



**REGULAR WORK SESSION & MEETING
OF THE CITY COUNCIL**

April 26, 2016

ADDISON TOWN HALL

5300 BELT LINE RD., DALLAS, TX 75254

**5:30 PM EXECUTIVE SESSION & DINNER
6:00 PM WORK SESSION
7:30 PM REGULAR MEETING**

Executive Session

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1. Closed (executive) session of the Addison City Council pursuant to:

Section 551.071, Tex. Gov. Code, to conduct a private consultation with its attorney:

(A): to seek advice about (a) pending litigation or contemplated litigation; or (b) a settlement offer

- **Town of Addison v. Ashton Dallas Residential, LLC Cause No. CC-15-01583-E**
- **Town of Addison v. Ashton Dallas Residential, LLC Cause No. CC-15-01588-A**

(B): on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, pertaining to

- **The ponds or lakes at Vitruvian Park located within the vicinity and east of the intersection of Vitruvian Way and Ponte Ave., and Farmers Branch Creek**
- **4150 Beltway**

Section 551.087: To deliberate commercial or financial information that was received from a business prospect that seeks to locate, stay or expand in or near the territory of the governmental body, and with which the governmental body is conducting economic development negotiations.

- **Addison Grove Development Agreement**

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2. **RECONVENE INTO REGULAR SESSION:** In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matter discussed in Executive Session.
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WORK SESSION

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3. Present And Discuss **Updates On Taste Addison 2016.**
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4. Present An **Update On The Master Transportation Plan And Discuss Appointments To The Master Transportation Plan Advisory Committee.**
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REGULAR MEETING

Pledge of Allegiance

Announcements and Acknowledgements regarding Town and Council Events and Activities

Discussion of Events/Meetings

5. Public Comment.
The City Council invites citizens to address the City Council on any topic not on this agenda. Please fill out a **City Council Appearance Card** and submit it to a city staff member prior to Public Participation. Speakers are allowed **up to three (3) minutes per speaker** with **fifteen (15) total minutes** on items of interest or concern and not on items that are on the current agenda. In accordance with the Texas Open Meetings Act, the City Council cannot take action on items not listed on the agenda. The Council may choose to place the item on a future agenda.

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6. Presentation Of **Appreciation for City Prosecutor Larry McCallum.**
-

Consent Agenda:

All items listed under the Consent Agenda are considered routine by the City Council and will be enacted by one motion with no individual consideration. If individual consideration of an item is requested, it will be pulled from the Consent Agenda and discussed separately.

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7. Consider Approval Of **The March 22, 2016 Regular Meeting Minutes.**
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8. Consider Approval Of An Ordinance **Amending Chapter 46 (Health and Sanitation) Article II (Food) In Order To Adopt The 2015 Texas Food Establishment Rules With Local Amendments.**
-

9. Consider Approval Of Consent To Assignment Of **Ground Lease #0560-1201 (Addison Express II, L.P.) Commonly Known As 4500 Claire Chennault Drive To Cutter Aviation Deer Valley I, L.P. And Its Creation Of A Leasehold Mortgage.**
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Regular Items

10. Consider Approval Of A **Resolution For The Appointments To The Master Transportation Plan Advisory Committee.**
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11. Discuss, Consider, And Approve A **Resolution Approving An Incentive Agreement With Beltline Beltway Investments, Ltd. and Urban Intownhomes, LLC For The Addison Grove Redevelopment Project At 4150 Belt Line Road Commonly Known As The Former Sam's Wholesale Club Property And Authorizing The City**

Manager To Execute The Contract..

-
12. Presentation And Acceptance Of The **Fiscal Year 2015 Comprehensive Annual Financial Report.**

-
13. Presentation And Discussion Of **Final Report From Kanter Forensics, LLC.**

Adjourn Meeting

NOTE: The City Council reserves the right to meet in Executive Session closed to the public at any time in the course of this meeting to discuss matters listed on the agenda, as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551, including §551.071 (private consultation with the attorney for the City); §551.072 (purchase, exchange, lease or value of real property); §551.074 (personnel or to hear complaints against personnel); §551.076 (deployment, or specific occasions for implementation of security personnel or devices); and §551.087 (economic development negotiations). Any decision held on such matters will be taken or conducted in Open Session following the conclusion of the Executive Session.

Posted:
Laura Bell, 4/22/2016, 9:00 pm

**THE TOWN OF ADDISON IS ACCESSIBLE TO PERSONS WITH DISABILITIES.
PLEASE CALL (972) 450-7017 AT LEAST
48 HOURS IN ADVANCE IF YOU NEED ASSISTANCE.**

AI-1655

1.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Manager

AGENDA CAPTION:

Closed (executive) session of the Addison City Council pursuant to:

Section 551.071, Tex. Gov. Code, to conduct a private consultation with its attorney:

(A): to seek advice about (a) pending litigation or contemplated litigation; or (b) a settlement offer

- **Town of Addison v. Ashton Dallas Residential, LLC Cause No. CC-15-01583-E**
- **Town of Addison v. Ashton Dallas Residential, LLC Cause No. CC-15-01588-A**

(B): on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, pertaining to

- **The ponds or lakes at Vitruvian Park located within the vicinity and east of the intersection of Vitruvian Way and Ponte Ave., and Farmers Branch Creek**
- **4150 Beltway**

Section 551.087: To deliberate commercial or financial information that was received from a business prospect that seeks to locate, stay or expand in or near the territory of the governmental body, and with which the governmental body is conducting economic development negotiations.

- **Addison Grove Development Agreement**

BACKGROUND:

N/A

RECOMMENDATION:

N/A

AI-1656

2.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Manager

AGENDA CAPTION:

RECONVENE INTO REGULAR SESSION: In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matter discussed in Executive Session.

BACKGROUND:

N/A

RECOMMENDATION:

N/A

AI-1603

3.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: General Services

AGENDA CAPTION:

Present And Discuss **Updates On Taste Addison 2016.**

BACKGROUND:

Staff will provide an update to the Council on the upcoming Taste Addison Event that will take place May 13-15, 2016. Presentation will include information regarding the cash management process, restaurants that will be attendance, an outline of the musical programming for the weekend, and the marketing media plan.

RECOMMENDATION:

N/A

AI-1651

4.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Manager

AGENDA CAPTION:

Present An **Update On The Master Transportation Plan And Discuss Appointments To The Master Transportation Plan Advisory Committee.**

BACKGROUND:

Staff and consultants from Prologue Planning and Kimley-Horn will discuss the progress made to date on the Master Transportation Plan update.

Two community meetings were held in March to gather input from citizens and those that work in Addison regarding transportation related issues. Additionally, an online survey was conducted for those not in attendance . The presentation will include an overview of the findings of these efforts. This information and any direction from Council received during this discussion will guide the development of the new Master Transportation Plan.

Council will also discuss and make appointments to the Master Transportation Plan advisory committee. The advisory committee will work with staff and the consultants to provide more detailed feedback on the issues raised and give input as consultants discuss different approaches to address various issues as the Master Transportation Plan is being drafted.

RECOMMENDATION:

N/A

AI-1653

6.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Manager

AGENDA CAPTION:

Presentation Of **Appreciation for City Prosecutor Larry McCallum.**

BACKGROUND:

After 43 years of service to the Town of Addison, City Prosecutor Larry McCallum will be retiring on May 4, 2016.

RECOMMENDATION:

Presentation only, no action required.

AI-1652

7.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Secretary

AGENDA CAPTION:

Consider Approval Of **The March 22, 2016 Regular Meeting Minutes.**

BACKGROUND:

n/a

RECOMMENDATION:

Administration recommends approval.

