31	64	-	-	31	64
Court Technology	86	92	-	-	86	92
Building Security	64	177	-	-	64	177
Public Safety	34	25	-	-	34	25
Court Security	28	19	-	-	28	19
Other Purposes	327	-	-	-	327	-
Unrestricted	7,031	7,052	24,910	23,122	31,941	30,174
Total Net Position	\$ 134,310	\$ 132,148	\$ 87,457	\$ 86,430	\$ 221,767	\$ 218,578

As reflected in Table A-2, the Town's net position increased \$3,190 during the 2016 fiscal year.

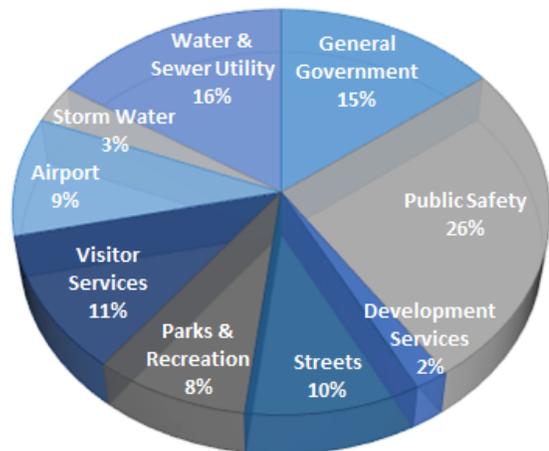
**Table A-2
Town of Addison's Changes in Net Position (000's)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,581	\$ 5,022	\$ 17,848	\$ 16,742	\$ 24,429	\$ 21,764
Capital Grants & Contributions	149	158	2,131	1,026	2,280	1,184
Operating Grants & Contributions	27	26	129	-	156	26
General Revenues:						
Property Taxes	22,593	20,385	-	-	22,593	20,385
Other Taxes	23,054	22,443	-	-	23,054	22,443
Other	898	773	288	614	1,186	1,387
Total Revenues	53,302	48,807	20,396	18,382	73,698	67,189
Expenses:						
General Government	10,015	8,731	-	-	10,015	8,731
Public Safety	17,529	16,821	-	-	17,529	16,821
Development Services	1,278	1,032	-	-	1,278	1,032
Streets	6,568	8,105	-	-	6,568	8,105
Parks & Recreation	5,796	5,517	-	-	5,796	5,517
Visitor Services	7,537	6,106	-	-	7,537	6,106
Interest and Fiscal Charges on Long-Term Debt	2,417	3,019	-	-	2,417	3,019
Airport	-	-	6,455	5,894	6,455	5,894
Storm water	-	-	2,092	848	2,092	848
Water & Sewer Utility	-	-	10,822	10,749	10,822	10,749
Total Expenses	51,140	49,331	19,369	17,491	70,509	66,822
Increase (decrease) in net position	2,162	(524)	1,027	891	3,189	367
	-	-	-	-	-	-
Change in Net Position	2,162	(524)	1,027	891	3,189	367
Net Position - Beginning	132,148	132,672	86,430	85,538	218,578	218,210
Net Position - Ending	\$ 134,310	\$ 132,148	\$ 87,457	\$ 86,430	\$ 221,767	\$ 218,578

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



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



Governmental Activities

Governmental activities increased the Town of Addison's net position by \$2,162 primarily due to the increase in revenues for 2016.

Business-Type Activities

The Town's business-type activities experienced a \$1,028 increase in net position with the Airport Fund recording an increase of \$1,119, while the Utility Fund posted an increase of \$25, and the Storm Water Fund a decrease of \$116. Of the Airport Fund's increase, \$1,905 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, 2016, the Town's governmental funds reported combined ending fund balances of \$52,139, a decrease of \$4,781 compared to balances a year earlier. Of the ending balance, \$12,765 or 24 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects (\$33,162), promotion of tourism and hotel industry (\$3,861), debt service (\$541) or *committed* for Economic Development (\$968). Components of the net decrease of total fund balance are:

- In the General Fund, expenditures and transfers out totaled \$32,868 compared to revenues of \$34,157. Revenues increased \$2,065 from the previous year. The increase was mainly due to receiving higher ad valorem taxes as a result of higher appraised value of property in Addison. Expenditures decreased \$(205) from the 2015 fiscal year. This decrease is primarily due to public safety (\$401) and general government expenditures (\$60).
- In the Hotel Fund, expenditures and transfers out to other funds totaled \$8,334 compared to revenues of \$9,680. Fund revenues increased \$2,168 from the previous year, due to an increase in non-property taxes. Expenditures increased \$1,622 from fiscal year 2015 due in large part to the change in reporting revenues and expenditures for special events as separate line items instead of revenues net of expenses, as previously reported.
- Capital project funds recorded a net decrease in fund balance of \$7,739, primarily due to ongoing expenditures for capital projects. Included in these funds is the Infrastructure Investment Fund with an ending fund balance of \$3,722 as of September 30, 2016. Other balances included are for capital projects funded with bond proceeds such as the 2012 and 2014 G.O. Bonds issued.

Proprietary funds - The Town of Addison's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Airport Fund at the end of the fiscal year amounted to \$4,479; the Utility Fund reported an unrestricted net position of \$16,420, while the Stormwater Fund reported an unrestricted net position of \$4,012.

General Fund Budgetary Highlights

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

- Revenues were amended to recognize increases in sales tax revenue \$400,000 and in mixed beverage tax revenue of \$200,000. In total, amendments resulted in a budget increase of \$600,000 in revenue and a decrease of \$150,000 in expenditures. Other allocations to various departments were made that did not result in a net change to appropriations.

The adjustments resulted in increasing budgeted revenue 1.8 percent and decreasing expenditures by 0.5 percent. \$750,000 was transferred to the Self-Funded Project Fund for future capital needs and \$327,000 was transferred to the PEG Fees Fund. The projected budgeted surplus from operations went from \$69,551 to \$819,550 between the original budget and the final amended budget.

The final actuals resulted in revenues of 0.6 percent higher than the revised budget, and expenditures 4.1 percent lower than the revised budget. The savings in expenditures resulted from lower than expected salary expenses due to vacancies, lower than expected expenses for the implementation of new software systems, and lower expenses than expected resulting from the outsourcing of public safety emergency communications.

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, 2016, totals \$255,498 (net of accumulated depreciation). This amount represents a \$3,455 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, Midway Road Revitalization, and Addison Road Rehabilitation. More information related to the Town's capital assets can be found in Sections; I, D, 4 and III, D of the Notes to Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 66,313	\$ 66,245	\$ 16,945	\$ 16,945	\$ 83,258	\$ 83,190
Intangible Assets	168	-	-	-	168	-
Buildings	9,419	9,993	8,222	8,435	17,641	18,428
Improvements other than Buildings	72,005	75,485	55,917	55,081	127,922	130,566
Machinery and Equipment	5,072	4,725	1,225	753	6,297	5,478
Construction in Progress	19,258	12,439	954	1,941	20,212	14,380
Total Capital Assets	\$ 172,235	\$ 168,887	\$ 83,263	\$ 83,155	\$ 255,498	\$ 252,042

Long-term debt – At the end of the 2016 fiscal year, the Town of Addison had total bonded debt outstanding of \$106,241 as detailed in Table A-4. The Town only issued refunding debt during 2016. The Town of Addison maintains an underlying bond rating of “AAA” from Standard & Poor’s and “Aa1” from Moody’s. Several of the Town’s outstanding debt issuances are insured. More information related to the Town’s long-term debt can be found in Section III, F of the Notes to Financial Statements.

**Table A-4
Town of Addison's Outstanding Debt (000's)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 65,165	\$ 48,157	\$ 8,122	\$ 1,805	\$ 73,287	\$ 49,962
Certificates of Obligation	15,643	37,514	17,311	24,543	32,954	62,057
Total Debt Outstanding	\$ 80,808	\$ 85,671	\$ 25,433	\$ 26,348	\$ 106,241	\$ 112,019

Economic Factors and Next Year’s Budget and Rates

The development of the Town's budget is guided by several factors including the Town's strategic plan and prevailing economic conditions. The fiscal year 2017 budget plan adopted by the City Council adheres to the Town's financial policies and preserves the Town's strong financial position while providing excellent levels of service. The annual budget is adopted within context of five-year financial plans for the General, Hotel, Airport, and Utility funds. The long-term financial plans project major operating revenues and categories of expenses. Changes in fund balances are monitored to ensure that the Town is in compliance with adopted fund balance policy.

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

Revenue assumptions in the General Fund are expected to take into consideration current economic indicators. Revenues, such as property tax revenue and sales tax revenue, are forecasted using both historical results and current trends. Certified taxable property values in Addison totaled \$4,302,982,597 for fiscal year 2017 which represented a 6.6 percent increase from the previous year. The property tax rate was decreased from \$0.579150 to \$0.560472 per \$100 appraised value. Of the 2017 budget tax rate, \$0.381213 was levied for operation/maintenance and \$0.179259 for debt service.

Sales tax collections for the Town were conservatively budgeted due to the loss of a major sales tax contributor from the amount collected in 2016. Sales tax collections were projected to increase 5.5% in the fiscal year 2017 from budget.

Hotel occupancy tax collections were budgeted to increase slightly by approximately 9.1% between fiscal year 2016 and fiscal year 2017.

Requests for Information

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

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





Town of Addison, Texas
Basic Financial Statements

Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 59,978,761	\$ 24,673,781	\$ 84,652,542
Receivables, Net of Allowances for Uncollectibles	4,832,016	2,421,146	7,253,162
Prepaid Items	135,517	-	135,517
Inventories, at Cost	41,001	-	41,001
Investment in Joint Venture	784,284	6,727,681	7,511,965
Capital Assets, Net of Accumulated Depreciation			
Land	66,312,844	16,945,437	83,258,281
Intangible Assets	168,177	-	168,177
Buildings	9,418,908	8,221,838	17,640,746
Improvements other than Buildings	72,004,828	55,917,351	127,922,179
Machinery and Equipment	5,071,765	1,224,711	6,296,476
Construction in Progress	<u>19,258,386</u>	<u>953,742</u>	<u>20,212,128</u>
Total Assets	<u>238,006,487</u>	<u>117,085,687</u>	<u>355,092,174</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	1,714,421	469,212	2,183,633
Deferred Outflows on Pensions-Contributions	1,376,290	85,364	1,461,654
Deferred Outflows on Pensions-Difference in Earnings	6,537,235	404,240	6,941,475
Deferred Outflows on Pensions-Assumption Changes	<u>336,636</u>	<u>21,055</u>	<u>357,691</u>
Total Deferred Outflows of Resources	<u>9,964,582</u>	<u>979,871</u>	<u>10,944,453</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	4,567,957	2,059,372	6,627,329
Customer Deposits	60,107	1,144,638	1,204,745
Long-Term Liabilities			
Due within One Year	5,734,061	1,374,169	7,108,230
Due in More Than One Year	<u>101,879,209</u>	<u>25,944,178</u>	<u>127,823,387</u>
Total Liabilities	<u>112,241,334</u>	<u>30,522,357</u>	<u>142,763,691</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	<u>1,419,895</u>	<u>85,585</u>	<u>1,505,480</u>
Total Deferred Inflows of Resources	<u>1,419,895</u>	<u>85,585</u>	<u>1,505,480</u>
NET POSITION			
Net Investment in Capital Assets	122,079,968	62,547,252	184,627,220
Restricted for:			
Debt Service	660,955	-	660,955
Promotion of Tourism and Hotel Industry	3,869,581	-	3,869,581
Child Safety	98,540	-	98,540
Justice Administration	30,952	-	30,952
Court Technology	86,147	-	86,147
Building Security	63,655	-	63,655
Court Security	28,125	-	28,125
Public Safety	33,694	-	33,694
Other Purposes	327,000	-	327,000
Unrestricted	<u>7,031,223</u>	<u>24,910,364</u>	<u>31,941,587</u>
Total Net Position	<u>\$ 134,309,840</u>	<u>\$ 87,457,616</u>	<u>\$ 221,767,456</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Statement of Activities
Year Ended September 30, 2016

Functions/Programs	Program Revenues				Net (Expense)/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 10,015,214	\$ 753,062	\$ -	\$ -	\$ (9,262,152)	\$ -	\$ (9,262,152)
Public Safety	17,528,619	1,070,517	27,472	-	(16,430,630)	-	(16,430,630)
Development Services	1,278,232	774,364	-	-	(503,868)	-	(503,868)
Streets	6,567,732	375,564	-	148,518	(6,043,650)	-	(6,043,650)
Parks and Recreation	5,796,136	74,719	-	-	(5,721,417)	-	(5,721,417)
Visitor Services	7,537,477	3,532,634	-	-	(4,004,843)	-	(4,004,843)
Interest on Long-Term Debt	2,417,435	-	-	-	(2,417,435)	-	(2,417,435)
Total Governmental Activities	51,140,845	6,580,860	27,472	148,518	(44,383,995)	-	(44,383,995)
Business-Type Activities:							
Airport	6,454,693	5,387,660	129,093	1,904,723	-	966,783	966,783
Utilities	10,821,202	10,576,707	-	194,053	-	(50,442)	(50,442)
Stormwater	2,092,187	1,883,841	-	31,825	-	(176,521)	(176,521)
Total Business-Type Activities	19,368,082	17,848,208	129,093	2,130,601	-	739,820	739,820
Total Primary Government	\$ 70,508,927	\$ 24,429,068	\$ 156,565	\$ 2,279,119	(44,383,995)	739,820	(43,644,175)
GENERAL REVENUES							
Taxes							
Property Taxes, Levied for General Purposes					22,593,188	-	22,593,188
Sales Taxes					13,847,507	-	13,847,507
Franchise Taxes					3,074,519	-	3,074,519
Hotel/Motel Taxes					6,132,432	-	6,132,432
Interest on Investments					316,288	151,937	468,225
Miscellaneous					581,628	135,897	717,525
Total General Revenues					46,545,562	287,834	46,833,396
Change in Net Position					2,161,567	1,027,654	3,189,221
NET POSITION, Beginning of Year					132,148,273	86,429,962	218,578,235
NET POSITION, End of Year					\$ 134,309,840	\$ 87,457,616	\$ 221,767,456

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Balance Sheet
September 30, 2016

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments	\$ 13,229,378	\$ 3,428,236	\$ 540,658	\$ 489,676	\$ 34,324,258	\$ 1,768,667	\$ 53,780,873
Receivables:							
Ad Valorem Taxes, Including Interest and Penalties, Net	213,326	-	129,567	-	2,184	13,270	358,347
Non-Property Taxes	2,598,379	542,564	-	-	-	-	3,140,943
Franchise Fees	317,604	-	-	-	-	-	317,604
Service Fees, Net	436,849	-	-	-	-	-	436,849
Ambulance, Net	429,391	-	-	-	-	-	429,391
Interest	16,261	3,737	1,476	418	34,761	1,466	58,119
Other	4,221	18,042	-	-	62,311	-	84,574
Interfund	293,000	-	-	-	-	-	293,000
Prepaid Items	84,681	15,500	-	-	-	35,336	135,517
Inventories, At Cost	41,001	-	-	-	-	-	41,001
Total Assets	\$ 17,664,091	\$ 4,008,079	\$ 671,701	\$ 490,094	\$ 34,423,514	\$ 1,818,739	\$ 59,076,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 2,521,441	\$ 267,006	\$ 1,060	\$ -	\$ 1,259,037	\$ 134,836	\$ 4,183,380
Interfund Payable	-	293,000	-	-	-	-	293,000
Intergovernmental Payable	7,215	1,159	-	-	-	-	8,374
Customer Deposits	2,399	57,708	-	-	-	-	60,107
Total Liabilities	2,531,055	618,873	1,060	-	1,259,037	134,836	4,544,861
Deferred Inflows of Resources:							
Unavailable Resources	2,242,237	2,792	129,567	-	2,184	15,449	2,392,229
Total Deferred Inflows of Resources	2,242,237	2,792	129,567	-	2,184	15,449	2,392,229
Fund Balances:							
Nonspendable							
Inventories	41,001	-	-	-	-	-	41,001
Prepaid Items	84,681	15,500	-	-	-	35,336	135,517
Restricted							
Debt Service	-	-	541,074	-	-	-	541,074
Promotion of Tourism and Hotel Industry	-	3,370,914	-	490,094	-	-	3,861,008
Capital Projects	-	-	-	-	33,162,293	-	33,162,293
Restricted - Child Safety	-	-	-	-	-	98,540	98,540
Justice Administration	-	-	-	-	-	30,952	30,952
Court Technology	-	-	-	-	-	86,147	86,147
Building Security	-	-	-	-	-	63,655	63,655
Court Security	-	-	-	-	-	28,125	28,125
Public Safety	-	-	-	-	-	30,521	30,521
Other Purposes	-	-	-	-	-	327,000	327,000
Committed							
Economic Development	-	-	-	-	-	968,178	968,178
Unassigned	12,765,117	-	-	-	-	-	12,765,117
Total Fund Balance	12,890,799	3,386,414	541,074	490,094	33,162,293	1,668,454	52,139,128
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 17,664,091	\$ 4,008,079	\$ 671,701	\$ 490,094	\$ 34,423,514	\$ 1,818,739	\$ 59,076,218

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
Year Ended September 30, 2016**