Attachments

DRAFT Minutes

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL WORK SESSION

April 12, 2016

Addison Town Hall, 5300 Belt Line Rd., Dallas, TX 75254

5:30 PM Executive Session

6:00 PM Work Session

7:30 PM Regular Meeting

Present: Arfsten; Carpenter; Heape; Hughes; Mayor Meier; Moore; Wilcox

Executive Session

-
1. Closed (executive) session of the Addison City Council pursuant to:

Section 551.087, Tex. Gov. Code, to deliberate commercial or financial information that was received from a business prospect that seeks to locate, stay, or expand in or near the territory of the governmental body, and with which the governmental body is conducting economic development negotiations.

- **Addison Grove Development**

Section 551.072, Tex. Gov. Code, to deliberate the purchase, exchange, lease or value of real property

- **4460 Belt Line Road, Addison, TX 75001**

Council convened into Executive Session at 5:32 pm.

Council recessed the Executive Session at 6:30 pm.

Reconvene from Executive Session

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2. **RECONVENE INTO REGULAR SESSION:** In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on any matter discussed in Executive Session.
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WORK SESSION

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3. Discuss The **Naming Rights Policy For The Addison Theatre Centre.**

Addison Conference and Theatre Center General Manager, Mark Gooch, presented the item to Council. Mr. Gooch stated in the naming rights policy, the criteria and procedures are intended to:
Establish a naming rights policy for the Addison Theatre Centre
Establish the areas that may be named within the Addison Theatre Centre
Provide potential donors, the Watertower Theatre, and the Town of

Addison with the criteria, standards and process for approval or denial of the proposal, duration of the naming rights, installation and removal of the recognition.

Council agreed that this policy was important and the guidelines set would be beneficial to all. The companion item on the agenda will be considered at the meeting.

4. Present An **Update On The Master Transportation Plan And Discuss Appointments To The Master Transportation Plan Advisory Committee.**

Council received a presentation from the consultants involved with the Master Transportation Plan project. Council agreed that the number of responses received were much lower than they had hoped. They discussed ways to reach out to the rider who use DART buses in Addison and more of the businesses in Addison.

Charles Goff spoke to Council regarding the appointment of the Master Transportation Plan Advisory Committee. He stated staff was anticipating a committee of 14. This would give each Councilmember 2 nominations. This could be one citizen and one business person from the Town. Mr. Goff stated that the first meeting would be May 11 if the committee could be placed in enough time. There would be 2-3 more meetings after the initial meeting to last through the summer and possibly into early fall.

Council agreed to talk to citizens and members of the business community. Staff would get blank copies to the Council to hand out to citizens. This discussion would continue at the April 26, 2016 worksession.

REGULAR MEETING

Pledge of Allegiance

Announcements and Acknowledgements regarding Town and Council Events and Activities

Discussion of Events/Meetings

Public Comment.
The City Council invites citizens to address the City Council on any topic not on this agenda. Please fill out a **City Council Appearance Card** and submit it to a city staff member prior to Public Participation. Speakers are allowed **up to three (3) minutes per speaker** with **fifteen (15) total minutes** on items of interest or concern and not on items that are on the current agenda. In accordance with the Texas Open Meetings Act, the City Council cannot take action on items not listed on the agenda. The Council may choose to place the item on a future agenda.

Guillermo Quintanilla, 4115 Rush Circle, spoke regarding the Town's request for an Attorney General Opinion on the memo written by Lea Dunn in regards to the Kanter Financial project. Mr. Quintanilla requested that the Council immediately release this document. He stated he would be sending an email the following day with the same request.

Blake Clemens, 14754 Celestial Place, spoke regarding the new fountains at Celestial Park. He presented a check to the Town on behalf of the Legacy Foundation.

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6. Present A **Proclamation Declaring April 11-16, 2016 As National Volunteer Week In Addison, Texas.**
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Consent Agenda:

All items listed under the Consent Agenda are considered routine by the City Council and will be enacted by one motion with no individual consideration. If individual consideration of an item is requested, it will be pulled from the Consent Agenda and discussed separately.

Councilmember Hughes requested that Item 7 be pulled from the Consent Agenda.

Mayor Pro Tem Moore moved to approve Items 8-10 as submitted. Councilmember Carpenter seconded the motion. The vote was cast 7-0 in favor of the motion.

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7. Consider **Approval Of The March 22, 2016 Regular Meeting Minutes.**

Councilmember Hughes stated he pulled this item to ask for inclusion of the savings amount to the minutes in regards to Compensation item on the agenda.

Councilmember Hughes moved to approve item #7 with the proposed changes.

Councilmember Arfsten seconded the motion.

The vote was cast 7-0 in favor of the motion.

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8. Consider Approval Of A **Resolution Adopting A Naming Rights Policy For The Addison Theatre Centre.**
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9. Discuss, Consider And Approve An **Ordinance Amending The Town's Annual Budgeted Full Time Equivalent (FTE) Count For The Fiscal Year Ending September 30, 2016.**
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10. Consider A **Resolution For The Proposed Assignments Of Lease From ADS US Sport Aircraft, LLC To ADS Importing, LLC At 4700 Airport Parkway And A Resolution For The Proposed Assignment Of Lease From ADS US Sport Aircraft, LLC To ADS Importing, LLC At 4660 Jimmy Doolittle Drive .**
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Regular Items

11. Hold A Public Hearing, Discuss, Consider And Approve An Ordinance Amending Various Sections Of The Code Of Ordinances In Order To Revise The Terms For Existing And Future Members Of The Planning And Zoning Commission And Board Of Adjustment In Order To Align Terms In Accordance With Recently Adopted City Council Policy Regarding The Boards And Commissions Appointment Process. Case 1730-Z/Town Of Addison.

Assistant Director of Development Services, Charles Goff, presented the item to Council. Mr. Goff stated that this item has been discussed recently with the new implementation of the appointment process for Boards and Commission members. He stated in the past, the process has been informal and appointments happened throughout the year. With the new policy adopted, the appointments are moved to December to make effective in January. This ordinance implements the policy adopted by Council. The Councilmember would make the nomination in December following their respective May election.

Mr. Goff stated that the Board of Zoning Adjustment needed an extra change. The prior ordinance said that the board consisted of 9 members, 5 permanent and 4 alternate. However, in the past keeping with each Councilmember making one nomination, the board was always filled with 7 members. The new ordinance states the number from 9 to 7 members. The ordinance also specifies how the members are seated for a meeting. The new ordinance also takes the appointment process out of the zoning ordinance and moves it in the administrative section of the Code of Ordinances.

Councilmember Hughes asked Charles to clarify why the Community Partners Bureau appointments were not included in this ordinance.

Mr. Goff stated that he checked with the City Secretary and the Community Partners Bureau appointments are included in a separate policy. That policy will have to come back to Council for the new wording at a later time. The time frame for appointments will be the same as the other boards but the policy will be done separately.

Councilmember Arfsten moved to approve Item #11 as submitted. Deputy Mayor Pro Tem Heape seconded the motion. The vote was cast 7-0 in favor of the item.

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12. Hold A Public Hearing, Discuss, Consider And Approve An Ordinance Amending Various Sections Of Appendix B - Subdivisions In Order To Grant The Planning And Zoning Commission Final Plat Approval Authority. Case 1731-Z/Town Of Addison.

Assistant Director of Development Services, Charles Goff, presented the item to Council. Mr. Goff stated that this item was to change the final plat authority to the Planning & Zoning Commission. This change would allow the item to be approved approximately 30 days sooner and would add a level of service to the process.

Mayor Pro Tem Moore moved to approve Item #12 as submitted.

Deputy Mayor Pro Tem Heape seconded the motion. The Council voted 7-0 in favor of the motion.

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13. Hold A Public Hearing, Discuss, Consider And Approve An **Ordinance Amending Various Sections Of Appendix A - Zoning And Appendix B - Subdivisions In Order To Delete Sections Pertaining To Administrative Fees.** Case 1732-Z/Town Of Addison.

Assistant Director of Development Services, Charles Goff, presented the item to Council. He stated that this item was another clean up of the current code. He stated that these fees occur in two places in the code, the zoning portion and the regular Code portion. This item would allow the fees to be eliminated from the zoning portion of the code and remain in the section of the Code of Ordinances.

Councilmember Carpenter moved to approve Item #13 as submitted. Councilmember Hughes seconded the motion. The Council voted 7-0 in favor of the motion.

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14. Hold A Public Hearing, Discuss, Consider And Approve An **Ordinance Moving Landscape Regulations From Appendix A - Zoning, Article XXI To A New Article VI In Chapter 34 (Environment) Of The Code Of Ordinances.** Case 1733-Z/Town Of Addison.

Assistant Director of Development Services, Charles Goff, presented the item to Council. He stated this item was another clean up of section of the zoning ordinance. He stated this new ordinance would pull the landscape regulations from the zoning ordinance and place those regulations under a new section in the Code of Ordinances.

Mayor Pro Tem Moore moved to approve Item #14 as submitted. Deputy Mayor Pro Tem Heape seconded the motion. Council voted 7-0 in favor of the motion.

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15. Presentation And Discussion Regarding **The 2015 Annual Report For The Addison Police Department.**

Chief Spencer presented the item to Council. He gave a summary of the report.

Council asked a few questions regarding the findings in the report.

Chief Spencer stated that many of the answers Council were seeking would be clarified when he implements the new tracking measures next year. He stated that many of the numbers he would like to compare with the surrounding cities rather than the Dallas County as a whole. He stated next year the numbers would show a more complete and concise report. He stated the report as it is required comes with it's share of skewed statistics due to comparisons to Dallas County.

Mayor Meier adjourned the meeting at 8:21 pm.

NOTE: The City Council reserves the right to meet in Executive Session closed to the public at any time in the course of this meeting to discuss matters listed on the agenda, as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551, including §551.071 (private consultation with the attorney for the City); §551.072 (purchase, exchange, lease or value of real property); §551.074 (personnel or to hear complaints against personnel); §551.076 (deployment, or specific occasions for implementation of security personnel or devices); and §551.087 (economic development negotiations). Any decision held on such matters will be taken or conducted in Open Session following the conclusion of the Executive Session.

Mayor-Todd Meier

Attest:

City Secretary-Laura Bell

Work Session and Regular Meeting**Meeting Date:** 04/26/2016**Department:** Infrastructure- Development Services

AGENDA CAPTION:

Consider Approval Of An Ordinance **Amending Chapter 46 (Health and Sanitation) Article II (Food) In Order To Adopt The 2015 Texas Food Establishment Rules With Local Amendments**.

BACKGROUND:

Addison's health inspectors currently inspect food establishments based on the 2006 Texas Food Establishment Rules (TFER) which were adopted in 2006. These regulations are created by the State of Texas based on U.S. Food and Drug Administration standards. In 2013, the U.S. Food and Drug Administration updated these rules and it was adopted by the State of Texas in 2015. This ordinance will allow the Town to adopt the updated regulations and enforce them. Although the regulations are established by the State of Texas and technically required by state law, they are enforced at the local level by municipal health inspectors.

Major changes include:

- Changes to bare hand contact with ready to eat food requirements
- Mandatory food handler requirements
- Changes to the inspection process of mobile food establishments
- Changes to the hand wash and glove use requirement
- Changes to the Food Establishment Inspection form (changing from 27 items to 47 items)

There has been detailed communications within the food establishment industry regarding the new regulations. Additionally, the Town's inspectors have been visiting with and educating establishments in Addison about the new regulations. In order to give food establishments ample time to prepare for the new requirements, staff is proposing an effective date of September 30, 2016. Between now and then, Addison's inspectors will continue to communicate the new expectations and assist the establishments in preparing for compliance.

RECOMMENDATION:

Administration recommends approval.

Attachments

Ordinance

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING THE CODE OF ORDINANCES, CHAPTER 46 TO ADOPT THE 2105 TEXAS FOOD ESTABLISHMENT RULES TO REGULATE FOOD ESTABLISHMENTS INCLUDING FOOD SERVICE ESTABLISHMENTS, RETAIL FOOD STORES, TEMPORARY FOOD ESTABLISHMENTS, MOBILE FOOD UNITS AND ROADSIDE VENDORS; PROVIDING A SAVINGS CLAUSE; ESTABLISHING LOCAL AMENDMENTS TO THOSE RULES; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR A PENALTY OF A FINE NOT TO EXCEED THE SUM OF FIVE HUNDRED DOLLARS (\$500.00) FOR EACH OFFENSE; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Addison, Texas (the "City") has previously adopted the 2006 Texas Food Establishment Rules to regulate food service establishments in the city; and

WHEREAS, the City desires to update its food establishment rules to adopt the 2015 Texas Food Establishment Rules adopted by the State of Texas.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS THAT:

Section 1. The Code of Ordinances (the "Code") of the Town of Addison, Texas Chapter 46, Health and Sanitation, Section 46-31 is hereby amended to read in its entirety as follows:

Sec. 46-31. - Adoption of state rules on food establishment sanitation.

The Texas Food Establishment Rules ("Rules") adopted by the Texas Department of State Health Services at 25 Tex. Admin. Code Ch. 228 as amended herein are hereby adopted as the rules for food sanitation. A copy of the rules shall be kept and maintained in the office of the city secretary

Section 2. The Code of Ordinances (the "Code") of the Town of Addison, Texas Chapter 46, Health and Sanitation, Section 46-32(a) is hereby amended to read in its entirety as follows:

Sec. 46-32. - Food service regulations.

(a) Generally. The rules are hereby amended as follows:

(1) 25 Tex. Admin. Code 228.2 (116) of the Rules, "Regulatory Authority", is amended to read as follows:

"(116) Regulatory authority. The Town of Addison Environmental Services Dept."

(2) 25 Tex. Admin. Code 228.250(a) of the Rules, Competency of Inspectors and Access

"(a) Food establishment inspector qualifications. An individual conducting inspections..."

OFFICE OF THE CITY SECRETARY

ORDINANCE NO. _____

- (3) 25 Tex. Admin. Code 228.150(d) of the Rules, "Grease trap" is amended to read as follows:
- "(d)
- (a) Grease traps; garbage grinders. If a food establishment is required to install, a grease trap or grease interceptor, the trap or interceptor shall be located and sized according to the specifications for the regulatory authority. Food Service establishments with seating capacity of 50 or more, are required to have a 750 lb. capacity grease trap, unless otherwise decided up by the regulatory authority. Grease traps should be located out of doors in a location easily accessible for cleaning.
- (b) Garbage grinders. Garbage grinders are not allowed in new, extensively remodeled or reoccupied food service facilities. If used and allowed by law, garbage grinders shall be maintained according to law."
- (4) 25 Tex. Admin. Code 228.106(x) of the Rules, "Food equipment certification, classification, acceptability", is amended to read as follows:
- "(x) Food equipment certification, classification, acceptability. Food equipment installed in an establishment after the adoption of these rules, and food equipment in new or extensively remodeled establishments shall be of National Sanitation Foundation or equivalent approval. Any other equipment is subject to approval by the Town of Addison."

Section 3. Recitals. The above and foregoing recitals are true and correct and are incorporated herein and made a part hereof for all purposes.

Section 4. **Savings; Repealer.** This Ordinance shall be cumulative of all other ordinances of the City and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those ordinances are in direct conflict with the provisions of this Ordinance. Provided, however, that the repeal of such ordinances or parts of such ordinances and the amendments and changes made by this Ordinance, shall not affect any right, property or claim which was or is vested in the City, or any act done, or right accruing or accrued, or established, or any suit, action or proceeding had or commenced before the time when this Ordinance shall take effect; nor shall said repeals, amendments or changes affect any offense committed, or an penalty or forfeiture incurred, or any suit or prosecution pending at the time when this Ordinance shall take effect under any of the ordinances or sections thereof so repealed, amended or changed; and to that extent and for that purpose the provisions of such ordinances or parts of such ordinances shall be deemed to remain and continue in full force and effect.