Total Fund Balances - Governmental Funds	\$	52,139,128
<p>The Town uses internal service funds to charge the costs of certain activities such as replacement of capital assets and information technology to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position. The effect of this consolidation is to increase net position.</p>		
		11,215,550
<p>Capital assets used in governmental activities, including infrastructure and developer contributions, are not financial resources and therefore are not reported in fund financial statements. Capital assets of \$167,208,804, net of accumulated depreciation of \$115,064,816, exclusive of the capital assets of internal service funds with a net carrying value of \$ 5,026,102 , included above, increased net position in the government-wide financial statements.</p>		
		167,208,804
<p>Investments in Joint Venture are not financial resources and are not reported in the fund financial statements. Investments in Joint Venture of \$ 784,284 increased net position in the government-wide financial statements.</p>		
		784,284
<p>Deferred losses on refundings of debt have been reflected net of amortization in the government-wide financial statements.</p>		
		1,714,421
<p>Bonds payable, contractual obligations, and related premium and discount amounts have not been included in the fund financial statements.</p>		
		(80,808,125)
<p>Accrued liabilities for compensated absences have not been reflected in the fund financial statements.</p>		
		(949,681)
<p>Net OPEB obligation is not reflected in the fund financial statements.</p>		
		(486,154)
<p>Deferred outflows on pension costs, net of amortization, are not reflected in fund financial statements</p>		
		8,250,161
<p>Deferred inflows on pension costs, net of amortization, are not reflected in fund financial statements</p>		
		(1,419,895)
<p>Net pension liability is not reflected in fund financial statements</p>		
		(25,369,312)
<p>Interest payable on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording accrued interest is to decrease net position.</p>		
		(361,570)
<p>Revenue from property taxes, sales taxes, franchise fees, court bonds, ambulance billing, and intergovernmental grants is a deferred inflow in the fund financial statements until it is considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide statements.</p>		
		2,392,229
Net Position of Governmental Activities	\$	134,309,840

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2016

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:							
Ad Valorem Taxes	\$ 13,476,268	\$ -	\$ 7,877,268	\$ -	\$ 241,448	\$ 964,020	\$ 22,559,004
Non-Property Taxes	14,043,484	6,138,213	-	-	-	-	20,181,697
Franchise Fees	3,074,519	-	-	-	-	-	3,074,519
Licenses and Permits	768,964	-	-	-	-	-	768,964
Intergovernmental	15,905	-	-	-	113,360	31,354	160,619
Service Fees	1,691,003	2,707,650	-	-	-	65,136	4,463,789
Fines and Forfeitures	554,393	-	-	-	-	48,318	602,711
Court Awards	-	-	-	-	-	571	571
Earnings on Investments	101,510	18,293	15,119	2,003	226,072	9,091	372,088
Rental Charges	231,877	718,079	-	-	-	-	949,956
Recycling Proceeds	2,426	-	-	-	-	-	2,426
Other	196,666	97,945	-	-	78,819	4,178	377,608
Total Revenues	34,157,015	9,680,180	7,892,387	2,003	659,699	1,122,668	53,513,952
EXPENDITURES:							
Current:							
General Government	7,593,648	-	4,936	-	-	-	7,598,584
Public Safety	16,277,101	-	-	-	-	24,438	16,301,539
Development Services	1,207,871	-	-	-	-	-	1,207,871
Streets	1,791,257	-	-	-	-	-	1,791,257
Parks and Recreation	4,906,200	-	-	-	-	6,255	4,912,455
Visitor Services	-	7,077,371	-	-	-	-	7,077,371
Municipal Court	-	-	-	-	-	17,610	17,610
Economic Development	-	-	-	-	-	1,349,920	1,349,920
Debt Service:							
Principal Retirement	-	-	5,140,150	660,001	-	-	5,800,151
Interest and Fiscal Charges	-	-	3,037,593	52,050	-	-	3,089,643
Capital Projects:							
Engineering and Contractual Services	-	-	-	-	62,647	-	62,647
Construction and Equipment	-	-	-	-	9,086,389	-	9,086,389
Total Expenditures	31,776,077	7,077,371	8,182,679	712,051	9,149,036	1,398,223	58,295,437
Excess/(Deficiency) of Revenues over Expenditures	2,380,938	2,602,809	(290,292)	(710,048)	(8,489,337)	(275,555)	(4,781,485)
OTHER FINANCING SOURCES/(USES):							
Transfers In	-	-	-	711,600	750,000	887,524	2,349,124
Transfers Out	(1,092,000)	(1,257,124)	-	-	-	-	(2,349,124)
Total Other Financing Sources/(Uses)	(1,092,000)	(1,257,124)	-	711,600	750,000	887,524	-
Net Change in Fund Balance	1,288,938	1,345,685	(290,292)	1,552	(7,739,337)	611,969	(4,781,485)
Fund Balances at Beginning of Year	11,601,861	2,040,729	831,366	488,542	40,901,630	1,056,485	56,920,613
Fund Balances at End of Year	\$ 12,890,799	\$ 3,386,414	\$ 541,074	\$ 490,094	\$ 33,162,293	\$ 1,668,454	\$ 52,139,128

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended September 30, 2016**

Total Net Change in Fund Balances - Governmental Funds \$ (4,781,485)

The Town uses internal service funds to charge the costs of certain activities such as replacement of capital assets and information technology to appropriate functions in other funds. The revenues and expenses of the internal service funds are included in governmental activities in the government-wide statement of activities. The effect of this consolidation is to increase net position. 777,211

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 grants and contributions in the government-wide financial statements. The effect of removing the capital outlays and recording the developer contributions is to increase net position. 9,416,797

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (6,558,322)

The Town's share of net income from Investment in Joint Venture is not reflected in fund financials 23,776

The issuance of long term debt increases the current financial resources of governmental funds while the repayment of the principal of long term debt consumes the current financial resources of governmental funds, but both have no effect on net position. The amortization of prepaid insurance associated with the issuance of long-term debt, bond premiums, bond discounts, and deferred gain/loss on refunding of long term debts is reported in the statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenditures, and changes in fund balance. This amount represents the increase(decrease) in net position of the following:

Advance Refunding Escrow	83,662	
Bond repayments	5,800,151	
Amortization	<u>329,006</u>	6,212,819

The change in compensated absences liability is not shown in the fund financial statements. The net effect of the current year's increase in liability is to decrease net position. (48,771)

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 position. (20,681)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording the decrease in accrued interest is to increase net position. 34,395

Increase in pension liability and amortization of pension costs decrease net position (2,638,237)

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. (255,935)

Change in Net Position of Governmental Activities **\$ 2,161,567**

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 13,963,710	\$ 13,963,710	\$ 13,476,268	\$ (487,442)
Non-Property Taxes	13,175,000	13,775,000	14,043,484	268,484
Franchise Fees	2,680,000	2,680,000	3,074,519	394,519
Licenses and Permits	820,200	820,200	768,964	(51,236)
Intergovernmental	15,906	15,906	15,905	(1)
Service Fees	1,580,400	1,580,400	1,691,003	110,603
Fines and Forfeitures	781,900	781,900	554,393	(227,507)
Earnings on Investments	30,000	30,000	101,510	71,510
Rental Charges	275,000	275,000	231,877	(43,123)
Recycling Proceeds	15,000	15,000	2,426	(12,574)
Other	30,000	30,000	196,666	166,666
Total Revenues	<u>33,367,116</u>	<u>33,967,116</u>	<u>34,157,015</u>	<u>189,899</u>
EXPENDITURES:				
General Government	8,089,115	7,946,115	7,593,648	352,467
Public Safety	16,647,862	16,577,862	16,277,101	300,761
Development Services	1,384,293	1,404,293	1,207,871	196,422
Streets	2,060,482	2,022,482	1,791,257	231,225
Parks and Recreation	5,115,813	5,196,814	4,906,200	290,614
Total Expenditures	<u>33,297,565</u>	<u>33,147,566</u>	<u>31,776,077</u>	<u>1,371,489</u>
Excess (deficiency) of revenues over expenditures	<u>69,551</u>	<u>819,550</u>	<u>2,380,938</u>	<u>1,561,388</u>
OTHER FINANCING SOURCES/(USES):				
Transfers Out	(15,000)	(1,092,000)	(1,092,000)	-
Total Other Financing Sources/(Uses)	<u>(15,000)</u>	<u>(1,092,000)</u>	<u>(1,092,000)</u>	<u>-</u>
Net Change in Fund Balance	54,551	(272,450)	1,288,938	1,561,388
Fund Balances at Beginning of Year	<u>11,601,861</u>	<u>11,601,861</u>	<u>11,601,861</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 11,656,412</u>	<u>\$ 11,329,411</u>	<u>\$ 12,890,799</u>	<u>\$ 1,561,388</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Hotel Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Hotel/Motel Occupancy Taxes	\$ 5,500,000	\$ 5,500,000	\$ 6,138,213	\$ 638,213
Proceeds from Special Events	2,038,217	3,395,817	2,707,650	(688,167)
Earnings on Investments	5,000	5,000	18,293	13,293
Rental Charges	752,290	752,290	718,079	(34,211)
Other	12,500	12,500	97,945	85,445
Total Revenues	<u>8,308,007</u>	<u>9,665,607</u>	<u>9,680,180</u>	<u>14,573</u>
EXPENDITURES:				
Visit Addison	400,000	400,000	331,854	68,146
Conference Centre	1,216,466	1,216,466	1,156,760	59,706
Marketing	970,715	970,715	813,446	157,269
Special Events	2,530,806	3,888,406	4,115,195	(226,789)
Performing Arts	581,385	581,385	569,491	11,894
General Hotel Operations	107,263	107,263	90,625	16,638
Total Expenditures	<u>5,806,635</u>	<u>7,164,235</u>	<u>7,077,371</u>	<u>86,864</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>2,501,372</u>	<u>2,501,372</u>	<u>2,602,809</u>	<u>101,437</u>
OTHER FINANCING SOURCES/(USES):				
Transfer to Debt Service Fund	(1,257,124)	(1,257,124)	(1,257,124)	-
Net Change in Fund Balance	1,244,248	1,244,248	1,345,685	101,437
Fund Balances at Beginning of Year	<u>2,040,729</u>	<u>2,040,729</u>	<u>2,040,729</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 3,284,977</u>	<u>\$ 3,284,977</u>	<u>\$ 3,386,414</u>	<u>\$ 101,437</u>

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Net Position
September 30, 2016

	Business Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Cash and Investments	\$ 4,934,804	\$ 10,473,723	\$ 9,265,254	\$ 24,673,781	\$ 6,197,888
Interest Receivable	4,673	10,898	9,565	25,136	6,189
Accounts Receivable, Net	90,447	2,019,214	286,349	2,396,010	-
Total Current Assets	5,029,924	12,503,835	9,561,168	27,094,927	6,204,077
Non-Current Assets:					
Capital Assets:					
Land	15,633,373	1,312,064	-	16,945,437	-
Buildings	2,600,302	8,069,661	-	10,669,963	-
Improvements other than Buildings	56,201,791	46,453,678	140,851	102,796,320	-
Machinery and Equipment	1,508,666	2,654,647	-	4,163,313	15,554,698
Accumulated Depreciation	(24,834,099)	(27,425,243)	(6,354)	(52,265,696)	(11,651,385)
Total Capital Assets, Net of Accumulated Depreciation	51,110,033	31,064,807	134,497	82,309,337	3,903,313
Construction in Progress	-	101,414	852,328	953,742	1,122,789
Net Property, Plant, and Equipment	51,110,033	31,166,221	986,825	83,263,079	5,026,102
Investment in Joint Venture	-	6,727,681	-	6,727,681	-
Total Assets	56,139,957	50,397,737	10,547,993	117,085,687	11,230,179
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charges on Refundings	20,440	448,772	-	469,212	-
Deferred Outflows on Pensions-Contributions	-	85,364	-	85,364	-
Deferred Outflows on Pensions-Difference in Earnings	-	404,240	-	404,240	-
Deferred Outflows on Pensions-Assumption Changes	-	21,055	-	21,055	-
Total Deferred Outflows of Resources	20,440	959,431	-	979,871	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 336,484	\$ 645,402	\$ 962,963	\$ 1,944,849	\$ 14,629
Accrued Interest Payable	16,233	62,626	34,002	112,861	-
Current Compensated Absences Payable	-	1,662	-	1,662	-
Current Maturities of Long-Term Debt	522,500	576,669	275,000	1,374,169	-
Customer Deposits	198,568	946,070	-	1,144,638	-
Total Current Liabilities	1,073,785	2,232,429	1,271,965	4,578,179	14,629
Non-Current Liabilities:					
Compensated Absences, Net of Current Portion	-	67,313	-	67,313	-
Long-Term Debt, Net of Current Portion	3,948,207	15,427,099	6,501,559	25,876,865	-
Total Liabilities	5,021,992	17,726,841	7,773,524	30,522,357	14,629
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows on Pensions	-	85,585	-	85,585	-
NET POSITION:					
Net Investment in Capital Assets	46,659,766	17,125,113	(1,237,627)	62,547,252	5,026,102
Unrestricted	4,478,639	16,419,629	4,012,096	24,910,364	6,189,448
Total Net Position	\$ 51,138,405	\$ 33,544,742	\$ 2,774,469	\$ 87,457,616	\$ 11,215,550

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2016

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	\$ -	\$ 6,056,506	\$ -	\$ 6,056,506	\$ -
Sewer	-	4,452,519	-	4,452,519	-
Drainage	-	-	1,885,773	1,885,773	-
Penalties	-	79,319	-	79,319	-
Water and Sewer Taps and Other Fees	-	25,275	-	25,275	-
Fuel Flowage Fees	828,240	-	-	828,240	-
Customs Agent Fees	120,990	-	-	120,990	-
Rental Charges	4,426,111	-	-	4,426,111	-
Other Income	257,170	570	-	257,740	-
Department Contributions	-	-	-	-	1,564,451
Total Operating Revenues	5,632,511	10,614,189	1,885,773	18,132,473	1,564,451
OPERATING EXPENSES:					
Salaries and Fringe Benefits	328,233	1,515,072	74,337	1,917,642	-
Supplies	9,350	129,354	4,662	143,366	9,750
Maintenance and Materials	3,077,502	424,651	18,954	3,521,107	-
Contractual Services	613,638	959,858	1,728,872	3,302,368	9,912
Water Purchases	-	3,458,701	-	3,458,701	-
Wastewater Purchases	-	2,543,156	-	2,543,156	-
Total Operating Expenses (Excluding Depreciation)	4,028,723	9,030,792	1,826,825	14,886,340	19,662
Depreciation	2,293,568	1,336,647	5,104	3,635,319	835,644
Total Operating Expenses	6,322,291	10,367,439	1,831,929	18,521,659	855,306
OPERATING INCOME/(LOSS)	(689,780)	246,750	53,844	(389,186)	709,145
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income/(Expense)	24,302	67,439	60,196	151,937	28,895
Sale of Assets	12,319	7,250	-	19,569	39,171
Gain/(Loss) on Joint Venture	-	(85,568)	-	(85,568)	-
Interest Expense and Fiscal Charges	(132,402)	(405,107)	(262,190)	(799,699)	-
Total Non-Operating Revenues/(Expenses)	(95,781)	(415,986)	(201,994)	(713,761)	68,066
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(785,561)	(169,236)	(148,150)	(1,102,947)	777,211
Capital Grants and Contributions	1,904,723	194,053	31,825	2,130,601	-
CHANGE IN NET POSITION	1,119,162	24,817	(116,325)	1,027,654	777,211
Net Position at Beginning of Year	50,019,243	33,519,925	2,890,794	86,429,962	10,438,339
Net Position at End of Year	\$ 51,138,405	\$ 33,544,742	\$ 2,774,469	\$ 87,457,616	\$ 11,215,550

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Airport	Utility	Stormwater	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 5,618,612	\$ 10,845,620	\$ 1,849,931	\$ 18,314,163	\$ 1,564,451
Payments to Suppliers	(3,849,865)	(7,549,497)	(1,011,716)	(12,411,078)	(24,207)
Payments to Employees for Services	(328,233)	(1,339,718)	(74,337)	(1,742,288)	-
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>1,440,514</u>	<u>1,956,405</u>	<u>763,878</u>	<u>4,160,797</u>	<u>1,540,244</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(15,845)	(861,334)	(715,346)	(1,592,525)	(1,333,981)
Principal Paid on Long-Term Debt	(517,499)	(549,850)	(270,000)	(1,337,349)	-
Interest and Fiscal Charges Paid on Long-Term Debt	(133,721)	(632,014)	(279,424)	(1,045,159)	-
Proceeds from Sale of Capital Assets	15,200	7,250	-	22,450	62,108
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(651,865)</u>	<u>(2,035,948)</u>	<u>(1,264,770)</u>	<u>(3,952,583)</u>	<u>(1,271,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	22,128	63,661	57,183	142,972	26,651
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>22,128</u>	<u>63,661</u>	<u>57,183</u>	<u>142,972</u>	<u>26,651</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	810,777	(15,882)	(443,709)	351,186	295,022
Cash and Cash Equivalents, October 1	4,124,027	10,489,605	9,708,963	24,322,595	5,902,866
Cash and Cash Equivalents, September 30	<u>\$ 4,934,804</u>	<u>\$ 10,473,723</u>	<u>\$ 9,265,254</u>	<u>\$ 24,673,781</u>	<u>\$ 6,197,888</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ (689,780)	\$ 246,750	\$ 53,844	\$ (389,186)	\$ 709,145
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	2,293,568	1,336,647	5,104	3,635,319	835,644
Change in Assets and Liabilities:					
(Increase)/Decrease in Accounts Receivables	(12,869)	(200,429)	(35,842)	(249,140)	-
Increase/(Decrease) in Accounts Payable	(149,375)	509,426	740,772	1,100,823	(4,545)
Increase/(Decrease) in Customer Deposits	(1,030)	64,011	-	62,981	-
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>\$ 1,440,514</u>	<u>\$ 1,956,405</u>	<u>\$ 763,878</u>	<u>\$ 4,160,797</u>	<u>\$ 1,540,244</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grants and Contributions	\$ 1,904,723	\$ 194,053	\$ 31,825	\$ 2,130,601	\$ -
Capital Assets in Accounts Payable	-	-	136,982	-	-
Gain/(Loss) of Joint Venture	-	(85,568)	-	(85,568)	-
<i>Net Non-Cash Items from Capital and Related Financing Activities</i>	<u>\$ 1,904,723</u>	<u>\$ 108,485</u>	<u>\$ 168,807</u>	<u>\$ 2,045,033</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.



NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation incorporated on June 15, 1953, under the Constitution of the State of Texas (Home Rule Amendment). The Town's charter was last amended in November 2010. The Town operates as a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the Town and its inhabitants.

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

B. Basic Financial Statements

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's airport and utility functions and various other functions of the Town, and charges of the internal service funds to the Airport and Utility funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the Town's enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major governmental funds:

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

Hotel Fund – The Hotel Fund is used to account for tax revenues received from local hotels. Expenditures must fall within the guidelines set forth in the Texas Hotel Occupancy Tax Act (Article 1269: Vernon's Texas Civil Statutes).