Section 5. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstances is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 6. **Penalty.** Any person, firm, or corporation violating any of the provisions of this ordinance shall be deemed guilty of a misdemeanor and upon conviction shall be punished by a fine not to

exceed the sum of Five Hundred Dollars (\$500.00) for each offense and each and every such day such offense shall continue shall be deemed to constitute a separate offense.

Section 7. Effective Date. This Ordinance shall take effect on September 30, 2016 and after publication as required by law.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 26th day of April, 2016.

Todd Meier, Mayor
Town of Addison, Texas

ATTEST:

Laura Bell, City Secretary

APPROVED AS TO FORM:

Brenda N. McDonald, City Attorney



2015 Texas Food Establishment Rules FAQ

Background

On Friday, September 25, 2015 the Texas Department of State Health Services (DSHS) released a statement announcing the adoption of the new Texas Food Establishment Rules (TFER). The new TFER were revised so that they are now more closely aligned with the U.S. Food and Drug Administration 2013 Model Food Code

When did the new rules go into effect?

The new food safety rules went into effect in Texas on October 11, 2015.

What types of establishments are affected by the new rules?

The new regulation applies to all retail food establishments for which Texas DSHS has oversight such as grocery stores, markets, delicatessens, restaurants, bars, cafes, snack bars, hospitals that serve food to the general public, correctional facilities (jails), school cafeterias, temporary food establishments, and mobile food establishments.

What are the new rules?

The new regulation contains a vast number of significant changes affecting food service operators in the state. This document contains a summary of key changes that may affect operators and their establishments.

3-Tier Risk Designation

One of the more significant changes to the Texas regulations is transition to a new 3-Tier risk designation which includes – Priority Items^P, Priority Foundation Items^{Pf}, and Core Items^C.

Key Definition Changes

There were over forty (40) Key Definition Changes added or made, including:

- Added definition of “Time/Temperature Control for Safety Food” and eliminated “Potentially Hazardous Food”
- Added definition of “Bare hand contact”

Key Definition Changes (continued)

- Changed definition of “Handwashing sink” to limit use for handwashing only
- Added definition of “Cook chill packaging”
- Added definition of “*Listeria monocytogenes*”
- Added definition of “STEC”
- Added definition of “Sous vide packaging”
- Added definition of “Vacuum Packaging”
- Added definition of “Specialized processing method”
- Changed definition of “Service animal” to ADA definition

Additional Important Changes

- Added new requirements for Certified Food Protection Manager that requires a CFM on site for each licensed establishment
- Added a new requirement that all food employees shall successfully complete a food handler training course, accredited by the department, within 60 days of employment
- Responsibility of Permit Holder, Person in Charge, and Conditional Employees now includes 6 diagnosed illnesses – norovirus, hepatitis A, *Shigella*, Shiga toxin-producing *E. coli* (STEC), *Salmonella typhi* and Nontyphoidal *Salmonella*
- Added new section on “Contamination Events” for the clean-up of vomit and diarrheal events in a food establishment
- Shellstock tags must now be labeled with the date the last shellstock from the container was served and maintained 90 days from that date
- Added the requirement that the permit holder must obtain prior approval from the regulatory authority before conducting bare hand contact activities with ready-to-eat-foods
- Frozen, commercially processed packaged raw animal foods may now be stored or displayed with or above frozen, commercially processed and packaged ready-to-eat-food
- Added new provisions for the destruction of parasites in fish

Additional Important Changes (continued)

- More requirements were added for “Time as a Public Health Control” for cold foods. Cold foods may now be held without temperature control for up to 6 hours or up to 70°F if removed from the refrigeration at 41°F, documented and monitored
- Added requirements for sanitizing chemicals, constituted on site at the food establishment, meeting the concentration requirements of the code
- Exposed, unused tableware must now be changed between customers or washed, rinsed and sanitized if used
- Added a restriction that states toilets, urinals, and showers cannot be used as a service sink
- New provisions allowing for automatic handwashing facilities if approved by the regulatory authority
- New language requirement plumbing fixtures such as handwashing sinks, toilets, and urinals to be cleaned as often as necessary to keep them clean
- Chemicals used to wash or peel raw, whole vegetables must be approved additives and now include Ozone as an approved antimicrobial agent
- Added new language changing to risk based inspection intervals to allow a risk-based inspection interval other than 6 months as long as specific provisions are met

Where can I found a copy of the Texas DSHS Food Establishment Rules 2015?

To download a complete copy of DSHS’s 2015 Food Establishment Rules go to:

<https://www.dshs.state.tx.us/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=8590002102>

To view a copy of the new inspection form go to:

<https://www.dshs.state.tx.us/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=8589993458>

Work Session and Regular Meeting**Meeting Date:** 04/26/2016**Department:** Airport

AGENDA CAPTION:

Consider Approval Of Consent To Assignment Of Ground Lease #0560-1201 (Addison Express II, L.P.) Commonly Known As 4500 Claire Chennault Drive To Cutter Aviation Deer Valley I, L.P. And Its Creation Of A Leasehold Mortgage.

BACKGROUND:

Addison Express II L.P. (AEII) is requesting that consideration and consent be given to the sale and assignment of their ground leasehold interests to Cutter Aviation Deer Valley I, L.P. an Arizona limited partnership (Cutter). Also, Cutter is requesting the Town's consent to the creation of a leasehold mortgage pursuant to the terms of an estoppel agreement between the Town and their lender.

AEII acquired the existing building improvements and underlying leasehold interests in October 1998. In 2002 the lease term was extended by 14 years to the current scheduled expiration date of 12/31/2036. AEII has subleased a portion of the premises to Cutter for the past 2 ½ years for aircraft sales, maintenance, and charter management.

The property is located along Taxiway Alpha just south of the JetPort, and the lease site consists of 153,244 square feet, or 3.518 acres. The improvement contains three distinct aircraft hangars totaling 55,266 square feet, 6,000 square feet of office space, and 62,315 square feet of aircraft ramp.

Cutter Aviation is a family owned business that has been operating for over 86 years. It currently has seven other locations that include full FBO services, aircraft sales, maintenance, avionics, and aircraft charter management services. Cutter is requesting the Town's consent to the creation of a leasehold mortgage pursuant to the terms of the proposed bank estoppel letter substantially in the form as attached. The proposed estoppel letter is from AEII, the assignor, who is extending seller financing to Cutter by accepting a \$2,300,000 promissory note back as a portion of the total purchase price for the leasehold interest and building improvements. The note will be secured with a leasehold deed of trust referencing the real property subject to the ground lease subordinate and inferior to the Landlord's lien created by the Ground Lease. The terms and conditions of the estoppel letter are consistent with the Town's practice regarding such matters.

RECOMMENDATION:

Administration recommends approval.

Attachments

Resolution

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING AN ASSIGNMENT OF GROUND LEASE BETWEEN ADDISON EXPRESS, II, LP AND CUTTER AVIATION DEER VALLEY I, LP FOR COMMERCIAL AVIATION USE ON PROPERTY LOCATED AT 4500 CLAIRE CHENNAULT DRIVE, AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONSENT OF LANDLORD ATTACHED TO THE ASSIGNMENT AS REQUIRED BY THE GROUND LEASE, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Addison Express II, L.P. is a tenant under the Assignment of Lease dated October 23, 1998, and amended on October 1, 2014, for the property located at 4500 Claire Chennault Drive owned by the Town of Addison (the "Lease"); and

WHEREAS, Addison Express II, L.P. desires to assign its rights under the Lease and the amendment to Cutter Aviation Deer Valley I, L.P.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

Section 1. The Assignment of Ground Lease between Addison Express, II, L.P. and Cutter Aviation Deer Valley I, L.P. for commercial aviation use on property located at 4500 Claire Chennault Drive, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved and the City Manager is authorized to execute the Consent of Landlord attached to the Assignment as required by the Ground Lease.

Section 2. This Resolution shall take effect from and after its date of adoption.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 26th day of April, 2016.

Todd Meier, Mayor

ATTEST:

By: _____
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: _____
Brenda N. McDonald, City Attorney

EXHIBIT A

STATE OF TEXAS §
 § **ASSIGNMENT OF GROUND LEASE**
COUNTY OF DALLAS §

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of _____ 20____, at Addison, Texas, by and between Addison Express II, L.P., a Texas limited partnership (herein referred to as "Assignor") and Cutter Aviation Deer Valley I, L.P., an Arizona limited partnership (herein referred to as "Assignee").

WHEREAS, a Ground Lease was executed on September 3, 1980 between the Town of Addison (the "City"), Addison Airport of Texas, Inc., and Mission Property Company recorded in Instrument 199301836202, of the Official Public Records of Dallas County, Texas (the "OPR"), by the terms of which certain real property located at 4500 Claire Chennault Drive, Addison Airport within the Town of Addison, Texas (being more specifically described in Exhibit "A" attached hereto and incorporated herein) and owned by the City was leased to Mission Property Company; and

WHEREAS, the said Ground Lease was amended by that "Lease Amendment" dated January 31, 1983, granting an easement for ingress and egress that shall be maintained by the tenant under the Ground Lease; and

WHEREAS, by that Assignment of Ground Lease dated June 29, 1994, the Ground Lease was assigned from Mission Property Company, as Assignor, to MPX Aviation, Inc., as Assignee recorded in Volume 94125, Page 01633 of the OPR; and

WHEREAS, by that Assignment of Ground Lease dated July 18, 1996, the Ground Lease was assigned from MPX Aviation, Inc. as Assignor, to Mission Property Company, as Assignee recorded in Volume 96161, Page 03587 of the OPR; and

WHEREAS, by that Assignment of Lease dated August 5, 1996, the Ground Lease was assigned from Mission Property Company, as Assignor, to Ronald M. Fredrick, as Assignee recorded in Volume 96161, Page 03591 of the OPR; and

WHEREAS, by that Assignment of Ground Lease dated August 5, 1996, the Ground Lease was assigned from Ronald M. Fredrick, as Assignor, to Keith Partners I, Ltd., as Assignee recorded in Volume 96161, Page 03595 of the OPR, having thereafter been merged into E.U.A. Air Support, Inc., with E.U.A. Airport Support, Inc. being the surviving entity; and

WHEREAS, by that Assignment of Lease dated October 23, 1998, the Ground Lease was assigned from E.U.A. Air Support, Inc., as Assignor, to Addison Express II, L.P., as Assignee recorded in Volume 98209, Page 04496 of the OPR; and

WHEREAS, the said Ground Lease was amended by that Second Amendment to Ground Lease dated October 1, 2004 extending the Term an additional 178 months to December 31, 2036; and

WHEREAS, by virtue of such assignments, amendments and/or modifications made to the Ground Lease, Assignor is the Tenant under the Ground Lease (a true and correct copy of said Ground Lease in its entirety with all hereinabove said assignments, amendments and/or modifications made thereto are attached and incorporated herein by reference as Exhibit "B"); and

WHEREAS, the Ground Lease provides that upon the expiration or termination of that certain agreement referred to and defined in the Ground Lease as the "Base Lease" (and being an Agreement for Operation of the Addison Airport between the City and Addison Airport of Texas, Inc.), the City is entitled to all of the rights, benefits and remedies, and will perform the duties, covenants and obligations of the Landlord under the Ground Lease; and

WHEREAS, the said Base Lease has expired and the City is the Landlord under the Ground Lease; and

WHEREAS, the Ground Lease provides in Section 9 thereof that without the prior written consent of the Landlord, the Tenant may not assign the Ground Lease or any rights of Tenant under the Ground Lease (except as provided therein), and that any assignment must be expressly subject to all the terms and provisions of the Ground Lease, and that any assignment must include a written agreement from the Assignee whereby the Assignee agrees to be bound by the terms and provisions of the Ground Lease; and

WHEREAS, Assignor desires to assign the Ground Lease to Assignee, and Assignee desires to accept the assignment thereof in accordance with the terms and conditions of this Assignment and that certain Asset Purchase Agreement between Assignor as "Seller" and Assignee as "Buyer" ("Purchase Agreement"); and

WHEREAS, Assignor desires to additionally sell to Assignee and Assignee desires to purchase from Assignor (3) Hangars (the "Hangars") in accordance with the terms and conditions of the Purchase Agreement which Hangars are situated on the real property subject to the Ground Lease and in consideration thereof, Assignee will execute a promissory note (the "Note") and Leasehold Deed of Trust (the Deed of Trust") which will encumber the Hangars. The definitions and terms of the Asset Purchase Agreement, Note and Deed of Trust are hereby incorporated herein by reference the same as if set forth verbatim.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions contained herein, the sufficiency of which is hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

AGREEMENT

1. Assignor hereby assigns to Assignee, effective as of the date above, all of Assignor's right, title, duties, responsibilities, and interest in and to the Ground Lease, TO HAVE AND TO HOLD the same, for the remaining term thereof, and Assignor does hereby bind itself and its successors and assigns to warrant and forever defend its right to right, title, duties, responsibilities, and interest in and to the Ground Lease unto Assignee against every person or persons lawfully claiming through Assignor.

2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Five Hundred and no/100 Dollars (\$500.00) to Landlord.

3. Assignee hereby agrees to assume the performance of and shall be bound by and comply with all of the terms, provisions, duties, conditions, and obligations of tenant under the Ground Lease from and after the effective date of this Assignment. For purposes of notice under the Ground Lease, the address of Assignee is:

Cutter Aviation Deer Valley I, L.P.
2802 East Old Tower Road
Phoenix, AZ 85034
Attn: Steven Prieser

4. Nothing in this Assignment shall be construed or be deemed to modify, alter, amend or change any term or condition of the Ground Lease, except as set forth herein.

5. The above and foregoing premises and recitals to this Assignment are incorporated and made part of this Assignment, and Assignor and Assignee both warrant and represent that such premises and statements, and all other provisions of this Assignment, are true and correct, and that in giving consent, Landlord (as defined in the Consent of Landlord attached hereto) is entitled to rely upon such representations and statements.

6. This Assignment is subject to the consent and filing requirements of the Town of Addison, Texas.

7. Assignee hereby agrees to indemnify, defend and hold harmless Assignor, its agents and its and their successors and assigns from and against any and all claims, losses, liabilities, demands and expenses of whatever nature, including reasonable attorneys' fees, suffered or incurred by Assignor by reason of any breach by Assignee occurring after the effective date of this Agreement hereof of any of its obligations under the Ground Lease.

8. Assignor hereby by agrees to indemnify, defend and hold harmless Assignee, its agents and its and their successors and assigns from and against any and all

claims, losses, liabilities, demands and expenses of whatever nature, including reasonable attorneys' fees, suffered or incurred by Assignee by reason of any breach by Assignor occurring prior to the effective date of this Assignment of any of its obligations under the Ground Lease.

9. In the event any party hereto institutes any action or proceeding against the other party with regard to this Assignment, the prevailing party in such action shall be entitled to recover, in addition to the cost of the suit, its reasonable attorneys' fees and expenses.

10. This Assignment and the obligations of the parties hereunder shall survive the closing of the transaction referred to in the Purchase Agreement and shall not be merged therein, shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns, shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be wholly performed within said State and may not be modified or amended in any manner other than by a written agreement signed by the party to be charged therewith. Except as expressly provided herein or the Purchase Agreement, Assignor shall have no liability whatsoever under any of the Leases, security deposits, or Contracts after the closing of the transaction referred to in the Purchase Agreement.

11. Assignor acknowledges that in addition to any other remedies provided in the Ground Lease or by law, Landlord may, at its own option, collect directly from the Assignee or subtenants all rents becoming due under such assignment and apply such rent against any sums due to Landlord. No such collection by Landlord from any such Assignee or subtenant shall release Assignor from the payment or performance of Assignor's obligations under the Ground Lease.