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

Hotel Debt Service Fund – The Hotel Debt Service Fund 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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

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

Additionally, the Town reports the following internal service funds:

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1) Cash and Investments

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

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

Investments in debt securities and money market mutual funds for the Town are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town considers quoted market price at September 30, 2016 to be the fair value of investments. Investments in nonnegotiable certificates of deposit are carried at cost. The government investment pools, TexPool and TexSTAR, operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the Town's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

2) Receivables and Payables

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

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

3) Inventories and Prepaid Items

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. The prepaid items of the Town consist primarily of prepaid software licensing agreements, health insurance premiums, and postage.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) Capital Assets

Capital assets include land, buildings, equipment, and improvements. Improvements include upgrading facilities other than buildings such as streets or sewers and infrastructure, including pavement, storm sewers, and

right-of-way contributed by developers. Capital expenditures are defined as purchases that meet specific guidelines as listed below:

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

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

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

5) Compensated Absences

Vacation, holiday, and sick pay costs are charged to operations when taken by the employees of the Town. In the event of termination, an employee is reimbursed for all accumulated vacation and holiday days not exceeding two years' accumulation. The amounts of such liabilities have been provided for in the government-wide financial statements. No reimbursements upon termination are made for accumulated sick leave; accordingly, no liability for unused sick leave has been provided. The Town's liability for compensated absences increased \$59,116 for a total liability of \$1,018,656.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is \$1,904,723 of capital contributions for improvements at the Addison Airport, \$148,518 for improvements at Vitruvian Park, and developer donations of \$194,053 for Utilities and \$31,825 for Stormwater. Operating grants included \$27,472 of funding for general government initiatives and \$129,093 for Airport operations.

7) Deferred Outflows/Inflows of Resources

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

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined as of the measurement period. In the governmental funds, unavailable resources are revenues that are earned and measurable but not yet available, and are reported as deferred inflows of resources. In the full accrual government-wide statements, the unavailable resources are recognized as revenue and not deferred.

8) Fund Equity

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

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The Town will utilize funds for expenditures from the most restrictive fund balance first when more than one fund balance classification is available.

9) Minimum Fund Balance Policy

It is the desire of the Town to maintain an adequate General 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.

10) Net Position

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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

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

- 5) Budgets for the General, Special Revenue, and Debt Service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). However, the Reimbursement Grant Fund does not have an adopted budget due to the uncertainty of revenues and expenditures, so no comparison of budget to actual is presented in the financial statements. Budgets for the Capital Project funds are normally established pursuant to the terms of the related bond indentures, that is, project basis. Accordingly, no comparison of budget to actual is presented in the financial statements.

Budget Data – The budget amounts presented in the statements reflect original and amended budget amounts. During the fiscal year, four separate budget amendments were approved by the City Council. The first increased the FTE count by 3.3 in Finance, 0.7 in Human Resources, and 1 in Utility Operations. The second increased the Court Technology Fund budget by \$23,000 to fund technology purchases in Municipal Court. The third amendment transferred departmental savings of \$85,000 in the Combined Services Department and \$65,000 in the Police Department to the Emergency Communications department to fund unforeseen overages due to transitioning to the North Texas Emergency Communications Center.

The fourth budget amendment accomplished the following: in the General Fund, Non-Property Tax revenue was increased \$600,000 due to an increase in sales and alcoholic beverage tax collections. The Finance budget was increased \$229,000 because of the addition of 3.3 FTE's. The General Services budget was increased due to transferring the Special Projects Manager from the City Manager's Office into the General Services Department as Assistant Director. \$500,000 was allocated from the Combined Services Department into the other General Fund departments to fund merit pay increases. Departmental savings of \$350,000 in Police Department, \$20,000 in City Manager Department, \$100,000 in Fire Department and \$50,000 in the Streets Department were used to help fund a \$750,000 transfer to the Self-Funded Special Project Fund. Finally, \$327,000 was transferred from the General Fund balance into the newly created PEG Fees fund.

Excess of Expenditures over Appropriations – For the year ended September 30, 2016, expenditures in the General Fund - City Manager's department exceeded appropriations by \$60,949 due to the costs of hiring the new City Manager and the retirement of the Assistant City Manager. Also for the General Fund, expenditures for Combined Services exceeded appropriations by \$106,888 due to increased legal fees, and expenditures for Council Special Projects exceeded appropriations by \$8,298, mainly due to the purchase of new chairs for Council Chambers. The excess of appropriations for expenditures in other departments in the General Fund were more than enough to cover these overages, so fund balance was not impacted.

Encumbrance accounting is employed in governmental funds.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

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, 2016. Included in Cash and Investments is \$6,025 of petty cash. At year-end, the carrying amount of the Town's deposits was a debit balance of \$31,249,129. The respective bank balance totaled \$30,245,334. In addition, collateral with a market value of \$41,085,251 and an unused letters of credit in the amount of \$19,084,803 were held by the pledging financial institution's account at the Federal Reserve Bank in the Town's name.

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

External Investment Pools

The Town's pool investments as of September 30, 2016 were invested in TexPool and TexSTAR (Texas Short Term Asset Reserve program).

Federated Investors is the full service provider for the TexPool program. As the provider, the responsibilities include managing the assets, providing participant services, and arranging for all custody and other functions in support of the operations under a contract with the State Comptroller of Public Accounts. JPMorgan Fleming Asset Management, Inc. (JPMFAM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMFAM provides investment management, fund accounting, transfer agency and services. The assets are safe kept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR and FSAM provides administrative, marketing and participant services.

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

The government investment pool, TexPool, is carried at amortized cost. TexSTAR is carried at net asset value.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investments

As of September 30, 2016, the Town held the following investments:

	<u>Fair Value</u>	<u>Average Maturity (Days)</u>
Certificates of Deposit	\$ 30,245,334	469
Agency Securities	<u>27,004,887</u>	<u>223</u>
<i>Total Investment in Securities</i>	<u>57,250,221</u>	377
TexStar	21,767,595	1
TexPool	<u>4,624,408</u>	<u>1</u>
<i>Total Investment in Pools</i>	<u>26,392,003</u>	1
<i>Total Investments</i>	<u>\$ 83,642,224</u>	228

In accordance with GASB Statement No. 72, "Fair Value Measurement and Application," the Town records investments at fair value. However, for participating interest-earning investment contracts with maturities of one year or less at time of purchase, the Town reports these investments at amortized cost. The carrying value of the Town's investments at September 30, 2016 was \$83,642,224, of which \$26,392,003 had maturities of less than one year at time of purchase. Investments in debt securities are carried at fair value. Fair value for debt securities is determined using a multi-dimensional relational model using standard inputs including TRACE reported trades. Investments in nonnegotiable certificates of deposits are carried at cost.

Interest Rate Risk – In accordance with its investment policy, the Town manages its exposure to declines in fair market values by limiting the weighted average days to maturity of its investment portfolio to 18 months (540 days). This means investing operating funds primarily in short-term securities, money market mutual funds or similar investment pools.

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

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

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. State and Local Investment Pools organized under the Interlocal Cooperation Act that meets the requirements of Chapter 2256 Texas Government Code and have been specifically approved by the CFO and authorized by the City Council. TexPool and TexSTAR are both currently rated AAA by Standard and Poor's.

Concentration of Credit Risk – It is the Town's policy to avoid a concentration of assets in a specific maturity, a specific issue, or a specific class of securities. The applicable limits on the Town's current investments are Instrumentality Securities (70%) of which the Town's portfolio is currently at 36%, Certificates of Deposit (50%) of which the Town's portfolio is currently at 32%, and Local Government Investment Pools (40%) of which the Town's portfolio is currently at 32%.

Fair Value of Assets

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair hierarchy in which the fair value measurements fall at September 30, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
September 30, 2016				
Investments by fair value level				
U.S. Agency Securities	27,004,887	-	27,004,887	-
<i>Total Investment by fair value level</i>	\$ 27,004,887	-	\$ 27,004,887	-
Investments measured at net asset value - TexSTAR	\$ 21,767,595			
Investments measured at amortized cost - TexPool	\$ 4,624,408			
Non-negotiable certificates of deposit	\$ 30,245,334			
<i>Total Investments</i>	\$ 83,642,224			

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2016, no investments are held by the Town meeting the Level 3 hierarchy classification.

Investment in State Investment Pools

During the year, the Town invested in multiple public fund investment pools, including TexSTAR and TexPool. The fair value of the position of the pools are measured at net asset value and is designed to approximate the share value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

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, 2015, upon which the fiscal year 2016 levy is based, was \$4,036,723,767.

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, 2016 was \$.5791 per \$100, of which \$.3767 was allocated for general government and \$.2024 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, 2016 were 96.00% 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, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

However, if the effective tax rate, excluding tax rates for retirement of bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the Town may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation also provides that, if approved by the qualified voters in the Town, both the appraisal and collection functions may be placed with the appraisal district.

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

An allowance for uncollectible taxes is provided based on an analysis of historical trends. The allowance for uncollectible taxes at September 30, 2016 was \$92,342.

C. Receivables

As of September 30, 2016, 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	\$ 268,557	\$ -	\$ 164,405	\$ -	\$ 2,346	\$ 15,383	\$ -	\$ 450,691
Non-Property	2,598,379	542,564	-	-	-	-	-	3,140,943
Franchise Fees	317,604	-	-	-	-	-	-	317,604
Service Fees	659,609	-	-	-	-	-	-	659,609
Ambulance	1,042,140	-	-	-	-	-	-	1,042,140
Interest	16,261	3,737	1,476	418	34,761	1,466	6,189	64,308
Other	4,221	18,042	-	-	62,311	-	-	84,574
Gross Receivables	\$ 4,906,771	\$ 564,343	\$ 165,881	\$ 418	\$ 99,418	\$ 16,849	\$ 6,189	\$ 5,759,869
Less: Allowance for Uncollectibles	890,740	-	34,838	-	162	2,113	-	927,853
Net Receivables	\$ 4,016,031	\$ 564,343	\$ 131,043	\$ 418	\$ 99,256	\$ 14,736	\$ 6,189	\$ 4,832,016

The above allowance for uncollectible accounts represents reserves for ambulance (\$612,750), court warrants (\$222,761), and property taxes (\$92,342).

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital Asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	\$ 66,245,287	\$ -	\$ -	\$ 67,557	\$ 66,312,844
Intangible Assets	-	-	-	168,177	168,177
Construction in Progress	12,439,161	9,543,406	-	(2,724,181)	19,258,386
<i>Total Capital Assets, not Depreciable</i>	<u>78,684,448</u>	<u>9,543,406</u>	<u>-</u>	<u>(2,488,447)</u>	<u>85,739,407</u>
Capital Assets, Depreciable:					
Buildings	22,026,374	-	-	-	22,026,374
Improvements other than Buildings	169,186,369	20,618	-	2,297,100	171,504,087
Machinery and Equipment	18,714,243	1,206,294	(438,691)	199,394	19,681,240
<i>Total Capital Assets, Depreciable</i>	<u>209,926,986</u>	<u>1,226,912</u>	<u>(438,691)</u>	<u>2,496,494</u>	<u>213,211,701</u>
Less Accumulated Depreciation for:					
Buildings	(12,033,706)	(573,760)	-	-	(12,607,466)
Improvements other than Buildings	(93,701,322)	(5,789,890)	-	(8,047)	(99,499,259)
Machinery and Equipment	(13,988,916)	(1,030,315)	409,756	-	(14,609,475)
<i>Total Accumulated Depreciation</i>	<u>(119,723,944)</u>	<u>(7,393,965)</u>	<u>409,756</u>	<u>(8,047)</u>	<u>(126,716,200)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>90,203,042</u>	<u>(6,167,053)</u>	<u>(28,935)</u>	<u>2,488,447</u>	<u>86,495,501</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 168,887,490</u>	<u>\$ 3,376,353</u>	<u>\$ (28,935)</u>	<u>\$ -</u>	<u>\$ 172,234,908</u>
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	\$ 16,945,437	\$ -	\$ -	\$ -	\$ 16,945,437
Construction in Progress	1,941,489	2,879,270	-	(3,867,017)	953,742
<i>Total Capital Assets, not Depreciable</i>	<u>18,886,926</u>	<u>2,879,270</u>	<u>-</u>	<u>(3,867,017)</u>	<u>17,899,179</u>
Capital Assets, Depreciable:					
Buildings	10,669,963	-	-	-	10,669,963
Improvements other than Buildings	98,703,426	225,877	-	3,867,017	102,796,320
Machinery and Equipment	3,585,817	640,463	(62,967)	-	4,163,313
<i>Total Capital Assets, Depreciable</i>	<u>112,959,206</u>	<u>866,340</u>	<u>(62,967)</u>	<u>3,867,017</u>	<u>117,629,596</u>
Less Accumulated Depreciation for:					
Buildings	(2,234,718)	(213,407)	-	-	(2,448,125)
Improvements other than Buildings	(43,622,777)	(3,256,192)	-	-	(46,878,969)
Machinery and Equipment	(2,832,969)	(165,720)	60,087	-	(2,938,602)
<i>Total Accumulated Depreciation</i>	<u>(48,690,464)</u>	<u>(3,635,319)</u>	<u>60,087</u>	<u>-</u>	<u>(52,265,696)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>64,268,742</u>	<u>(2,768,979)</u>	<u>(2,880)</u>	<u>3,867,017</u>	<u>65,363,900</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 83,155,668</u>	<u>\$ 110,291</u>	<u>\$ (2,880)</u>	<u>\$ -</u>	<u>\$ 83,263,079</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

	Governmental Activities	Business-type Activities
General Government	\$ 297,394	\$ -
Public Safety	153,914	-
Development Services	-	-
Streets	4,807,622	-
Parks and Recreation	759,214	-
Visitor Services	540,179	-
IT Replacement	307,964	-
Capital Replacement	527,678	-
Airport Fund		2,293,568
Utility Fund		1,336,647
Stormwater Fund		5,104
	<u>\$ 7,393,965</u>	<u>\$ 3,635,319</u>

The following tabulation presents the estimated significant commitment under unfinished capital construction and equipment contracts that are fully funded as of September 30, 2016:

Project	Estimated Commitments	Less Expenditures to Date	Total Commitment Remaining
<u>Governmental Activities</u>			
Belt Line Road Underground Utilities	\$ 20,830,000	\$ 11,330,079	\$ 9,499,921
Pedestrian Connectivity Improvements	3,658,253	3,101,324	556,929
Vitruvian Public Infrastructure	10,021,107	2,180,548	7,840,559
Public Safety Radio Replacement	3,000,000	2,581,737	418,263
Midway Road Rehabilitation	3,000,000	1,093,555	1,906,445
	<u>\$ 40,509,360</u>	<u>\$ 20,287,243</u>	<u>\$ 20,222,117</u>
<u>Business-type Activities</u>			
NW Drainage Ditch Improvements	\$ 854,680	\$ 732,003	\$ 122,677

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.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

The Town's net investment and its share of general overhead expenses are reported in the Town's Utility Fund (an enterprise fund). The Town's equity interest in the North Dallas County Water Supply Corporation of \$6,727,681, net of related debt, is included in Unrestricted Net Position. This joint venture provides audited financial statements bi-annually. The next audit report will be available for the year ended September 30, 2017. Complete financial statements for the North Dallas County Water Supply Corporation can be obtained from Charles Cox, Secretary/Treasurer, North Dallas County Water Supply Corporation, 13000 William Dodson Parkway, Farmers Branch, Texas.