12. The undersigned representatives of the Assignor and Assignee have the necessary authority to execute this Assignment on behalf of each of the respective parties hereto, and Assignor and Assignee certify one to the other that any necessary resolutions or other act extending such authority have been duly passed and are now in full force and effect.

13. EXCEPT AS OTHERWISE PROVIDED IN THIS ASSIGNMENT, THE PURCHASE AGREEMENT OR ANY CLOSING DOCUMENTS, ASSIGNOR IS ASSIGNING THE GROUND LEASE TO ASSIGNEE "AS IS", "WHERE IS", AND WITH ALL FAULTS AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS OR GUARANTEES, EITHER EXPRESS OR IMPLIED, OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM OR ON BEHALF OF THE GRANTOR.

14. DISCLAIMER. EXCEPT AS OTHERWISE STATED IN THIS ASSIGNMENT, THE PURCHASE AGREEMENT OR ANY CLOSING DOCUMENTS, ASSIGNEE ACKNOWLEDGES AND AGREES, AND SPECIFICALLY ACKNOWLEDGES ASSIGNOR'S EXPRESS RELIANCE HEREON,

THAT (A) ASSIGNOR HAS MADE NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, OF ANY TYPE OR NATURE TO ASSIGNEE OR ANY AGENT OF ASSIGNEE, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OR REPRESENTATIONS WITH RESPECT TO: (i) THE PROPERTY OR THE CONDITION OR VALUE OF THE PROPERTY; (ii) ANY OF THE OTHER DOCUMENTS OR INSTRUMENTS RELATING TO THE GROUND LEASE OR BASE LEASE; AND (iii) THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS OR TOXIC WASTE THEREON, THE ZONING CLASSIFICATION OF THE PROPERTY AND THE EXTENT TO WHICH THE PROPERTY IS IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS). ASSIGNEE SHALL RELY EXCLUSIVELY UPON ITS OWN ATTORNEYS, ACCOUNTANTS, CONSULTANTS, AND OTHER PROFESSIONS FOR ANY LEGAL, TAX, PROPERTY CONDITION, DUE DILIGENCE OR OTHER EXPERT ADVICE.

15. In the event, Assignee fails to timely pay the Note or otherwise timely cure any monetary or non-monetary defaults under the Note or Deed of Trust following the expiration of any applicable notice and cure period, then Assignor shall have the absolute right to foreclose its interest in Hangars pursuant to the terms of the Deed of Trust or pursuant to applicable law.

16. This Assignment may be executed in counterparts, each of which shall be an original and all of which counterparts taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Assignor and Assignee have executed and delivered this Assignment on the day and the year first set forth above.

Assignor: Addison Express II, L.P., a Texas limited partnership

Assignee: Cutter Aviation Deer Valley I, L.P., an Arizona limited partnership

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he, she) executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____,
20__.

[SEAL]

Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he, she) executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____,
20__.

[SEAL]

Notary Public, State of Texas

CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the Assignment of Ground Lease (the "Assignment") entered into and effective as of _____ 2016, at Addison, Texas, by and between Addison Express II, L.P., a Texas limited partnership (herein referred to as "Assignor") and Cutter Aviation Deer Valley I, L.P., an Arizona limited partnership (herein referred to as "Assignee"). In executing this Consent of Landlord, Landlord is relying upon the warranties and representations made in the foregoing Assignment by both Assignor and Assignee, and in relying upon the same Landlord hereby consents to the foregoing Assignment from Assignor to Assignee. Notwithstanding this Consent, Landlord does not waive any of its rights under the Ground Lease as to the Assignor or the Assignee, and does not release Assignor from its covenants, obligations, duties, or responsibilities under or in connection with the Ground Lease, and Assignor shall remain liable and responsible for all such covenants obligations, duties, or responsibilities. In addition, notwithstanding any provisions of this Consent of Landlord or the above and foregoing Assignment to the contrary, this Consent shall not operate as a waiver of any prohibition against further assignment, transfer, conveyance, pledge, change of control, or subletting of the Ground Lease or the premises described therein without Landlord's prior written consent.

This Consent shall be and remain valid only if and provided that, by no later than 6:00 o'clock p.m. on _____, 2016:

(i) the Assignment has been executed and notarized by both Assignor and Assignee,

(ii) all other matters in connection with the transfer, sale, and/or conveyance by Assignor to Assignee of the Assignor's interest in the Ground Lease have been fully consummated and completed and the transaction closed as reasonably determined by Landlord (such matters including, without limitation, the full execution and finalization of this Assignment and any other documentation so required by Landlord relating to this transaction) and delivered to Landlord c/o Mr. Bill Dyer, Addison Airport Real Estate Manager, at 16051 Addison Road, Suite 220, Addison, Texas 75001. Otherwise, and failing compliance with and satisfaction of each all of paragraphs (i) and (ii) above, this Consent shall be null and void *ab initio* as if it had never been given and executed.

Signed this ____ day _____, 2016.

LANDLORD:

TOWN OF ADDISON, TEXAS

By: _____
Wesley S. Pierson, City Manager

EXHIBIT A

EXHIBIT "A"

LEASEHOLD ESTATE as created in Lease Agreement, by and between City of Addison and Addison Airport of Texas, Inc., as Lessor, and Mission Property Company, as Lessee, as evidenced by Ground Lease Agreement, dated September 3, 1980, filed September 21, 1993, recorded in Volume 93183, Page 5118, Deed Records, Dallas County, Texas, and covering the real property more particularly described as follows:

BEING a tract of land situated in the WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, DALLAS County, Texas, and located on ADDISON MUNICIPAL AIRPORT, ADDISON, Texas, and being more fully described as follows:

BEGIN at a point for the intersection of the West Right-of-Way line of Addison Road, a 60 foot street, and the South Right-of-Way line of Westgrove Road a 60 foot street;

THENCE South 89 degrees 54 minutes 46 seconds West, along the South line of said Westgrove Road a distance of 730.00 feet to a point for the centerline of a proposed 60 foot street (Claire Chennault Road);

THENCE South 00 degrees 05 minutes 14 seconds East, along the centerline of said proposed street a distance of 302.19 feet to an angle point;

THENCE South 43 degrees 16 minutes West, along the centerline of said proposed street a distance of 1154.73 feet to an angle point;

THENCE South 69 degrees 21 minutes 30 seconds West, along the centerline of said proposed street at distance of 61.98 feet to the beginning point of this description;

THENCE South 20 degrees 38 minutes 30 seconds East, 441.68 feet to a point for the beginning of a curve to the right said point also being in the Northwest Right-of-Way line of proposed taxiway;

THENCE in a Southwesterly direction along said curved line of proposed taxiway having a central angle of 12 degrees 15 minutes 23 seconds a radius of 365.00 feet for a distance of 78.08 feet to a point;

THENCE South 69 degrees 21 minutes 30 seconds West, along the Northwest line of said proposed taxiway a distance of 263.52 feet to a point;

THENCE North 20 degrees 38 minutes 30 seconds West, 450.00 feet to a point;

THENCE North 69 degrees 21 minutes 30 seconds East, 341.00 feet to the PLACE OF BEGINNING and CONTAINING 3.518 acres of land, more or less.

w:\mislvp-leg

94125 01638

EXHIBIT B

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

SECOND AMENDMENT TO GROUND LEASE

This Second Amendment to Ground Lease (hereinafter referred to as the "Second Amendment") is entered into this 1st day of October 2004 between the Town of Addison, Texas (hereinafter referred to as the "City" or "Landlord"), a municipal corporation, and Addison Express II, L.P., a Texas limited partnership (hereinafter referred to as "Tenant").