F. Long-Term Debt

The long-term debt of the Town consisted of the following as of September 30, 2016:

	Governmental Activities	Business-type Activities
Combination Tax and Revenue Certificates of Obligation Series of 2008		
<p>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 originally matured serially through 2033 with interest rates ranging from 4% to 5%. The bonds were callable at par value plus accrued interest on or after February 15, 2018 in whole or in part in principal amounts of \$5,000. These bonds were partially refunded in May 2016 and mature serially through 2018. 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.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	\$ 1,962,479	\$ 607,521

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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.		
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	2,605,000	-
Combination Tax and Revenue Certificates of Obligation Series of 2012		
A series of 2,967 bonds at \$5,000 each dated August 15, 2012. The bonds were issued for the purpose of (i) acquiring and installing radio and telecommunication equipment for Town public safety operations, (ii) designing, acquiring, improving, constructing, and renovating water, wastewater and street infrastructure improvements, including drainage infrastructure, within the Vitruvian Park area of the Town; and (iii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the certificates. The bonds mature serially through 2032 with interest rates ranging from 1.5% to 4%. The bonds are callable at par value plus accrued interest on or after February 15, 2022 in whole or in part in principal amounts of \$5,000. Bonds and interest are payable from a combination of Ad Valorem taxes and a limited pledge (not to exceed \$1,000) of surplus net revenues of the Town's Utility Fund.		
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	13,775,000	-

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Refunding and Improvement Bonds Series of 2012		
A series of 4,518 bonds at \$5,000 each dated August 15, 2012. The bonds were issued to fund various public improvement projects up to \$19,830,000 to include construction, engineering, and other professional 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. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured	19,410,000	-
General Obligation Bonds, Tax-Exempt Series of 2013		
A series of 933 bonds at \$5,000 each dated July 15, 2013. The bonds were issued to provide funds to (i) engineer, construct, improve, 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. The bonds mature serially through 2033 with interest rates ranging from 2% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	4,200,000	-
General Obligation Bonds Series 2013A (AMT)		
A series of 375 bonds at \$5,000 each dated July 15, 2013. The bonds were issued to provide funds to: (i) acquire and improve of land and interests in land to provide improvements, additions and access to the Addison Municipal Airport, and (ii) pay the costs of issuing the AMT bonds. The bonds mature serially through 2018 with interest rates ranging from 2% to 2.25%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	1,675,000	-

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds Taxable Series of 2013B		
A series of 250 bonds at \$5,000 each dated July 15, 2013. The bonds, used together with other available Town funds, were issued to provide funds to: (i) acquire and improve 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. The bonds mature serially through 2033 with interest rates ranging from 3.75% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	1,125,000	-
Combination Tax and Revenue Certificates of Obligation Series of 2013		
A series of 2,037 bonds at \$5,000 each dated July 15, 2013. The Certificates were issued for (i) (a) designing, acquiring, improving, constructing and renovating facilities and infrastructure at the Addison Municipal Airport and the acquisition and improvement of land and interests in land to provide improvements, additions and access to the airport, (b) designing, acquiring, improving, constructing, and renovating City drainage and stormwater infrastructure and facilities ((a) and (b) together, the "Project") and (ii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. The bonds mature serially through 2033 with interest rates ranging from 2% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	-	9,105,000
General Obligation Bonds, Tax-Exempt Series 2014		
A series of 2,400 bonds at \$5,000 each dated February 15, 2014. The bonds were issued to provide funds for: (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; relocating utilities currently located in or adjacent to the Belt Line Road right-of-way and acquiring, constructing, and developing Belt Line Road roadway and streetscape improvements and the acquisition of land therefor; and (iii) for the payment of the costs of issuing the Tax-Exempt Bonds. The bonds mature serially through 2032 with interest rates ranging from 3% to 3.625%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	11,355,000	-

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Certificates of Obligation Series 2014		
A series of 1,513 bonds at \$5,000 each dated February 15, 2014. The Certificates were issued for (i) designing, constructing, installing, acquiring and equipping additions, extensions and improvements to the Town's water and wastewater system, and the acquisition of land and interests in land for such projects, (the "Project") and (ii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. The bonds mature serially through 2034 with interest rates ranging from 1% to 4%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	-	7,190,000
General Obligation Refunding Bonds Series 2014 (AMT)		
A series of 429 bonds at \$5,000 each dated February 15, 2014. The bonds were issued to: (i) refund a portion of the Town's outstanding Combination Tax and Revenue Certificates of Obligation, Series 2004 for debt service savings, and (ii) to pay the costs of issuing the AMT Bonds. The bonds mature serially through 2020 with interest rates ranging from 1% to 2%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	-	1,460,000
General Obligation Refunding Bonds Series 2016		
A series of 4,712 bonds at \$5,000 each dated May 13, 2016. The bonds were issued to refund a portion of the Town's outstanding debt for debt service savings and to pay the costs associated with the issuance of the bonds. The bonds mature serially through 2033 with interest rates ranging from 3% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	17,990,000	5,570,000
TOTAL LONG-TERM DEBT OUTSTANDING	<u>\$ 74,097,479</u>	<u>\$ 23,932,521</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

A summary of long-term liability activity for the year ended September 30, 2016 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 44,580	\$ 17,990	\$ (4,210)	\$ 58,360	\$ 3,980
Premium on General Obligation Bonds	3,629	3,744	(519)	6,854	-
Discount on General Obligation Bonds	(52)	-	3	(49)	-
Certificates of Obligation	37,594	-	(21,856)	15,738	1,638
Premium on Certificates of Obligation	19	-	(19)	-	-
Discount on Certificates of Obligation	(99)	-	4	(95)	-
Net Pension Liability	17,634	7,736	-	25,370	-
Compensated Absences	901	949	(901)	949	116
Net OPEB Obligation	465	206	(185)	486	-
Long-Term Liabilities – Governmental Activities	\$ 104,671	\$ 30,625	\$ (27,683)	\$ 107,613	\$ 5,734
Business-type Activities:					
General Obligation Refunding Bonds	\$ 1,805	\$ 5,570	\$ (345)	\$ 7,030	\$ 350
<i>(Payable from levy of Ad Valorem tax)</i>					
Premium on General Obligation Refunding Bonds	-	1,159	(67)	1,092	-
Combination Tax and Revenue Certificates of Obligation	2,710	-	(110)	2,600	110
<i>(Payable from levy of Ad Valorem tax)</i>					
Premium on Combination Tax and Revenue C.O.	115	-	(7)	108	-
Combination Tax and Revenue Certificates of Obligation	14,621	-	(6,824)	7,797	576
<i>(Payable from utility system revenues)</i>					
Premium on Combination Tax and Revenue C.O.	35	-	(5)	30	-
Combination Tax and Revenue Certificates of Obligation	6,775	-	(270)	6,505	275
<i>(Payable from storm water system revenues)</i>					
Premium on Combination Tax and Revenue C.O.	287	-	(16)	271	-
Note Payable	365	-	(62)	303	62
Net Pension Liability	1,025	488	-	1,513	-
Compensated Absences	58	69	(58)	69	1
Long-Term Liabilities – Business-type Activities	\$ 27,796	\$ 7,286	\$ (7,764)	\$ 27,318	\$ 1,374

During the current fiscal year the Town refunded \$20,266,219 of governmental CO's with a \$18,992 unamortized premium, and \$6,273,781 business-type CO's with a \$4,165 unamortized premium in an advance refunding issuance entitled GO Refunding Bonds 2016. No additional proceeds were received, and the Town paid \$295,728 in issuance costs and underwriter discounts - \$225,144 from the General Obligation Debt Service Fund and \$70,584 from the Utility Fund. The Town also paid \$308,805 from prior year General Obligation Debt Service Fund reserves and \$95,587 from the Utility Fund debt service funds. The new issuance resulted in \$17,990,000 governmental GO refunding bonds with a premium of \$3,744,075, and \$5,570,000 business-type GO refunding bonds with a premium of \$1,159,079.

As a result of the advance refunding, the Town reduced its total debt service requirements by \$4,082,050, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,276,000.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 \$540,658 available in the General Obligation Debt Service Fund to service the general obligation bonds.

Proprietary fund-type debt is to be repaid from net revenues of the enterprise funds and is, accordingly, recorded as enterprise fund debt. The Note Payable referenced above in the Business-type Activities was created in July 2015 as part of a ground lease early termination agreement at the Addison Airport. The Town of Addison will pay \$375,000 in 72 equal payments of \$5,208 each month, accruing no interest, beginning August 1, 2015. This creates a remaining annual principal only payment of \$62,500 for years 2017 through 2019 and an annual payment of \$54,000 in 2020.

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, 2016.

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	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds:				
2017	\$ 3,980,000	\$ 2,341,270	\$ 350,000	\$ 271,300
2018	3,205,000	2,224,176	360,000	267,300
2019	3,570,000	2,102,442	665,000	257,850
2020	2,705,000	1,986,748	690,000	240,650
2021	2,820,000	1,880,507	320,000	224,250
2022-2026	15,675,000	7,551,285	1,840,000	909,050
2027-2031	18,620,000	3,682,283	1,970,000	448,500
2032-2036	7,785,000	357,436	835,000	42,375
2037	-	-	-	-
	<u>\$ 58,360,000</u>	<u>\$ 22,126,147</u>	<u>\$ 7,030,000</u>	<u>\$ 2,661,275</u>
Certificates of Obligation:				
2017	\$ 1,638,331	\$ 461,037	\$ 961,669	\$ 617,171
2018	1,704,148	403,195	990,852	592,575
2019	710,000	369,013	705,000	572,320
2020	720,000	354,712	730,000	554,620
2021	735,000	340,163	755,000	531,770
2022-2026	4,060,000	1,320,588	4,320,000	2,180,475
2027-2031	2,810,000	741,462	5,395,000	1,185,989
2032-2036	2,750,000	337,687	3,045,000	161,191
2037	610,000	10,294	-	-
	<u>\$ 15,737,479</u>	<u>\$ 4,338,151</u>	<u>\$ 16,902,521</u>	<u>\$ 6,396,111</u>

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2016 is as follows:

	Interfund Receivables	Interfund Payables	
General Fund	\$ 293,000	\$ -	
Hotel Fund	-	293,000	Loan for HVAC system, reimbursement expected in next year
Total	\$ 293,000	\$ 293,000	

Transfers between funds during the year ended September 30, 2016 were comprised of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ -	\$ 750,000	For capital projects
General Fund	-	15,000	For economic development
General Fund	-	327,000	For state restricted fund
Capital Project Fund	750,000	-	For capital projects
Economic Development Fund	15,000	-	For economic development
Economic Development Fund	545,524	-	For economic development
PEG Fees Fund	327,000	-	For state restricted fund
Hotel Fund	-	545,524	For economic development
Hotel Fund	-	711,600	For payment of debt service
Hotel Debt Service Fund	711,600	-	For payment of debt service
Total Transfers	\$ 2,349,124	\$ 2,349,124	

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 2016, the Town maintained workers compensation, general liability and property coverage through the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). The Town pays an annual premium to TMLIRP for such coverage. TMLIRP purchases reinsurance and the Town does not retain risks of loss exceeding deductibles. The Town's general liability coverage is \$5,000,000 and \$10,000,000 in the aggregate. Settled claims have not exceeded insurance coverage in each of the past four years.

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

For the period of October 2015 to September 2016, the Town offered health benefits through one of two plans operated by Blue Cross Blue Shield. Employees were able to choose either an HMO (health maintenance organization) plan or a PPO (preferred provider organization) plan. The Town also offers a dental plan through Delta Dental. The HMO, PPO, and dental plans are funded by joint contributions from the employees and the Town and are accounted for in the respective operating funds.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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

B. Employee's Retirement System

1) Pension Plan

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

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 860 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the

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

Benefits Provided

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits plus interest were used to purchase an annuity. Also in 1994, the Town adopted annually repeating annuity increases for its retirees equal to 70% of the change in the consumer price index.

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

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

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	176
Inactive employees entitled to but not yet receiving benefits	192
Active employees	<u>265</u>
Total	<u>633</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the town. Under the state law governing TMRS, the contribution rate for the town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Since the Town needs to know its contribution rates in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The Town elected to contribute at the full rates for calendar year 2016 of 9.5%, and 2015 was 9.91%. Accordingly, contributions to TMRS for the years ended September 30, 2016 and 2015 were \$1,786,827 and \$1,874,383, respectively and were equal to the required contribution.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense including inflation.

Salary increases were based on service-related tables. Mortality rates for active members and retirees were multiplied by 109% for males and by 103% for females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Location</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	<u>100.0%</u>	

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

Single Discount Rate

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%. A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the Town's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Town. The projection of cash flows used to determine the single discount rate for the Town assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 9/30/2015	\$ 130,206,861	\$ 111,548,026	\$ 18,658,835
Changes for the year:			
Service cost	3,120,695	-	3,120,695
Interest	9,031,058	-	9,031,058
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,253,581)	-	(1,253,581)
Changes of assumptions	467,077	-	467,077
Contributions - employer	-	1,824,122	(1,824,122)
Contributions - employee	-	1,257,382	(1,257,382)
Net investment income	-	164,587	(164,587)
Benefit payments, including refunds of employee contributions	(5,504,175)	(5,504,175)	-
Administrative expense	-	(100,255)	100,255
Other	-	(4,952)	4,952
Net changes	5,861,074	(2,363,291)	8,224,365
Balance at 9/30/2016	\$ 136,067,935	\$ 109,184,735	\$ 26,883,200

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Town's net pension liability	\$ 46,265,677	\$ 26,883,200	\$ 11,048,209

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the Town recognized pension expense of \$4,590,073. At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual economic experience	\$ -	\$ (1,505,480)
Contributions subsequent to the measurement date	1,461,654	-
Change of assumptions	357,691	-
Difference between projected and actual investment earnings	6,941,475	-
Total	\$ <u>8,760,820</u>	\$ <u>(1,505,480)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,461,654 will be recognized as a reduction of the net pension liability for the year September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept 30	Net deferred outflows (inflows) of resources
2017	\$ 1,398,857
2018	1,398,857
2019	1,516,949
2020	<u>1,479,023</u>
Total	\$ <u>5,793,686</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

Allocation of Pension Items

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

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 2016 contribute \$458 to \$1,600 per month depending on coverage levels selected. In fiscal year 2016, total retiree contributions were \$124,986.

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.

NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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 2016.

Annual Required Contribution	\$ 205,455
Interest on OPEB Obligation	27,211
Adjustment to ARC	<u>(25,211)</u>
Annual OPEB Cost (Expense)	207,455
Contributions Made	<u>(186,774)</u>
Change in OPEB Obligation	20,681
 Net OPEB Obligation (Asset) – Beginning of Year	 <u>465,473</u>
Net OPEB Obligation (Asset) – End of Year	\$ 486,154

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, 2016 and the preceding two fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	189,313	175,107	92.5%	428,990
2015	201,225	164,742	81.9%	465,473
2016	207,455	186,774	90.0%	486,154

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,137,029, none of which is funded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,945,131, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.97%. Of the total actuarial accrued liability, \$1,614,217 or 76% 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 \$376.61. The estimate for a male employee or retiree who is 60 years old is \$1,136.69. The difference in these costs not covered by the health plan premium is considered to be the "implicit rate subsidy."

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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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, 2014 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, 2014 was 30 years.

C. Contingencies

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

D. Keller Springs Tollway

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

E. New Accounting Pronouncements

The Town has adopted and implemented the following statements which have become effective for the fiscal year 2016.

Statement No. 72, "Fair Value Measurement and Application" - This statement requires disclosures to be made about fair value measurements of certain applicable assets and liabilities, the level of fair value hierarchy and valuation techniques. It also added clarification to the term "investment," to be defined as a security or other asset a government holds primarily for the purpose of income or profit, and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. No financial statement reclassifications were made as a result of implementation.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" - This statement supersedes GASB Statement No. 55 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and modifies GAAP hierarchy to include GASB Implementation Guides as authoritative guidance. Additionally, the statement emphasizes considerations under situations not specified in authoritative guidance and requires consideration of consistency with the GASB Concept Statements with nonauthoritative literature.

NOTES TO FINANCIAL STATEMENTS
September 30, 2016

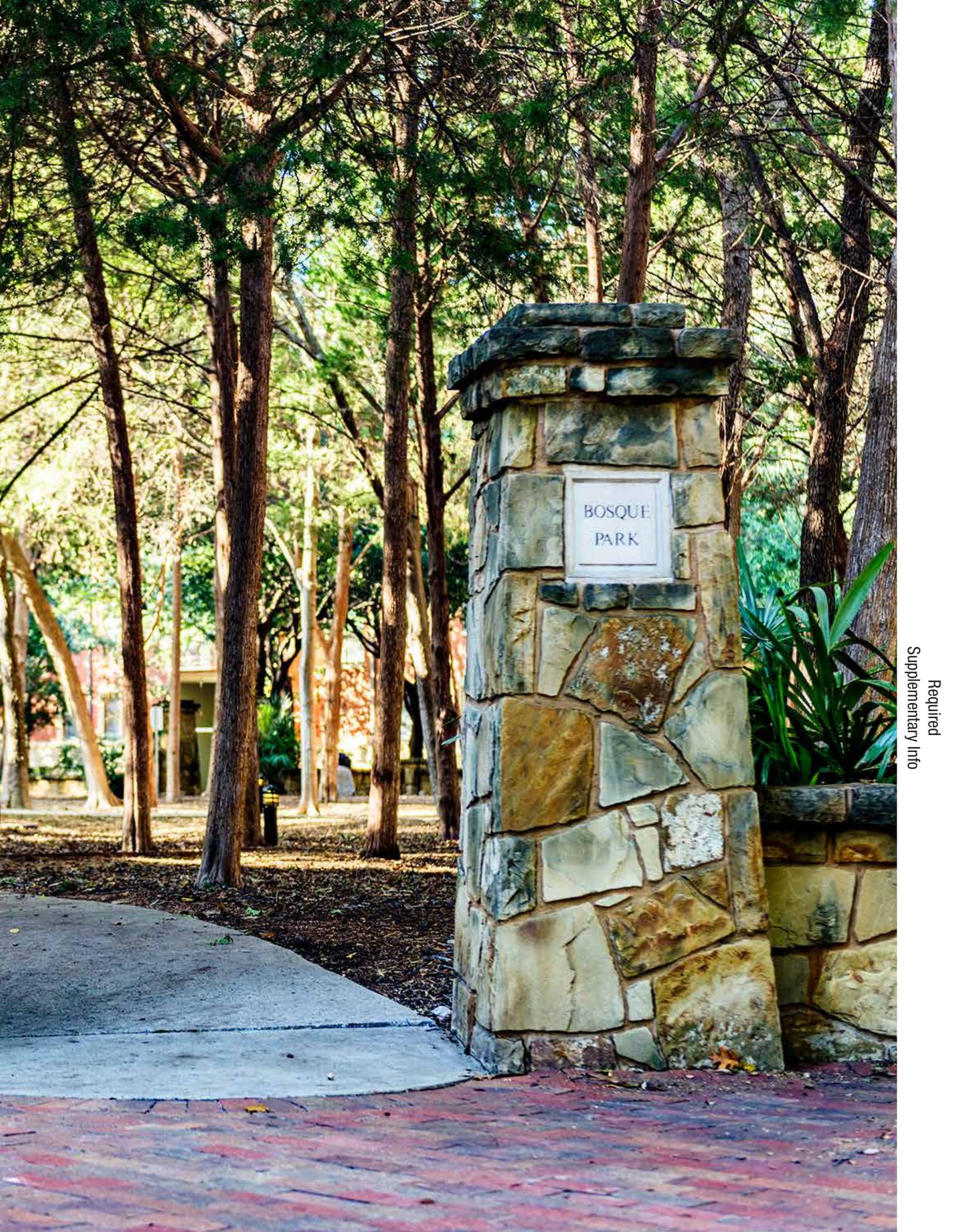
IV. OTHER INFORMATION (CONTINUED)

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

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the Town in fiscal year 2018.

Statement No. 77, "Tax Abatement Disclosures" – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the Town in fiscal year 2017.

Statement No. 82, "Pension Issues, an amendment of GASB Statements No. 67, No. 68 and No. 73" - This statement clarifies that a "deviation," as defined by the Actuarial Standards of Practice, issued by the Actuarial Standards Board, is not considered to be in conformity with the requirements of GASB Statements No. 67, No, 68 and No. 73 for the selection of assumptions used to measure the total pension liability and related measures. Additionally, this statement requires member contributions paid by the employer, to be excluded from employer contributions and from corresponding pension related deferred resources.





Required Supplementary Information

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
Last Two Fiscal Years (Previous years are not available)

	Measurement Year 2014	Measurement Year 2015
Total pension liability:		
Service cost	\$ 2,819,937	\$ 3,120,695
Interest (on the Total Pension Liability)	8,660,470	9,031,058
Changes in benefit terms	-	-
Difference between expected and actual experience	(987,858)	(1,253,581)
Change in assumptions	-	467,077
Benefit payments, including refunds of employee contributions	<u>(5,193,445)</u>	<u>(5,504,175)</u>
Net change in total pension liability	5,299,104	5,861,074
Total pension liability - beginning	<u>124,907,757</u>	<u>130,206,861</u>
Total pension liability - ending (a)	<u>130,206,861</u>	<u>136,067,935</u>
Plan fiduciary net position:		
Contributions - employer	1,789,255	1,824,122
Contributions - employee	1,224,976	1,257,382
Net investment income	6,157,338	164,587
Benefit payments, including refunds of employee contributions	(5,193,445)	(5,504,175)
Administrative expense	(64,289)	(100,255)
Other	<u>(5,286)</u>	<u>(4,952)</u>
Net change in plan fiduciary net position	3,908,549	(2,363,291)
Plan fiduciary net position - beginning	<u>107,639,477</u>	<u>111,548,026</u>
Plan fiduciary net position - ending (b)	<u>111,548,026</u>	<u>109,184,735</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,658,835</u>	<u>\$ 26,883,200</u>
Plan fiduciary net position as a percentage of total pension liability	85.67%	80.24%
Covered employee payroll	\$ 17,479,153	\$ 17,945,341
Net pension liability as a percentage of covered employee payroll	106.75%	149.81%

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

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

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System
Schedule of Contributions (Unaudited)
September 30, 2016

	(1)	(2)	(3) = (2) - (1)	(4)	(5) = (1) / (4) Actuarially determined contributions as a percentage of covered employee payroll	(6) = (2) / (4) Contributions as a percentage of covered employee payroll
Fiscal Year	Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contribution excess (deficiency)	Covered employee payroll		
2015	1,874,383	1,874,383	-	18,804,927	9.97%	-
2016	1,786,827	1,786,827	-	18,465,892	9.68%	-

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 12 months and 1 day later.

Methods and Assumption Used to Determine Contribution Rate for 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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

Town of Addison, Texas
Required Supplementary Information

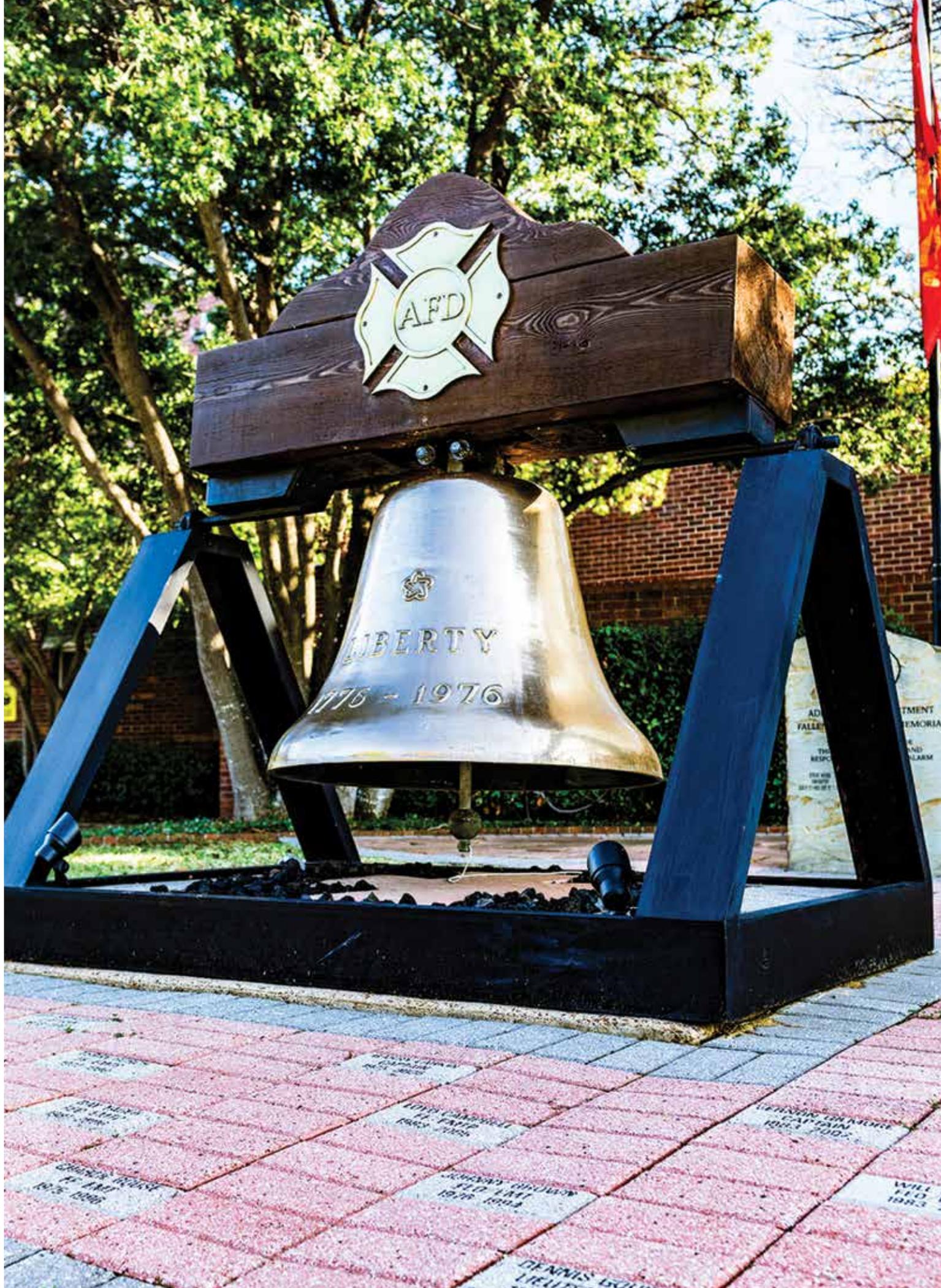
REQUIRED SUPPLEMENTARY INFORMATION

Retiree Health Plan
 Analysis of Funding Progress (Unaudited)
 September 30, 2016

		(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
2011	12/31/10	-	1,968,533	-	1,968,533	15,557,784	12.65%
2013	12/31/12	-	2,003,539	-	2,003,539	15,598,079	12.84%
2015	12/31/14	-	2,137,029	-	2,137,029	16,603,192	12.87%



Combining and Individual
Fund Financial Statements



DEBT SERVICE FUNDS

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

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

Town of Addison, Texas
Debt Service Funds – General Obligation Debt Service

General Obligation Debt Service
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Current Property Taxes	\$ 8,161,580	\$ 8,161,580	\$ 7,889,845	\$ (271,735)
Delinquent Property Taxes	3,950	3,950	(31,697)	(35,647)
Penalties and Interest	9,790	9,790	19,120	9,330
Earnings on Investments	-	-	15,119	15,119
Total Revenues	<u>8,175,320</u>	<u>8,175,320</u>	<u>7,892,387</u>	<u>(282,933)</u>
EXPENDITURES:				
Contractual Services	8,000	8,000	4,936	3,064
Principal Retirement	5,140,151	5,140,151	5,140,150	1
Interest and Fiscal Charges	3,034,043	3,034,043	3,037,593	(3,550)
Total Expenditures	<u>8,182,194</u>	<u>8,182,194</u>	<u>8,182,679</u>	<u>(485)</u>
Net Change in Fund Balance	(6,874)	(6,874)	(290,292)	(283,418)
Fund Balances at Beginning of Year	<u>831,366</u>	<u>831,366</u>	<u>831,366</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 824,492</u>	<u>\$ 824,492</u>	<u>\$ 541,074</u>	<u>\$ (283,418)</u>

Town of Addison, Texas
Debt Service Funds – Hotel Debt Service

Hotel Debt Service
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Earnings on Investments	\$ 1,200	\$ 1,200	\$ 2,003	\$ 803
Total Revenues	<u>1,200</u>	<u>1,200</u>	<u>2,003</u>	<u>803</u>
EXPENDITURES:				
Principal Retirement	660,000	660,000	660,001	(1)
Interest and Fiscal Charges	51,800	51,800	52,050	(250)
Total Expenditures	<u>711,800</u>	<u>711,800</u>	<u>712,051</u>	<u>(251)</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>(710,600)</u>	<u>(710,600)</u>	<u>(710,048)</u>	<u>552</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	711,600	711,600	711,600	-
Net Change in Fund Balance	1,000	1,000	1,552	552
Fund Balances at Beginning of Year	<u>488,542</u>	<u>488,542</u>	<u>488,542</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 489,542</u>	<u>\$ 489,542</u>	<u>\$ 490,094</u>	<u>\$ 552</u>



NON-MAJOR GOVERNMENTAL FUNDS

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

The **Public Safety Fund** accounts for awards of monies or property by the courts relating to cases that involve the Addison Police Department. In prior years, this fund was classified as an expendable trust fund.

The **Advanced Funding Grant Fund** was created during fiscal year 2010. The fund accounts for grant monies that are received prior to the related expenditure, and therefore, the fund may carry a balance from year to year if the Town does not expend the monies within the fiscal year.

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

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

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

Town of Addison, Texas
 Non-Major Governmental Funds

Non-Major Governmental Funds
 Combining Balance Sheet
 September 30, 2016

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	PEG Fees Fund	Total Nonmajor Governmental Funds
ASSETS:							
Cash and Investments	\$ 352,180	\$ 30,272	\$ 28,223	\$ 1,028,732	\$ 2,260	\$ 327,000	\$ 1,768,667
Receivables:							
Ad Valorem Taxes, Including Interest and Penalties, Net	-	-	-	13,270	-	-	13,270
Interest	311	32	30	1,085	8	-	1,466
Prepaid Items	-	-	-	35,336	-	-	35,336
Total Assets	<u>\$ 352,491</u>	<u>\$ 30,304</u>	<u>\$ 28,253</u>	<u>\$ 1,078,423</u>	<u>\$ 2,268</u>	<u>\$ 327,000</u>	<u>\$ 1,818,739</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 73,197	\$ -	\$ -	\$ 61,639	\$ -	\$ -	\$ 134,836
Total Liabilities	<u>73,197</u>	<u>-</u>	<u>-</u>	<u>61,639</u>	<u>-</u>	<u>-</u>	<u>134,836</u>
Deferred Inflows of Resources:							
Unavailable Resources	-	2,179	-	13,270	-	-	15,449
Total Deferred Inflows of Resources	<u>-</u>	<u>2,179</u>	<u>-</u>	<u>13,270</u>	<u>-</u>	<u>-</u>	<u>15,449</u>
Fund Balances:							
Nonspendable							
Prepaid Items	-	-	-	35,336	-	-	35,336
Restricted							
Child Safety	98,540	-	-	-	-	-	98,540
Justice Administration	30,952	-	-	-	-	-	30,952
Court Technology	86,147	-	-	-	-	-	86,147
Building Security	63,655	-	-	-	-	-	63,655
Court Security	-	28,125	-	-	-	-	28,125
Public Safety	-	-	28,253	-	2,268	-	30,521
Other Purposes	-	-	-	-	-	327,000	327,000
Committed:							
Economic Development	-	-	-	968,178	-	-	968,178
Total Fund Balance	<u>279,294</u>	<u>28,125</u>	<u>28,253</u>	<u>1,003,514</u>	<u>2,268</u>	<u>327,000</u>	<u>1,668,454</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 352,491</u>	<u>\$ 30,304</u>	<u>\$ 28,253</u>	<u>\$ 1,078,423</u>	<u>\$ 2,268</u>	<u>\$ 327,000</u>	<u>\$ 1,818,739</u>

Town of Addison, Texas
Non-Major Governmental Funds

Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2016

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	PEG Fees Fund	Total Nonmajor Governmental Funds
REVENUES:							
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ 964,020	\$ -	\$ -	\$ 964,020
Intergovernmental	-	-	5,312	-	26,042	-	31,354
Service Fees	-	-	-	65,136	-	-	65,136
Fines and Forfeitures	35,891	12,427	-	-	-	-	48,318
Court Awards	-	571	-	-	-	-	571
Earnings on Investments	2,021	156	157	6,757	-	-	9,091
Other	-	-	-	4,178	-	-	4,178
Total Revenues	37,912	13,154	5,469	1,040,091	26,042	-	1,122,668
EXPENDITURES:							
Public Safety	-	4,219	610	-	19,609	-	24,438
Parks and Recreation	-	-	-	-	6,255	-	6,255
Municipal Court	17,610	-	-	-	-	-	17,610
Economic Development	-	-	-	1,349,920	-	-	1,349,920
Total Expenditures	17,610	4,219	610	1,349,920	25,864	-	1,398,223
Excess/(Deficiency) of Revenues over Expenditures	20,302	8,935	4,859	(309,829)	178	-	(275,555)
OTHER FINANCING SOURCES/(USES):							
Transfers In	-	-	-	560,524	-	327,000	887,524
Total Other Financing Sources/(Uses)	-	-	-	560,524	-	327,000	887,524
Net Change in Fund Balance	20,302	8,935	4,859	250,695	178	327,000	611,969
Fund Balances at Beginning of Year	258,992	19,190	23,394	752,819	2,090	-	1,056,485
Fund Balances at End of Year	\$ 279,294	\$ 28,125	\$ 28,253	\$ 1,003,514	\$ 2,268	\$ 327,000	\$ 1,668,454

Town of Addison, Texas
Non-Major Governmental Funds

Municipal Court Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Court Awards	\$ 11,310	\$ 11,310	\$ 11,793	\$ 483
Building Security Fees	15,000	15,000	10,357	(4,643)
Court Technology Fees	20,000	20,000	13,741	(6,259)
Earnings on Investments	250	250	2,021	1,771
Total Revenues	<u>46,560</u>	<u>46,560</u>	<u>37,912</u>	<u>(8,648)</u>
EXPENDITURES:				
Salaries and Fringe Benefits	23,300	23,300	10,881	12,419
Supplies	4,000	12,000	6,535	5,465
Maintenance and Materials	5,700	20,700	-	20,700
Contractual Services	7,500	7,500	194	7,306
Total Expenditures	<u>40,500</u>	<u>63,500</u>	<u>17,610</u>	<u>45,890</u>
Net Change in Fund Balance	6,060	(16,940)	20,302	37,242
Fund Balance at Beginning of Year	<u>258,992</u>	<u>258,992</u>	<u>258,992</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 265,052</u>	<u>\$ 242,052</u>	<u>\$ 279,294</u>	<u>\$ 37,242</u>

Town of Addison, Texas
Non-Major Governmental Funds

Public Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Court Awards	\$ -	\$ -	\$ 12,998	\$ 12,998
Earnings on Investments	50	50	156	106
Total Revenues	<u>50</u>	<u>50</u>	<u>13,154</u>	<u>13,104</u>
EXPENDITURES:				
General Government				
Public Safety				
Supplies	5,000	5,000	3,061	1,939
Contractual Services	-	-	1,158	(1,158)
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,219</u>	<u>781</u>
Net Change in Fund Balance	(4,950)	(4,950)	8,935	13,885
Fund Balance at Beginning of Year	<u>19,190</u>	<u>19,190</u>	<u>19,190</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 14,240</u>	<u>\$ 14,240</u>	<u>\$ 28,125</u>	<u>\$ 13,885</u>

Town of Addison, Texas
Non-Major Governmental Funds

Advanced Funding Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 5,312	\$ 5,312
Earnings on Investments	50	50	157	107
Total Revenues	<u>50</u>	<u>50</u>	<u>5,469</u>	<u>5,419</u>
EXPENDITURES:				
Contractual Services	5,000	5,000	610	4,390
Capital Outlay	200	200	-	200
Total Expenditures	<u>5,200</u>	<u>5,200</u>	<u>610</u>	<u>4,590</u>
Net Change in Fund Balance	(5,150)	(5,150)	4,859	10,009
Fund Balance at Beginning of Year	<u>23,394</u>	<u>23,394</u>	<u>23,394</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 18,244</u>	<u>\$ 18,244</u>	<u>\$ 28,253</u>	<u>\$ 10,009</u>

Town of Addison, Texas
Non-Major Governmental Funds

Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 1,000,470	\$ 1,000,470	\$ 964,020	\$ (36,450)
Service Fees	79,700	79,700	65,136	(14,564)
Earnings on Investments	500	500	6,757	6,257
Other	-	-	4,178	4,178
Total Revenues	<u>1,080,670</u>	<u>1,080,670</u>	<u>1,040,091</u>	<u>(40,579)</u>
EXPENDITURES:				
Salaries and Fringe Benefits	381,809	381,809	389,361	(7,552)
Supplies	29,700	35,319	41,472	(6,153)
Maintenance and Materials	50,541	50,541	52,787	(2,246)
Contractual Services	1,198,076	1,192,457	840,719	351,738
Capital Replacement	25,581	25,581	25,581	-
Total Expenditures	<u>1,685,707</u>	<u>1,685,707</u>	<u>1,349,920</u>	<u>335,787</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(605,037)</u>	<u>(605,037)</u>	<u>(309,829)</u>	<u>295,208</u>
Other financing sources (uses)				
Transfers In	560,524	560,524	560,524	-
Total other financing sources (uses)	<u>560,524</u>	<u>560,524</u>	<u>560,524</u>	<u>-</u>
Net Change in Fund Balance	(44,513)	(44,513)	250,695	295,208
Fund Balance at Beginning of Year	<u>752,819</u>	<u>752,819</u>	<u>752,819</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 708,306</u>	<u>\$ 708,306</u>	<u>\$ 1,003,514</u>	<u>\$ 295,208</u>

Town of Addison, Texas
Non-Major Governmental Funds

PEG Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended September 30, 2016

	2016			
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers In	\$ -	\$ 327,000	\$ 327,000	\$ -
Total other financing sources (uses)	-	327,000	327,000	-
Net Change in Fund Balance	-	327,000	327,000	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ 327,000	\$ 327,000	\$ -