WHEREAS, a certain Ground Lease dated September 3, 1980 was made and entered into by and among the City of Addison, Texas (the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc., together as Landlord, and Mission Property Company, as "Tenant" (which Ground Lease is recorded in Volume 93183, Page 5118, Deed Records, Dallas County, Texas, and a true and correct copy of which is attached hereto as Exhibit "A"); and

WHEREAS, pursuant to the said Ground Lease, Landlord leased to Tenant, for the term and subject to the terms and conditions set forth therein, certain real property described in the Ground Lease and consisting of 3.518 acres located at 4500 Claire Chennault at Addison Airport in Addison, Texas Dallas County (referred to in the Ground Lease and in this Second Amendment as the "Demised Premises"); and

WHEREAS, the said Ground Lease was amended by that "Lease Amendment" dated January 31, 1983, (a true and correct copy of which is attached hereto as Exhibit "B" (the "First Amendment")) (the said Ground Lease, as amended by the First Amendment, being hereinafter referred to as the "Ground Lease"); and

WHEREAS, the Ground Lease provides that, upon the expiration or termination of that certain agreement referred to and defined in the Ground Lease as the "Base Lease" (being an agreement captioned "Agreement for Operation of the Addison Airport between the City and Addison Airport of Texas, Inc."), the City is entitled to all of the rights, benefits and remedies, and will perform the duties, covenants and obligations, of the Landlord under the Ground Lease; and

WHEREAS, the said Base Lease has expired and the City is the sole Landlord under the Ground Lease; and

WHEREAS, following the commencement of the Ground Lease, the tenant's interest in the Ground Lease has been assigned as follows:

- from Mission Property Company to MPX Aviation, Inc. ("MPX") by that Assignment of Lease dated June 29, 1994 (a true and correct copy of which is attached hereto as Exhibit "C", and

Schedule of Exhibits

Exhibit A: Copy of Ground Lease Dated
September 3, 1980
Exhibit B: Copy of Lease Amendment dated
January 21, 1983
Exhibit C: Assignment of Lease dated June 29,
1994
Exhibit D: Assignment of Ground Lease dated
July 18, 1996
Exhibit E: Assignment of Ground Lease dated
August 5, 1996
Exhibit F: Assignment of Ground Lease dated
August 5, 1996
Exhibit G: Assignment of Ground Lease dated
October 23, 1998
Exhibit H: Order and Amended Securities and
Asset Purchase Agreement dated October 8,
1998
Exhibit I: Description of the Leasehold
Improvements
Exhibit J: Excerpt of Official Action of the
Addison City Council dated August 8, 2000
Exhibit K: Certificate of Occupancy
#02039223 dated 4/17/2002
Exhibit L: DCAD Market Value History Report
page 2 of 3

which has been recorded in Volume 94125, Page 1633 Deed Records, Dallas County, Texas); and thereafter

- from MPX to Mission Property Company by that Assignment of Ground Lease dated July 18, 1996 (a true and correct copy of which is attached hereto as Exhibit "D", and which has been recorded in Volume 96161, Page 03587, Deed Records, Dallas County, Texas); and thereafter
- from Mission Property Company to Ronald M. Fredrick by that Assignment of Ground Lease dated August 5, 1996 (a true and correct copy of which is attached hereto as Exhibit "E", and which has been recorded in Volume 96161, Page 03591, Deed Records, Dallas County, Texas); and thereafter
- from Ronald M. Fredrick to Keith Partners I, Ltd., by that Assignment of Ground Lease dated August 5, 1996 (a true and correct copy of which is attached hereto as Exhibit "F") (Keith Partners I, Ltd. having thereafter been merged into E.U.A. Air Support, Inc., with E.U.A. Airport Support, Inc. being the surviving entity); and thereafter
- from E.U.A. Airport Support, Inc. to Addison Express II, L.P., a Texas limited partnership, by that Assignment of Ground Lease dated October 23, 1998 (a true and correct copy is attached hereto as Exhibit "G"), which Assignment was given pursuant to and in accordance with a certain Order of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, in *In re E.U.A. Air Support, Inc.*, Case No 398-37755-RCM-11, dated as of October 8, 1998, ordering E.U.A. Air Support, Inc. to assign its leasehold interests in the Ground Lease to Addison Express II, L.P. in accordance with the Amended Securities and Asset Purchase Agreement dated October 8, 1998 (a true and correct copy of the Order and Amended Securities and Asset Purchase Agreement dated October 8, 1998 are attached hereto as Exhibit "H"); and

WHEREAS, by virtue of the various assignments set forth above, Landlord hereby acknowledges that Addison Express II, L.P. a Texas limited partnership, is (as of the date of this Second Amendment) the current Tenant under the Ground Lease; and

WHEREAS, in May, 2000, Tenant requested that Landlord extend the term of the Ground Lease for an additional 178 months from and after February 28, 2022 (the "Ground Lease Extension"), so that the Ground Lease would end on December 31, 2036, provided, however, that as a condition to obtaining the Ground Lease Extension, Tenant, at its sole cost and expense (i) construct upon the Demised Premises, at a certain cost, prior to a certain date, and to the Landlord's satisfaction, certain leasehold improvements described in Exhibit "I" attached hereto (the "Leasehold Improvements"), and (ii) comply with certain other conditions (the "Ground Lease Extension Conditions"); and

WHEREAS, on August 8, 2000 the City Council of the Town of Addison, Texas considered the Tenant's request for the Ground Lease Extension and approved the same, subject to the Ground Lease Extension Conditions, and the same was to have been reflected in a written amendment to the Ground Lease and executed by both Landlord and Tenant, but the written amendment has never been executed; and

WHEREAS, in spite of the failure to execute a written amendment, Tenant proceeded to construct the Leasehold Improvements, and timely complied with the Ground Lease Extension Conditions to Landlord's satisfaction (which satisfaction is reflected, in part, by the City's issuance of Certificate of Occupancy #02039223 dated April 17, 2002 relating to the Leasehold Improvements (a true and correct

copy of which Certificate is attached hereto as Exhibit "K"), and by the representations made by Tenant as to the cost of the Leasehold Improvements as set forth below); and

WHEREAS, Tenant hereby represents and warrants to Landlord that the total cost of the Leasehold Improvements exceeded the sum of One Million Dollars (\$1,000,000) at such time when the Leasehold Improvements were made and completed; and

WHEREAS, Landlord hereby acknowledges and accepts Dallas County Appraisal District's (DCAD) Market Value History for commercial account #1000059000A100000 (a copy of which history is attached hereto as Exhibit "L"), which indicates the DCAD's appraised market value of the real property improvements increased by \$1,391,520 in year 2002 (from \$607,780 in 2001 to \$1,999,300 in 2002), such increase being a direct result of the Leasehold Improvements being completed; and

WHEREAS, Landlord and Tenant now desire to enter into this Second Amendment to confirm and reflect Tenant's satisfactory completion and fulfillment of the Ground Lease Extension Conditions (including the construction of the Leasehold Improvements), and the resulting amendment to the Ground Lease providing for the Ground Lease Extension; and

WHEREAS, Tenant is not in default (to the best of Landlord's knowledge) of any provision of the Ground Lease as amended beyond any applicable cure period as of the date of this Second Amendment.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties here agree as follows:

AGREEMENT

Section 1. Amendment to Paragraph 3 of the Ground Lease. Paragraph 3 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

"3. Term:

A. The term hereof shall commence on the earlier of March 1, 1982 of the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue."

B. Notwithstanding subparagraph A of this paragraph 3, Tenant having fully complied with certain terms and conditions as generally set forth in this Second Amendment, the Lease shall be and is extended for an additional 178 months from February 28, 2022 so that this Lease shall end on December 31, 2036.

Section 2. No Other Amendments. Except to the extent modified or amended herein, all other terms and obligations of the Ground Lease shall remain unchanged and in full force and effect.

Section 3. Applicable Law; Venue. The parties agree that the laws of the State of Texas shall govern and apply to the interpretation, validity and enforcement of this Second Amendment; and, with respect to any conflict of law provisions, the parties agree that such conflict of law provisions shall

not affect the application of the law of Texas (without reference to its conflict of law provisions) to the governing, interpretation, validity and enforcement of this Second Amendment, and all obligations of the parties created by this Amendment are performable in Dallas County, Texas. Venue for any action under this Amendment shall lie in Dallas County, Texas.