PROPRIETARY FUNDS

Internal Service Funds:

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

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

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

Town of Addison, Texas
Proprietary Funds - Internal Service Funds

Internal Service Funds
Combining Statement of Net Position
September 30, 2016

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Investments	\$ 3,546,023	\$ 2,651,865	\$ 6,197,888
Interest Receivable	3,573	2,616	6,189
Total Current Assets	<u>3,549,596</u>	<u>2,654,481</u>	<u>6,204,077</u>
Non-Current Assets:			
Capital Assets:			
Machinery and Equipment	8,702,648	6,852,050	15,554,698
Accumulated Depreciation	<u>(5,922,954)</u>	<u>(5,728,431)</u>	<u>(11,651,385)</u>
Total Capital Assets, Net of Accumulated Depreciation	2,779,694	1,123,619	3,903,313
Construction in Progress	<u>-</u>	<u>1,122,789</u>	<u>1,122,789</u>
Total Assets	<u>6,329,290</u>	<u>4,900,889</u>	<u>11,230,179</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	<u>1,087</u>	<u>13,542</u>	<u>14,629</u>
NET POSITION:			
Net Investment in Capital Assets	2,779,694	2,246,408	5,026,102
Unrestricted	<u>3,548,509</u>	<u>2,640,939</u>	<u>6,189,448</u>
Total Net Position	<u>\$ 6,328,203</u>	<u>\$ 4,887,347</u>	<u>\$ 11,215,550</u>

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2016

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES:			
Department Contributions	\$ 800,000	\$ 764,451	\$ 1,564,451
Total Operating Revenues	<u>800,000</u>	<u>764,451</u>	<u>1,564,451</u>
OPERATING EXPENSES:			
Supplies	9,750	-	9,750
Contractual Services	5,994	3,918	9,912
Total Operating Expenses (Excluding Depreciation)	<u>15,744</u>	<u>3,918</u>	<u>19,662</u>
Depreciation	527,679	307,965	835,644
Total Operating Expenses	<u>543,423</u>	<u>311,883</u>	<u>855,306</u>
OPERATING INCOME/LOSS	<u>256,577</u>	<u>452,568</u>	<u>709,145</u>
NON-OPERATING REVENUES/(EXPENSES):			
Investment Income/(Expense)	21,584	7,311	28,895
Sale of Assets	39,171	-	39,171
Total Non-Operating Revenues/(Expenses)	<u>60,755</u>	<u>7,311</u>	<u>68,066</u>
CHANGE IN NET POSITION	317,332	459,879	777,211
Net Position at Beginning of Year	<u>6,010,871</u>	<u>4,427,468</u>	<u>10,438,339</u>
Net Position at End of Year	<u>\$ 6,328,203</u>	<u>\$ 4,887,347</u>	<u>\$ 11,215,550</u>

Town of Addison, Texas
Proprietary Funds - Internal Service Funds

Internal Service Funds
Combining Statement of Cash Flows
Year Ended September 30, 2016

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Department Contributions	\$ 800,000	\$ 764,451	\$ 1,564,451
Payments to Suppliers	<u>(14,735)</u>	<u>(9,472)</u>	<u>(24,207)</u>
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>785,265</u>	<u>754,979</u>	<u>1,540,244</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(890,505)	(443,476)	(1,333,981)
Proceeds from Sale of Capital Assets	<u>62,108</u>	<u>-</u>	<u>62,108</u>
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(828,397)</u>	<u>(443,476)</u>	<u>(1,271,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Cash and Investments	<u>20,424</u>	<u>6,227</u>	<u>26,651</u>
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>20,424</u>	<u>6,227</u>	<u>26,651</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	(22,708)	317,730	295,022
Cash and Cash Equivalents, October 1	3,568,731	2,334,135	5,902,866
Cash and Cash Equivalents, September 30	<u>\$ 3,546,023</u>	<u>\$ 2,651,865</u>	<u>\$ 6,197,888</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 256,577	\$ 452,568	\$ 709,145
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:			
Depreciation	527,679	307,965	835,644
Change in Assets and Liabilities:			
Increase/(Decrease) in Accounts Payable	1,009	(5,554)	(4,545)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 785,265</u>	<u>\$ 754,979</u>	<u>\$ 1,540,244</u>



**LES LACS
LINEAR
PARK**
A TEXAS LOCAL PARKS, RECREATION
AND OPEN SPACE FUND PROJECT
SPONSORED FOR
TOWN OF ADDISON
BY TEXAS PARKS AND WILDLIFE DEPARTMENT
MAYOR
Richard N. Beckert
COUNCILMEMBERS
Rik Crews Susan M. Halpern
Robert L. Doepfner Gregory C. Roach
Mary J. Dolan Ann B. Suddeth
CITY MANAGER
Ron Whitehead

ADDISON
LANDSCAPE ARCHITECT/ENGINEER: GARDNER & FORDERS, INC.
GENERAL CONTRACTOR: DEAN CONSTRUCTION



**LES LACS
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A TEXAS LOCAL PARKS, RECREATION
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ADDISON
LANDSCAPE ARCHITECT/ENGINEER: GARNER & FORBES, INC.
GENERAL CONTRACTOR: DEAN CONSTRUCTION

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 117,446,984	\$ 117,389,355	\$ 120,308,696	\$ 123,041,354	\$ 129,261,976	\$ 129,471,095	\$ 135,260,723	\$ 120,034,622	\$ 121,444,364	\$ 122,079,968
Restricted for:										
Debt Service	1,569,846	781,304	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279	660,955
Promotion of Tourism and Hotel Industry	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,869,581
Child Safety	-	-	-	-	-	30,635	30,635	101,664	190,635	98,540
Justice Administration	-	-	-	-	-	93,472	93,472	31,898	63,638	30,952
Court Technology	-	-	-	-	-	77,179	74,895	79,591	91,942	86,147
Building Security	-	-	-	-	-	66,716	64,742	65,782	176,512	63,655
Court Security	-	-	-	-	-	-	-	19,185	19,190	28,125
Public Safety	-	-	-	-	-	-	-	-	-	33,694
Other purposes	-	-	-	-	-	32,449	22,235	-	25,484	327,000
Unrestricted	24,100,898	26,591,388	24,442,088	23,381,754	21,729,168	20,945,903	13,969,454	25,658,883	7,051,958	7,031,223
Total Net Position - Governmental Activities	\$ 143,117,728	\$ 144,762,047	\$ 145,669,267	\$ 146,423,108	\$ 151,998,474	\$ 154,409,044	\$ 152,362,956	\$ 148,280,261	\$ 132,148,273	\$ 134,309,840
Business-type Activities										
Net Investment in Capital Assets	\$ 36,925,876	\$ 31,595,371	\$ 34,327,264	\$ 36,299,788	\$ 51,113,892	\$ 49,639,925	\$ 57,425,620	\$ 69,948,582	\$ 63,308,088	\$ 62,547,252
Unrestricted	7,676,017	13,568,364	13,195,545	12,740,025	9,834,613	14,194,945	17,372,627	16,460,850	23,121,874	24,910,364
	\$ 44,601,893	\$ 45,163,735	\$ 47,522,809	\$ 49,039,813	\$ 60,948,505	\$ 63,834,870	\$ 74,798,247	\$ 86,409,432	\$ 86,429,962	\$ 87,457,616
Primary Government										
Net Investment in Capital Assets	\$ 154,372,860	\$ 148,984,726	\$ 154,635,960	\$ 159,341,142	\$ 180,375,868	\$ 179,111,020	\$ 192,686,343	\$ 189,983,204	\$ 184,752,452	\$ 184,627,220
Restricted for:										
Debt Service	1,569,846	781,304	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279	660,955
Promotion of Tourism and Hotel Industry	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,869,581
Child Safety	-	-	-	-	-	30,635	30,635	101,664	190,635	98,540
Justice Administration	-	-	-	-	-	93,472	93,472	31,898	63,638	30,952
Court Technology	-	-	-	-	-	77,179	74,895	79,591	91,942	86,147
Building Security	-	-	-	-	-	66,716	64,742	65,782	176,512	63,655
Court Security	-	-	-	-	-	-	-	19,185	19,190	28,125
Public Safety	-	-	-	-	-	-	-	-	-	33,694
Other Purposes	-	-	-	-	-	32,449	22,235	-	25,484	327,000
Unrestricted	31,776,915	40,159,752	37,637,633	36,121,779	31,563,781	35,140,848	31,342,081	42,119,733	30,173,832	31,941,587
Total Net Position - Primary Government	\$ 187,719,621	\$ 189,925,782	\$ 193,192,076	\$ 195,462,921	\$ 212,946,979	\$ 218,243,914	\$ 227,161,203	\$ 234,689,693	\$ 218,578,235	\$ 221,767,456

SOURCE: Town of Addison Comprehensive Annual Financial Reports

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

Town of Addison, Texas
Statistical Section

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

	2007	2008	2009	2010
Expenses				
Governmental Activities:				
General Government	\$ 5,769,960	\$ 6,405,494	\$ 6,527,735	\$ 6,876,385
Public Safety	13,452,066	13,994,387	14,743,542	14,550,333
Development Services	833,330	940,555	856,793	938,059
Streets	5,072,907	5,269,124	4,998,440	5,277,938
Parks and Recreation	4,054,147	4,759,378	5,119,320	4,502,295
Visitor Services	6,370,107	6,928,724	6,687,392	6,027,442
Interest on Long-Term Debt	1,598,951	2,127,985	2,420,908	2,423,732
Total Governmental Activities	<u>37,151,468</u>	<u>40,425,647</u>	<u>41,354,130</u>	<u>40,596,184</u>
Business-type Activities:				
Airport	4,473,096	4,198,855	4,289,852	4,181,256
Utilities	8,512,308	8,782,702	8,539,106	8,529,681
Storm Water	-	-	-	-
Total Business-type Activities	<u>12,985,404</u>	<u>12,981,557</u>	<u>12,828,958</u>	<u>12,710,937</u>
Total Expenses - Primary Government	<u>\$ 50,136,872</u>	<u>\$ 53,407,204</u>	<u>\$ 54,183,088</u>	<u>\$ 53,307,121</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 285,301	\$ 186,920	\$ 203,258	\$ 266,954
Public Safety	1,953,587	2,203,371	2,318,099	2,094,280
Development Services	743,201	798,006	429,681	835,808
Streets	318,731	333,645	350,587	332,330
Parks and Recreation	106,882	133,022	105,705	108,113
Visitor Services	2,054,468	2,149,274	1,829,964	2,183,247
Operating Grants and Contributions	369,544	561,992	2,044,979	230,290
Capital Grants and Contributions	-	-	-	1,348,141
Total Governmental Activities	<u>5,831,714</u>	<u>6,366,230</u>	<u>7,282,273</u>	<u>7,399,163</u>
Business-type Activities:				
Charges for Services:				
Airport	4,203,815	4,061,347	3,989,304	4,289,225
Utilities	9,050,758	8,903,506	9,188,791	8,806,069
Storm Water	-	-	-	-
Operating Grants and Contributions	460,497	301,676	1,786,297	-
Capital Grants and Contributions	-	-	-	1,102,850
Total Business-type Activities	<u>13,715,070</u>	<u>13,266,529</u>	<u>14,964,392</u>	<u>14,198,144</u>
Total Program Revenues - Primary Government	<u>\$ 19,546,784</u>	<u>\$ 19,632,759</u>	<u>\$ 22,246,665</u>	<u>\$ 21,597,307</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (31,319,754)	\$ (34,059,417)	\$ (34,071,857)	\$ (33,197,021)
Business-Type Activities	729,666	284,972	2,135,434	1,487,207
Total Net Expense - Primary Government	<u>\$ (30,590,088)</u>	<u>\$ (33,774,445)</u>	<u>\$ (31,936,423)</u>	<u>\$ (31,709,814)</u>
General Revenues				
Taxes:				
Property Taxes, Levied for General Purposes	\$ 13,587,051	\$ 14,310,671	\$ 15,711,056	\$ 15,900,631
Sales Taxes	11,691,786	11,619,637	10,838,895	9,987,439
Franchise Taxes	2,615,504	2,555,927	2,761,511	2,578,154
Hotel/Motel Taxes	5,203,080	5,204,247	3,958,238	3,666,781
Interest on Investments	1,700,412	1,504,162	1,383,743	339,986
Miscellaneous	374,662	509,092	325,634	2,474,485
Transfer	-	-	-	-
Total General Revenues	<u>35,172,495</u>	<u>35,703,736</u>	<u>34,979,077</u>	<u>34,947,476</u>
Business-type Activities				
Interest on Investments	388,070	260,533	214,492	11,065
Miscellaneous	(38,376)	16,337	9,148	18,732
Transfer	-	-	-	-
Total Business-type Activities	<u>349,694</u>	<u>276,870</u>	<u>223,640</u>	<u>29,797</u>
Change in Net Position				
Governmental Activities	3,852,741	1,644,319	907,220	1,750,455
Business-type Activities	1,079,360	561,842	2,359,074	1,517,004
Total Change in Net Position - Primary Government	<u>\$ 4,932,101</u>	<u>\$ 2,206,161</u>	<u>\$ 3,266,294</u>	<u>\$ 3,267,459</u>

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 2

	2011	2012	2013	2014	2015	2016
\$	6,709,095	\$ 6,485,716	\$ 7,021,312	\$ 7,938,875	\$ 8,730,944	\$ 10,015,214
	14,914,759	15,130,157	15,229,474	15,765,099	16,820,899	17,528,619
	866,023	879,253	925,830	932,247	1,032,105	1,278,232
	4,913,524	5,028,071	8,387,857	6,450,628	8,105,373	6,567,732
	4,742,946	4,963,327	5,062,784	5,597,254	5,517,049	5,796,136
	6,431,136	6,852,198	7,239,033	7,358,141	6,106,103	7,537,477
	2,261,571	2,548,945	3,054,940	3,037,574	3,018,672	2,417,435
	40,839,054	41,887,667	46,921,230	47,079,818	49,331,145	51,140,845
	4,387,384	4,526,398	5,188,321	6,027,300	5,893,611	6,454,693
	8,633,217	9,178,844	9,459,791	10,317,160	10,748,886	10,821,202
	-	-	234,257	768,016	848,354	2,092,187
	13,020,601	13,705,242	14,882,369	17,112,476	17,490,851	19,368,082
\$	53,859,655	\$ 55,592,909	\$ 61,803,599	\$ 64,192,294	\$ 66,821,996	\$ 70,508,927
\$	143,529	\$ 208,734	\$ 225,731	\$ 235,233	\$ 688,005	\$ 753,062
	1,899,711	2,225,165	1,611,320	1,506,770	945,217	1,070,517
	1,213,741	956,089	888,908	904,895	1,015,053	774,364
	2,299,731	378,982	384,303	390,453	400,561	375,564
	107,387	114,164	114,866	102,288	82,681	74,719
	2,007,821	2,429,686	2,379,812	2,195,803	1,890,522	3,532,634
	223,792	164,749	73,578	19,093	25,806	27,472
	3,429,804	568,285	-	-	158,253	148,518
	11,325,516	7,045,854	5,678,518	5,354,535	5,206,098	6,756,850
	4,526,593	4,255,547	4,505,430	4,857,759	5,138,479	5,387,660
	10,740,568	11,128,700	10,802,692	9,953,099	9,877,262	10,576,707
	-	-	1,307,573	1,640,615	1,726,526	1,883,841
	-	-	-	-	-	129,093
	9,668,165	1,258,798	9,331,840	7,660,647	1,025,835	2,130,601
	24,935,326	16,643,045	25,947,535	24,112,120	17,768,102	20,107,902
\$	36,260,842	\$ 23,688,899	\$ 31,626,053	\$ 29,466,655	\$ 22,974,200	\$ 26,864,752
\$	(29,513,538)	\$ (34,841,813)	\$ (41,242,712)	\$ (41,725,283)	\$ (44,125,047)	\$ (44,383,995)
	11,914,725	2,937,803	11,065,166	6,999,644	277,251	739,820
\$	(17,598,813)	\$ (31,904,010)	\$ (30,177,546)	\$ (34,725,639)	\$ (43,847,796)	\$ (43,644,175)
\$	15,772,858	\$ 17,400,696	\$ 17,975,149	\$ 19,484,538	\$ 20,385,225	\$ 22,593,188
	10,604,803	11,988,116	13,029,712	14,222,194	14,104,584	13,847,507
	2,792,601	2,699,520	3,021,899	2,806,656	2,828,420	3,074,519
	4,000,786	4,295,149	4,575,083	5,011,671	5,510,406	6,132,432
	148,966	99,065	133,140	130,419	181,811	316,288
	772,276	769,837	461,641	613,432	590,619	581,628
	-	-	-	(4,626,322)	-	-
	34,092,290	37,252,383	39,196,624	37,642,588	43,601,065	46,545,562
	(16,178)	(51,843)	(71,264)	(22,013)	100,928	151,937
	10,145	405	(30,525)	7,232	512,888	135,897
	-	-	-	4,626,322	-	-
	(6,033)	(51,438)	(101,789)	4,611,541	613,816	287,834
	4,578,752	2,410,570	(2,046,088)	(4,082,695)	(523,982)	2,161,567
	11,908,692	2,886,365	10,963,377	11,611,185	891,067	1,027,654
\$	16,487,444	\$ 5,296,935	\$ 8,917,289	\$ 7,528,490	\$ 367,085	\$ 3,189,221



**Town of Addison, Texas
Statistical Section**

Table 3

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 305,918	\$ 358,337	\$ 420,883	\$ 188,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable:										
Inventories	-	-	-	-	87,835	114,733	44,486	66,933	63,176	41,001
Prepaid Items	-	-	-	-	67,135	57,054	291,424	272,713	267,357	84,681
Assigned for Other Purposes	-	-	-	-	61,193	23,061	-	-	-	-
Unassigned	10,378,247	11,337,593	10,231,859	10,668,716	10,150,531	12,178,216	13,643,488	15,166,365	11,271,328	12,765,117
Total General Fund	10,684,165	11,695,930	10,652,742	10,856,751	10,366,694	12,373,064	13,979,398	15,506,011	11,601,861	12,890,799
All Other Governmental Funds										
Reserved	1,769,294	1,548,218	1,309,497	1,302,623	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	205,790	229,327	16,573	51,469	-	-	-	-	-	-
Capital Project Funds	7,114,632	33,491,143	29,190,201	20,334,339	-	-	-	-	-	-
Debt Service Funds	864,331	890,310	902,577	863,925	-	-	-	-	-	-
Hotel Fund	5,382,310	5,715,693	4,635,799	4,423,339	-	-	-	-	-	-
Nonspendable:										
Prepaid Items	-	-	-	-	-	36,974	-	-	-	50,836
Restricted for:										
Debt Service	-	-	-	-	1,945,104	1,840,901	1,234,727	1,020,159	831,366	541,074
Promotion of Tourism & Hotel Industry	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	3,861,008
Capital Projects	-	-	-	-	9,851,762	39,654,624	41,716,425	45,239,484	40,901,630	33,162,293
Child Safety	-	-	-	-	-	-	93,472	101,664	88,479	98,540
Justice Administration	-	-	-	-	-	-	30,635	31,898	28,893	30,952
Court Technology	-	-	-	-	83,827	201,286	74,895	79,591	77,831	86,147
Building Security	-	-	-	-	72,462	66,716	64,742	65,782	63,789	63,655
Court Security	-	-	-	-	-	-	-	19,185	19,190	28,125
Public Safety	-	-	-	-	-	-	-	-	-	30,521
Other Purposes	-	-	-	-	45,500	36,793	22,235	-	25,484	327,000
Committed for:										
Economic Development	-	-	-	-	358,676	516,823	664,401	477,233	752,819	968,178
Assigned for:										
Other Purposes	-	-	-	-	27,603	-	-	-	-	-
Unassigned	-	-	-	-	115,223	(3,883)	(6,364)	3,115	-	-
Total All Other Governmental Funds	15,336,357	41,874,691	36,054,647	26,975,695	12,500,157	44,343,274	45,837,546	48,720,276	45,318,752	39,248,329
Total Governmental Funds	\$ 26,020,522	\$ 53,570,621	\$ 46,707,389	\$ 37,832,446	\$ 22,866,851	\$ 56,716,338	\$ 59,816,944	\$ 64,226,287	\$ 56,920,613	\$ 52,139,128

SOURCE: Town of Addison Comprehensive Annual Financial Reports

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

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

Town of Addison, Texas
Statistical Section

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

	2007	2008	2009	2010
REVENUES:				
Ad Valorem Taxes	\$ 13,629,796	\$ 14,367,964	\$ 15,636,534	\$ 15,900,747
Non-Property Taxes	16,719,036	16,841,525	14,478,768	13,744,620
Franchise Fees	2,615,504	2,555,927	2,761,511	2,578,154
Licenses and Permits	743,201	798,006	429,681	833,178
Intergovernmental	185,297	561,992	257,429	1,323,831
Service Fees	2,648,853	2,944,353	2,696,581	3,135,434
Fines and Forfeitures	1,239,873	1,297,064	1,322,196	1,215,414
Earnings on Investments	1,416,049	1,291,081	1,234,816	298,634
Contributions	184,247	-	-	-
Rental Charges	676,563	744,496	670,546	700,207
Recycling Proceeds	32,703	41,567	18,570	21,126
Other	333,005	333,101	90,574	2,277,342
<i>Total Revenues</i>	<u>40,424,127</u>	<u>41,777,076</u>	<u>39,597,206</u>	<u>42,028,687</u>
EXPENDITURES:				
Current:				
General Government	5,699,206	6,412,823	6,357,501	6,323,891
Public Safety	13,318,918	14,193,406	14,374,702	13,812,617
Development Services	770,557	884,770	864,234	887,132
Streets	1,476,582	1,805,175	2,356,219	1,672,375
Parks and Recreation	3,569,031	4,108,418	4,072,051	3,698,831
Visitor Services	6,040,917	6,512,965	6,216,141	5,445,391
Municipal Court	-	-	-	-
Economic Development	-	-	-	-
Debt Service:				
Principal Retirement	3,735,000	3,919,769	4,115,100	4,369,520
Interest and Fiscal Charges	1,628,447	1,624,105	2,808,332	2,444,875
Debt Issuance Costs	-	-	-	-
Capital Projects:				
Salaries and Fringe Benefits	52,304	36,908	4,325	-
Supplies	-	-	2,878	937
Maintenance and Materials	-	-	41,480	231,367
Contractual Services	-	-	-	-
Other	-	-	-	-
Engineering and Contractual Services	123,695	745,837	1,591,103	2,585,480
Construction and Equipment	1,110,279	2,232,634	3,573,333	9,431,214
<i>Total Expenditures</i>	<u>37,524,936</u>	<u>42,476,810</u>	<u>46,377,399</u>	<u>50,903,630</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>2,899,191</u>	<u>(699,734)</u>	<u>(6,780,193)</u>	<u>(8,874,943)</u>
OTHER FINANCING SOURCES/(USES):				
Proceeds from Refunding Bonds Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Issuance of Debt	-	28,222,000	-	-
Discount on issuance of bonds	-	-	-	-
Bond Issuance Costs	-	-	-	-
Premium on Issuance of Bonds	-	27,833	-	-
Transfers In	706,710	700,000	896,489	2,133,827
Transfers Out	(706,710)	(700,000)	(979,528)	(2,133,827)
<i>Total Other Financing Sources/(Uses)</i>	<u>-</u>	<u>28,249,833</u>	<u>(83,039)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,899,191</u>	<u>\$ 27,550,099</u>	<u>\$ (6,863,232)</u>	<u>\$ (8,874,943)</u>
Debt Service as a Percentage of Non-Capital Expenditures	14.97%	14.14%	17.51%	17.63%

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 4

	2011	2012	2013	2014	2015	2016
\$	15,803,400	\$ 17,471,642	\$ 18,047,998	\$ 19,274,720	\$ 20,560,124	\$ 22,559,004
	14,564,185	16,183,779	17,604,795	19,444,668	19,728,511	20,181,697
	2,760,188	2,727,370	2,695,073	2,818,869	2,828,420	3,074,519
	1,210,058	953,709	886,423	901,645	1,011,223	768,964
	3,543,357	2,676,792	73,578	19,093	180,612	160,619
	2,840,317	3,104,592	2,939,606	2,758,458	2,543,707	4,463,789
	1,104,477	1,208,773	1,082,115	988,574	764,144	602,711
	122,128	75,972	122,169	143,299	277,680	571
	-	-	-	-	-	372,088
	733,957	931,619	1,119,737	1,119,551	1,201,389	949,956
	22,608	26,414	25,539	13,295	10,403	2,426
	531,149	483,009	105,803	206,157	199,880	377,608
	<u>43,235,824</u>	<u>45,843,671</u>	<u>44,702,836</u>	<u>47,688,329</u>	<u>49,306,093</u>	<u>53,513,952</u>
	6,353,784	6,135,191	6,371,055	6,646,587	7,657,465	7,598,584
	14,857,023	15,075,757	14,945,841	15,876,424	16,699,726	16,301,539
	885,218	886,705	927,684	962,584	1,090,973	1,207,871
	1,612,011	1,612,699	1,750,500	1,727,403	1,803,139	1,791,257
	4,061,666	4,269,381	4,316,689	4,874,394	4,755,341	4,912,455
	7,655,939	6,171,479	7,116,334	6,730,501	5,454,910	7,077,371
	-	54,370	53,112	30,878	60,426	17,610
	342,200	469,679	624,014	1,029,585	1,281,649	1,349,920
	3,873,610	4,738,040	4,701,161	5,086,153	5,473,152	5,800,151
	2,284,774	1,918,640	2,747,654	3,110,704	3,417,820	3,089,643
	-	141,666	-	-	-	-
	-	-	-	-	-	-
	-	17,635	80,660	-	-	-
	9,870	-	3,946	12,459	-	-
	-	-	49	-	-	-
	-	-	138,236	-	-	-
	1,846,919	796,958	2,165,012	422,982	5,076,254	62,647
	<u>14,375,210</u>	<u>3,038,501</u>	<u>3,742,776</u>	<u>8,241,546</u>	<u>3,840,912</u>	<u>9,086,389</u>
	<u>58,158,224</u>	<u>45,326,701</u>	<u>49,684,723</u>	<u>54,752,200</u>	<u>56,611,767</u>	<u>58,295,437</u>
	<u>(14,922,400)</u>	<u>516,970</u>	<u>(4,981,887)</u>	<u>(7,063,871)</u>	<u>(7,305,674)</u>	<u>(4,781,485)</u>
	-	46,315,000	-	-	-	-
	-	(14,834,842)	-	-	-	-
	-	-	7,790,000	12,000,000	-	-
	-	(632,482)	-	-	-	-
	-	-	-	-	-	-
	-	4,133,956	292,493	97,299	-	-
	1,384,156	1,258,263	578,501	570,000	5,226,082	2,349,124
	<u>(1,384,156)</u>	<u>(3,074,679)</u>	<u>(578,501)</u>	<u>(570,000)</u>	<u>(5,226,082)</u>	<u>(2,349,124)</u>
	-	<u>33,165,216</u>	<u>8,082,493</u>	<u>12,097,299</u>	-	-
\$	<u>(14,922,400)</u>	<u>\$ 33,682,186</u>	<u>\$ 3,100,606</u>	<u>\$ 5,033,428</u>	<u>\$ (7,305,674)</u>	<u>\$ (4,781,485)</u>
	15.40%	16.32%	17.27%	16.11%	18.38%	18.07%

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

Fiscal Year	Taxes	Franchise Fees	Licenses and Permits	Inter-governmental	Service Fees	Fines and Forfeitures	Interest	Rental Charges	Other (1)	Total
2007	\$ 30,348,832	\$ 2,615,504	\$ 743,201	\$ -	\$ 2,648,853	\$ 1,239,873	\$ 1,010,957	\$ 676,563	\$ 292,861	\$ 39,576,644
2008	31,209,489	2,555,927	798,006	-	2,944,353	1,297,064	818,547	744,496	239,304	40,607,186
2009	30,115,302	2,761,511	429,681	101,300	2,696,581	1,322,196	478,617	670,546	106,444	38,682,178
2010	29,645,367	2,578,154	833,178	1,323,831	3,135,434	1,215,414	109,308	700,207	155,962	39,696,855
2011	30,367,585	2,760,188	1,210,058	3,543,357	2,840,317	1,104,477	55,918	733,957	133,869	42,749,726
2012	33,655,421	2,727,370	953,709	2,676,792	3,104,592	1,208,773	37,857	931,619	117,217	45,413,350
2013	35,652,793	2,695,073	886,423	73,578	2,939,606	1,082,115	20,165	1,119,737	131,342	44,600,832
2014	38,719,388	2,818,869	901,645	19,093	2,758,458	988,574	20,944	1,119,551	158,573	47,505,095
2015	40,288,635	2,828,420	1,011,223	184,059	2,544,966	762,885	277,680	1,201,389	206,836	49,306,093
2016	42,740,701	3,074,519	768,964	160,619	4,463,789	603,282	372,088	949,956	301,950	53,435,868

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

Notes: (1) Includes recycling fees and contributions.

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

Fiscal Year	General Government	Public Safety	Development Services	Streets	Parks and Recreation (1)	Visitor Services (2)	Economic Development	Debt Service	Total
2007	\$ 5,699,206	\$ 13,318,918	\$ 770,557	\$ 1,476,582	\$ 3,569,031	\$ 6,040,917	\$ -	\$ 5,363,447	\$ 36,238,658
2008	6,412,823	14,193,406	884,770	1,805,175	4,108,418	6,512,965	-	5,543,874	39,461,431
2009	6,357,501	14,374,702	864,234	2,356,219	4,072,051	6,216,141	-	6,923,432	41,164,280
2010	6,339,991	13,812,617	887,132	2,252,164	3,698,831	5,445,391	-	6,814,395	39,250,521
2011	6,353,784	14,857,023	885,218	6,889,491	4,061,666	7,655,939	342,200	6,158,384	47,203,705
2012	6,135,191	15,130,127	886,705	1,612,699	4,269,381	6,171,479	469,679	6,798,346	41,473,607
2013	6,371,055	14,998,953	927,684	1,750,500	4,316,689	7,116,334	624,014	7,448,815	43,554,044
2014	6,646,587	15,907,302	962,584	1,727,403	4,874,394	6,730,501	1,029,585	8,111,657	45,990,013
2015	7,657,465	16,760,152	1,090,973	1,803,139	4,755,341	5,454,910	1,281,649	8,890,972	47,694,601
2016	7,598,584	16,319,149	1,207,871	1,791,257	4,912,455	7,077,371	1,349,920	8,889,794	49,146,401

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

Notes:

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

SUMMARY OF TAX REVENUES AND FRANCHISE FEES
Last Ten Fiscal Years

Fiscal Year	Property Taxes (1)	1% Town Sales Tax	Mixed Beverage Taxes	Franchise Fees	Hotel Occupancy Tax	Total
2007	\$ 13,629,796	\$ 10,508,257	\$ 1,007,699	\$ 2,615,504	\$ 5,203,080	\$ 32,964,336
2008	14,367,964	10,649,989	987,289	2,555,927	5,204,247	33,765,416
2009	15,636,534	9,584,496	936,034	2,761,511	3,958,238	32,876,813
2010	15,900,747	9,155,849	921,990	2,578,154	3,666,781	32,223,521
2011	15,803,400	9,632,640	930,759	2,760,188	4,000,786	33,127,773
2012	16,918,402	11,089,866	798,764	2,727,370	4,295,149	35,829,551
2013	18,047,998	12,217,439	812,273	2,695,073	4,575,083	38,347,866
2014	19,274,720	13,440,938	994,609	2,818,869	5,009,121	41,538,257
2015	20,560,124	13,038,912	1,176,643	2,828,420	5,512,956	43,117,055
2016	22,559,004	12,831,723	1,211,761	3,074,519	6,138,213	45,815,220

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

Notes:

(1) Includes penalty and interest.

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

Fiscal Year	Actual Levy Year	Real Property Assessed Value ⁽¹⁾	Personal Property Assessed Value	Less Tax-Exempt Property Assessed Value	Total Taxable Value	Total Direct Tax Rate ⁽²⁾
2007	2006	\$ 2,676,126,320	\$ 647,121,940	\$ (293,642,826)	\$ 3,029,605,434	0.4640
2008	2007	3,133,172,520	654,923,060	(306,253,403)	3,481,842,177	0.4337
2009	2008	3,316,069,140	759,489,460	(350,731,677)	3,724,826,923	0.4535
2010	2009	3,095,240,320	633,330,780	(417,521,300)	3,311,049,800	0.4960
2011	2010	2,872,659,100	601,788,640	(415,674,023)	3,058,773,717	0.5300
2012	2011	2,864,186,430	586,674,080	(422,817,942)	3,028,042,568	0.5800
2013	2012	2,955,211,640	580,038,950	(400,355,712)	3,134,894,878	0.5800
2014	2013	3,270,235,970	621,418,790	(401,647,062)	3,490,007,698	0.5718
2015	2014	3,538,702,310	685,963,840	(419,085,309)	3,805,580,841	0.5618
2016	2015	3,742,314,940	722,808,570	(428,399,743)	4,036,723,767	0.5605

SOURCE: Dallas Central Appraisal District

Notes:

(1) Assessed value is 100% of estimated market value.

(2) Per \$100 of valuation.

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

Fiscal Year	City Direct Rates ⁽¹⁾			Overlapping Rates ⁽²⁾					
	Operating General Rates	General Obligation Debt Service	Total Direct Ad Valorem Rate	Dallas County	Community College District	Dallas ISD	Carrollton/Farmers Branch ISD	Dallas County Hospital District	Total Ad Valorem Rate
2007	\$ 0.3110	\$ 0.1530	\$ 0.4640	\$ 0.2189	\$ 0.0810	\$ 1.5026	\$ 1.6830	\$ 0.2540	2.5206
2008	0.2990	0.1347	0.4337	0.2328	0.0804	1.1996	1.3670	0.2540	2.2006
2009	0.2828	0.1707	0.4535	0.2330	0.0894	1.1834	1.3623	0.2540	2.2133
2010	0.3360	0.1600	0.4960	0.2333	0.0949	1.2713	1.3422	0.2740	2.3696
2011	0.3479	0.1821	0.5300	0.2531	0.0992	1.2378	1.3469	0.2710	2.3911
2012	0.3819	0.1981	0.5800	0.2531	0.0997	1.2903	1.3568	0.2710	2.4941
2013	0.3593	0.2207	0.5800	0.2531	0.1190	1.2903	1.3306	0.2710	2.5134
2014	0.3588	0.2130	0.5718	0.2531	0.1247	1.2820	1.3235	0.2760	2.5076
2015	0.3437	0.2181	0.5618	0.2531	0.1248	1.2820	1.3033	0.2860	2.5077
2016	0.3767	0.2024	0.5792	0.2531	0.1237	1.2821	1.2817	0.2860	2.5240

SOURCE: Dallas County Tax Office

Notes:

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

PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Fiscal Year	Actual Levy Year	Taxes Levied for the Fiscal Year	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years ⁽¹⁾	Total Collections to Date	
			Current Tax Collections	Percentage of Levy		Total Tax Collections	Percentage of Levy
2007	2006	\$ 14,057,369	\$ 13,685,151	97.4%	\$ (137,238)	\$ 13,547,913	96.4%
2008	2007	15,100,750	14,284,974	94.6%	14,221	14,299,195	94.7%
2009	2008	16,892,090	15,628,630	92.5%	(25,508)	15,603,122	92.4%
2010	2009	16,422,810	15,867,761	96.6%	3,531	15,871,292	96.6%
2011	2010	16,211,500	15,676,932	96.7%	52,657	15,729,589	97.0%
2012	2011	17,562,650	17,286,939	98.4%	107,545	17,394,484	99.0%
2013	2012	18,182,390	17,952,493	98.7%	31,948	17,984,441	98.9%
2014	2013	20,000,565	19,245,018	96.2%	(11,276)	19,233,742	96.2%
2015	2014	21,430,622	20,639,637	96.3%	(125,285)	20,514,352	95.7%
2016	2015	23,445,994	22,641,818	96.6%	(50,474)	22,591,344	96.4%

SOURCE: Dallas County Tax Office

Notes:

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

RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (%)	Per Capita
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
2007	\$ 33,469,769	\$ 6,605,000	\$ 14,094,329	\$ 3,960,000	\$ 58,129,098	9.36	\$ 3,811.74
2008	30,050,000	34,327,000	12,060,450	10,003,000	86,440,450	12.91	5,668.23
2009	26,495,000	33,766,900	9,940,301	9,748,100	79,950,301	13.79	5,966.44
2010	22,775,000	33,117,380	7,740,152	9,467,620	73,100,152	13.29	5,202.86
2011	19,575,000	32,443,770	5,245,003	9,176,230	66,440,003	11.90	5,087.29
2012	40,587,307	40,779,773	2,656,792	10,580,639	94,604,511	12.86	6,915.53
2013	44,865,727	39,564,153	-	20,668,963	105,098,843	13.65	8,049.85
2014	52,868,244	38,578,326	2,145,000	25,322,281	118,913,851	18.32	7,833.59
2015	48,157,452	37,513,716	1,805,000	24,545,293	112,021,461	17.93	7,379.54
2016	65,165,138	15,642,986	8,122,465	17,312,599	106,243,188	13.31	6,841.16

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

RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds ⁽¹⁾	Certificates of Obligation ⁽¹⁾	Less: Amounts Available in Debt Service Fund ⁽²⁾	Total Outstanding Debt	Percentage of Actual Taxable Value (%)	Per Capita
2007	\$ 47,564,098	\$ 10,565,000	\$ 1,613,153	\$ 56,515,945	1.87	\$ 3,705.96
2008	42,110,450	44,330,000	1,360,440	85,080,010	2.44	5,579.02
2009	36,435,301	43,515,000	1,082,061	78,868,240	2.12	5,885.69
2010	30,515,152	42,585,000	1,126,069	71,974,083	2.17	5,122.71
2011	24,820,003	41,620,000	1,127,831	65,312,172	2.14	5,000.93
2012	43,244,099	51,360,412	1,079,254	93,525,257	3.09	6,836.64
2013	44,865,727	60,233,116	1,234,727	103,864,116	3.31	7,955.28
2014	55,013,244	63,900,607	1,020,159	117,893,692	3.38	7,766.38
2015	49,962,452	62,059,009	831,367	111,190,094	2.92	7,324.78
2016	73,287,603	32,955,585	541,075	105,702,113	2.62	6,806.32

NOTES: (1) The schedule of general bonded debt includes general obligation debt of both governmental activities and business-type activities.

(2) This is the amount restricted for debt service principal payments at the fund level.

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

DIRECT AND OVERLAPPING DEBT
 Year Ended September 30, 2016

Taxing Jurisdiction	G.O. Bonded Debt	Percent Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
Carrollton-Farmers Branch ISD	\$ 292,177,871	1.34%	\$ 3,915,183
Dallas County	80,008,759	2.22%	1,776,194
Dallas County Community College District	321,510,000	2.22%	7,137,522
Dallas County Hospital District	715,358,493	2.22%	15,880,959
Dallas County Schools	60,215,000	2.22%	1,336,773
Dallas ISD	2,527,376,563	3.66%	<u>92,501,982</u>
Total Overlapping Debt			122,548,613
Town of Addison (Direct Debt)	\$ 77,018,874 ⁽²⁾	100%	<u>77,018,874</u>
Total Direct and Overlapping Debt			<u>\$ 199,567,487</u>
Ratio of Overlapping G.O. Debt to 2014 Taxable Assessed Valuation			2.93%
Per Capita Overlapping G.O. Debt			\$ 7,628

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

Notes:

- (1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entity's taxable assessed value that is with the Town's boundaries and dividing by the entity's total taxable assessed value.
- (2) Total general obligation (G.O.) bonded debt shown for the Town of Addison excludes self-supporting debt and amount available for repayment in the Debt Service funds.

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

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements ⁽²⁾			Revenue Bond Coverage ⁽³⁾
	Gross Revenue	Expense ⁽¹⁾	Net Revenue	Principal	Interest	Total	
2007	\$ 9,378,480	\$ 6,837,579	\$ 2,540,901	\$ -	\$ -	-	N/A
2008	9,086,984	6,970,850	2,116,134	-	-	-	N/A
2009	9,362,976	7,105,167	2,257,809	-	-	-	N/A
2010	8,803,804	6,811,662	1,992,142	-	-	-	N/A
2011	10,726,977	7,024,544	3,702,433	-	-	-	N/A
2012	11,068,924	7,529,490	3,539,434	-	-	-	N/A
2013	10,743,714	8,052,963	2,690,751	-	-	-	N/A
2014	9,894,247	8,449,185	1,445,062	-	-	-	N/A
2015	10,241,191	9,017,932	1,223,259	-	-	-	N/A
2016	10,688,878	9,116,360	1,572,518	-	-	-	N/A

Notes:

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

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

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements			Bond Coverage ⁽²⁾
	Gross Revenue	Expenditure ⁽¹⁾	Net Revenue	Principal	Interest	Total	
2007	\$ 7,490,887	\$ 942,884	\$ 6,548,003	\$ 480,000	\$ 226,710	706,710	9.3
2008	7,546,348	1,077,436	6,468,912	500,000	212,012	712,012	9.1
2009	5,887,509	973,467	4,914,042	515,000	196,788	711,788	6.9
2010	5,900,022	963,908	4,936,114	535,000	181,037	716,037	6.9
2011	6,026,377	1,007,162	5,019,215	555,000	164,988	719,988	7.0
2012	6,740,112	1,080,980	5,659,132	620,000	108,143	728,143	7.8
2013	6,970,189	1,626,644	5,343,545	600,000	104,623	704,623	7.6
2014	7,181,306	1,063,116	6,118,190	625,000	86,650	711,650	8.6
2015	7,512,047	959,140	6,552,907	640,000	70,800	710,800	9.2
2016	9,680,180	1,156,760	8,523,420	660,001	52,050	712,051	12.0

Notes:

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

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

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

Fiscal Year	Estimated Population ⁽¹⁾	Assessed Valuations ⁽²⁾	Personal Income (Thousands)	Per Capita Personal Income ⁽³⁾	Labor Force ⁽⁴⁾	Unemployment Rate ⁽⁴⁾
2007	15,250	3,029,605,434	621,311	40,742	2,108,631	3.9%
2008	15,250	3,481,842,177	669,683	43,914	2,084,562	5.7%
2009	13,400	3,724,826,923	579,743	43,264	2,152,800	8.2%
2010	14,050	3,311,049,800	550,109	39,154	2,154,240	7.9%
2011	13,060	3,058,773,717	558,419	42,758	2,201,071	8.4%
2012	13,680	3,028,042,568	735,847	53,790	2,225,546	6.3%
2013	13,056	3,134,894,878	769,912	58,970	2,288,740	6.0%
2014	15,180	3,490,007,698	649,124	87,981	2,329,755	5.0%
2015	15,180	3,805,580,841	624,799	84,684	2,381,544	3.8%
2016	15,530	4,036,723,767	798,088	86,772	2,400,142	4.0%

SOURCES:

(1) North Central Texas Council of Governments estimates

(2) Dallas Central Appraisal District

(3) Personal income is estimated from Town of Addison Budget Book

(4) Texas Workforce Commission - Effective January 2005, data for cities of less than 25,000 was no longer provided. The information presented for September 2007 and forward represents the Dallas, Plano, Irving Metro Area.

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Name of Taxpayer	Nature of Property	2016			2007		
		Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Valuation
FPG Colonnade LP	Land, Office Buildings	\$ 201,039,500	1	4.98%			
Post Properties Inc	Mixed Development	166,013,460	2	4.11%	\$ 58,242,380	1	3.75%
COP Spectrum Center LLC	Office Buildings	89,520,000	3	2.22%			
5100 Belt Line Investors LLC	Insurance	89,260,140	4	2.21%			
Gaedeke Holdings IX LLC	Office Buildings	80,665,540	5	2.00%			
Real Pink Limited	Office Buildings	77,663,310	6	1.92%			
Fiori LLC	Land, Hotel	77,600,000	7	1.92%			
DCO Realty Inc	Land, Office Buildings	62,477,920	8	1.55%			
MHSS-Addison LP	Land, Office Buildings	59,220,630	9	1.47%			
SAYOYE2 LLC	Apartments	57,255,000	10	1.42%			
VOP Belt Line LTD PS	Land, Office Buildings				57,963,140	2	5.50%
Spectrum Center Partners	Office Buildings				52,258,950	3	2.57%
Colonnade Realty Holdings	Office Buildings				50,898,400	4	2.15%
Richmont Properties Ltd	Land, Office Buildings				49,012,080	5	2.08%
Rreef Millennium I Lp	Land, Office Buildings				48,100,000	6	1.98%
Colonnade Realty Holdings	Office Buildings				40,443,600	7	1.98%
Colonnade Realty Holdings	Office Buildings				37,658,000	8	1.83%
FSP Addison Cir Ltd Ps	Office Buildings				37,100,000	9	1.63%
M B N A Texas Properties Inc	Land, Office Buildings				34,000,000	10	1.47%
		<u>\$ 960,715,500</u>		<u>23.80%</u>	<u>\$ 465,676,550</u>		<u>24.94%</u>

SOURCE: Dallas Central Appraisal District

MAJOR EMPLOYERS
Current Year and Nine Years Ago

Company	Type of Business	2016		2007	
		Estimated Number of Employees	Percent of Total Employees	Estimated Number of Employees	Percent of Total Employees
Bank of America	Finance	2,200	2.44%	900	N/A*
Mary Kay Cosmetics Inc.	Cosmetics	1,200	1.33%	1,300	N/A*
Ocwen Financial	Financial	900	1.00%	N/A*	N/A*
Rexel	Industrial Electrical Supplies	500	0.56%	N/A*	N/A*
Hilton Worldwide, Inc	Hospitality	482	0.54%	N/A*	N/A*
Intercontinental Hotel Dallas	Hospitality	450	0.50%	380	N/A*
Barrett Daffin Frappier Turner and Engel LLP	Mortgage	400	0.44%	N/A*	N/A*
Concentra, Inc	Medical	400	0.44%	400	N/A*
United Surgical Partners International	Medical	379	0.42%	277	N/A*
Maxim Integrated	IT	350	0.39%	N/A*	N/A*
Hitachi Consulting	Consulting	300	0.33%	N/A*	N/A*
Zurich Insurance	Insurance	300	0.33%	N/A*	N/A*
Encore Payment System LLC	IT/Finance	280	0.31%	N/A*	N/A*
Glazer's Family of Companies	Spirits	280	0.31%	N/A*	N/A*
Methodist Hospital for Surgery	Medical	277	0.31%	N/A*	N/A*
Town of Addison	Municipal Government	266	0.30%	261	N/A*
Trinity Christian Academy	Education	250	0.28%	250	N/A*
Assurant Solutions	Insurance	250	0.28%	N/A*	N/A*
Pizza Hut Corporate Offices	Food Specialties	N/A*	N/A*	800	N/A*
Barrett Burke Wilson & Castle	Attorney Firm	N/A*	N/A*	580	N/A*
The Staubach Company	Real Estate	N/A*	N/A*	410	N/A*
Greenhill School	Elementary & High School	N/A*	N/A*	251	N/A*

SOURCE: Human Resource Department of respective Company

Notes:

* Not available.

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager's Office	8.5	8.5	8.5	8.5	8.0	7.5	6.0	7.0	8.0	7.5
Financial and Strategic Services	10.0	10.0	10.0	9.0	8.0	8.0	8.0	7.5	9.7	13.0
Municipal Court	4.7	4.7	5.7	5.7	5.4	5.4	5.4	5.7	5.7	5.7
General Services	9.0	10.0	10.0	10.0	9.0	8.0	5.0	5.0	5.0	5.0
Human Resources	4.7	4.7	5.2	5.2	4.2	5.2	4.2	4.2	3.5	4.0
Information Technology	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Total General Government	42.9	43.9	45.4	44.4	40.6	40.1	35.6	36.4	38.9	42.2
Public Safety										
Police	68.3	69.3	70.3	73.3	72.3	73.8	73.8	75.3	79.8	79.8
Emergency Communications	12.5	12.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	14.5
Fire	55.0	55.0	55.0	54.0	53.0	52.0	52.0	55.3	55.3	55.3
Total Public Safety	135.8	136.8	138.8	140.8	138.8	139.3	139.3	144.1	148.6	149.6
Development Services										
Development Services	7.0	7.0	7.0	7.0	7.0	7.2	7.2	7.2	7.2	7.2
Economic Development										
Economic Development	-	-	-	-	-	1.0	2.0	3.0	4.0	4.0
Public Works										
Streets	7.0	7.0	7.0	7.0	7.0	5.0	5.0	5.0	5.4	5.4
Stormwater								1.4	1.7	1.7
Utilities	17.0	17.0	18.0	17.0	17.0	16.0	18.0	18.3	16.6	17.6
Total Public Works	24.0	24.0	25.0	24.0	24.0	21.0	23.0	24.7	23.7	24.7
Parks and Recreation										
Parks	20.0	20.0	21.0	20.0	20.0	20.0	21.0	21.0	21.0	22.0
Recreation	15.2	15.6	15.6	15.6	15.6	14.6	14.6	14.6	15.1	15.1
Total Parks and Recreation	35.2	35.6	36.6	35.6	35.6	34.6	35.6	35.6	36.1	37.1
Visitor Services										
Visitor Services	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	-	-
Conference Centre	7.5	7.5	7.5	7.5	7.5	8.0	7.0	8.7	8.5	8.5
Special Events	4.0	4.0	4.0	4.0	3.0	3.0	3.5	4.0	4.3	4.3
Marketing	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
General Hotel Operations	-	-	-	-	-	-	-	-	1.0	1.0
Performing Arts	-	-	-	-	-	-	-	-	-	-
Total Visitor Services	14.0	14.0	14.0	14.0	13.5	15.0	14.5	16.7	14.8	14.8
Airport Fund										
Airport Fund	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
TOTAL	261	263	269	268	262	261	260	271	276	283

SOURCE: Town of Addison Human Resources Department

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Crimes Against Property	1,094	954	1,100	968	1,056	933	942	768	728	835
Crimes Against Persons	397	390	452	381	388	435	393	358	55	97
Arrests	2,227	2,844	3,220	2,775	2,876	2,924	2,548	2,006	1,712	1,679
Calls for Service	19,320	17,365	16,109	15,453	17,989	17,390	16,463	16,624	17,181	20,700
Fire										
Number of Fires	39	38	50	44	51	45	61	63	51	39
Dollar Loss	\$ 283,000	\$ 234,375	\$ 396,100	\$ 2,212,000	\$ 3,027,173	\$ 2,484,545	\$ 1,166,345	\$ 1,268,010	\$ 608,900	\$ 686,920
Calls for Service - Fire	968	1,033	893	834	866	837	896	989	996	865
Calls for Service - EMS	1,588	1,507	1,422	1,518	1,463	1,676	1,696	1,598	1,730	1,765
Streets										
Tons of Recycling Collected	357	354	343	328	330	334	360	387	323	390
Parks										
Acres Maintained	138	137	138	139	163	163	163	163	163	163
Recreation										
Recreation Event Participants	13,371	13,002	13,184	14,947	14,874	22,496	22,632	21,392	21,392	22,462
Number of Users	128,293	126,214	126,123	125,339	123,794	131,730	128,722	122,656	122,656	120,149
Active Athletic Club Members	3,595	3,395	3,222	3,300	3,428	3,637	3,669	3,942	3,942	3,631
Utilities										
Water Usage - Peak (1)	8,000	8,421	8,748	8,895	9,402	8,871	8,979	10,042	11,093	8,846
Water Usage - Average (1)	5,150	4,847	4,627	4,334	5,014	5,021	4,829	4,577	4,682	4,628
Service Line Breaks	17	13	11	11	7	10	11	16	8	4
Water Main Breaks	7	7	1	1	1	2	5	7	4	2

SOURCE: Town of Addison Department Data

Notes:

(1) In thousands of gallons

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Public Safety</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<u>Public Works</u>										
Streets - Paved (miles)	39	41	41	41	41	41	41	41	41	43
Lane Miles	119	126	126	164	164	164	164	164	164	167
Traffic Signals	34	34	34	36	36	36	36	36	36	36
<u>Parks and Recreation (1)</u>										
Acres Maintained	149	136	138	139	163	163	163	163	163	163
Parks	16	12	13	13	15	15	15	15	15	14
Playgrounds	3	3	3	3	5	5	5	5	5	3
Soccer/Football Fields	1	-	-	-	1	1	1	1	1	-
Community Centers	2	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	98	99	101	96	80	80	80	80	80	80
Fire Hydrants	1,150	1,175	1,200	1,013	1,052	1,052	1,038	1,038	1,038	1,052
<u>Wastewater</u>										
Miles of Sanitary Sewers	87	88	90	82	66	66	66	66	66	66
Miles of Storm Sewers	22	22	22	22	57	57	60	60	60	76

SOURCE: Town of Addison Department Data

Notes:

- (1) In 2008, the joint use agreement between the Town of Addison and Trinity Christian Academy terminated. The agreement had allowed the Town use of the Trinity Christian Academy facilities in exchange for sharing the maintenance of these facilities.

TOWN OF ADDISON

ATHLETIC CLUB

3900

ADDISON ATHLETIC CLUB
Monday - Thursday 5:30am - 10:00pm
Friday 5:30am - 8:00pm
Saturday 8:00am - 10:00pm
Sunday 10:00am - 6:00pm



TOWN OF ADDISON

ATHLETIC CLUB

3900

ADDISON ATHLETIC CLUB
Monday - Thursday 5:30am - 10:00pm
Friday 5:30am - 8:00pm
Saturday 8:00am - 10:00pm
Sunday 10:00am - 4:00pm

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Addison (Town), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 8, 2017.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Town's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
March 8, 2017



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TOWN OF ADDISON - DEPARTMENT OF FINANCE