Section 4. No Benefit to Third Parties. The provisions of this Second Amendment are solely for the benefit of the Landlord and Tenant and are not intended to create or grant any rights, contractual or otherwise, to any third person or entity.

Section 5. Authority to Execute. The undersigned officers and/or agents of the parties hereto are the properly authorized officials and have the necessary authority to execute this Amendment on behalf of the parties hereto, and each party hereby certifies to the other that any necessary resolutions or other act extending such authority have been duly passed and are now in full force and effect.

IN WITNESS WHEREOF, the undersigned parties execute the Agreement this 18th day of March, 2005.

LANDLORD:

TOWN OF ADDISON, TEXAS

By: Ron Whitehead
Ron Whitehead, City Manager

TENANT:

ADDISON EXPRESS II, L.P.

By: A. Dale Griffin, III
Its: President
A. Dale Griffin, III

EXHIBIT "A"

THE STATE OF TEXAS
COUNTY OF DALLAS

GROUND LEASE

Copy

This Ground Lease (hereinafter referred to as the "Lease") is made and entered into as of September 3, 1980, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and MISSION PROPERTY COMPANY (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor of AATI); and

WHEREAS, the demised premises are situated at Addison Airport (hereinafter referred to as the "Airport") in Dallas County, Texas, the Airport being delineated in a plat attached hereto as Exhibit B; and

WHEREAS, the City and AATI hereby lease and demise the demised premises to Tenant, and Tenant hereby leases and takes the demised premises from the City and AATI, upon the terms and conditions set forth herein;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

1. **Base Lease:** All of the terms and conditions of the Base Lease are incorporated into this Lease by reference as if written verbatim herein, and Tenant by Tenant's execution hereof acknowledges that AATI has furnished Tenant with a copy of the Base Lease. Tenant agrees to fully comply at all times and in all respects with the terms and conditions of the Base Lease insofar as the same relate to the demised premises and/or the use and operation thereof, except that Tenant shall not be responsible for the payment of any rental due under the Base Lease which shall be paid by AATI.

2. **Definition of Landlord and Effect of Default under the Base Lease:** The term "Landlord" as hereinafter used in this Lease shall mean either AATI or the City. So long as the Base Lease is in effect, AATI shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. Upon the expiration or termination of the Base Lease, the City shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. The City agrees that (i) until such time as the City notifies Tenant to the contrary in writing, Tenant is fully authorized to make all payments due under this Lease to AATI, and (ii) that default by AATI under the Base Lease shall have no effect on this Lease so long as Tenant pays and performs its duties, covenants and obligations under this Lease.

3. **Term:** The term hereof shall commence on the earlier of March 1, 1982, or the first day of the first calendar month after Tenant completes the construction hereinafter described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. **Rental:** Subject to adjustment as hereinafter provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of \$3,064.88 per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

5. **Adjustment of Rental:** Commencing on the second anniversary of the Commencement Date and on every bi-annual anniversary thereafter (hereinafter referred to as the "Adjustment Date"), the monthly rental due under paragraph 4 shall be adjusted as follows:

(i) A comparison shall be made between the Consumers' price Index-All Items for the Dallas, Texas Metropolitan Area (hereinafter referred to as the "Price Index") as it existed on the Commencement Date and as it exists on the first day of the calendar month preceding the then applicable Adjustment Date.

(ii) The monthly rental for the two (2) year period beginning with and following the then applicable Adjustment Date shall be either increased or decreased, as the case may be, by the percentage of increase or decrease in the Price Index between the Commencement Date and the then applicable Adjustment Date, but in no event shall such monthly rental ever be decreased below the monthly rental set forth in paragraph 4.

(iii) In the event that the Price Index is unavailable for whatever reason for the computations set forth hereinabove, another index approximating the Price Index as closely as feasible shall be substituted therefor.

6. **Use of Demised Premises and Construction of Improvements:** The demised premises shall be used and occupied by Tenant only for the following purposes: sale of aircraft and aircraft parts; aircraft maintenance and repair; aircraft storage; aircraft training; aircraft charter; and aircraft rental; and not otherwise without the prior written consent of Landlord.

aircraft-related office and storage
In connection with such use and occupancy, Tenant intends to construct upon the demised premises the improvements depicted in the plans and specifications.

See preliminary site plan attached (Exhibit "D").

All construction shall be strictly in accordance with such plans and specifications, and such construction shall be performed in a first class, workmanlike manner. Tenant agrees to promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection with such construction.

7. **Acceptance of Demised Premises:** Tenant acknowledges that Tenant has fully inspected the demised premises and accepts the demised premises as suitable for the purpose for which the same are leased in their present condition.

8. **Securing Governmental Approvals and Compliance with Law:** Tenant at Tenant's sole cost and expense shall obtain any and all governmental licenses, permits and approvals necessary for the construction of improvements and for the use and occupancy of the demised premises. Tenant shall comply at all times with all governmental laws, ordinances and regulations applicable to the use of the demised premises, and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with the demised premises, all at Tenant's sole cost and expense.

9. **Assignment, Subletting and Mortgage of Leasehold Estate:** except upon terms and provisions of the rental agreement attached hereto as Ex. C.

A. Without the prior written consent of Landlord, Tenant may not assign this Lease or any rights of Tenant hereunder (except to a leasehold mortgagee as hereinafter provided) or sublet the whole or any part of the demised premises. Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of paragraph 6 pertaining to the use of the demised premises. In the event of any assignment or subletting, Tenant shall not assign Tenant's rights hereunder or sublet the demised premises without first obtaining a written agreement from each such assignee or sublessee whereby each such assignee or sublessee agrees to be bound by the terms and provisions of this Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee or subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder.

B. Tenant shall have the right to mortgage the leasehold estate of Tenant created hereby in order to secure a mortgage loan for the purpose of obtaining funds for the construction of the improvements described in paragraph 6 or for other construction upon the demised premises approved from time to time by Landlord in writing. In the event that Tenant pursuant to mortgages or deeds of trust mortgages the leasehold estate of Tenant created hereby, the leasehold mortgagee shall in no event become personally liable to perform the obligations of Tenant under this Lease unless and until said mortgagee become the owner of the leasehold estate pursuant to foreclosure, transfer in lieu of foreclosure, or otherwise, and thereafter said leasehold mortgagee shall remain liable for such obligations only so long as such mortgagee remains the owner of the leasehold estate. Notwithstanding the foregoing, it is specifically understood and agreed that no such mortgage by Tenant and/or any act taken pursuant to the terms of such mortgage shall ever release Tenant of Tenant's obligations under this Lease.

C. All mortgages or deeds of trust whereby Tenant mortgages the leasehold estate of Tenant created hereby shall contain provisions requiring the leasehold mortgagee to give Landlord fifteen (15) days written notice prior to exercising its right to foreclose on the mortgage and/or initiating foreclosure proceedings under said mortgages or deeds of trust and not allowing Landlord during such fifteen (15) day notice period to cure Tenant's default and prevent said acceleration and/or foreclosure proceedings, and thereafter at Landlord's option to assume Tenant's position under said mortgages or deeds of trust.

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice of such effect has been given to Landlord, to give the holder of such leasehold mortgage at such address or addresses as may be specified in such written notice to Landlord for the giving of notices to the leasehold mortgagee, or as otherwise may be specified by the leasehold mortgagee to Landlord in writing, written notice of any default hereunder by Tenant, simultaneously with the giving of such notice to Tenant, and the holder of any such leasehold mortgage shall have the right, for a period of fifteen (15) days after its receipt of such notice, to take such action or to make payment as may be necessary or appropriate to cure such default or to make payment as may be necessary or appropriate to cure such default, it being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate this lease without first giving any such leasehold mortgage the notice provided for herein and affording any such leasehold mortgage the right to cure such default as provided for herein.

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" herein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in whole or in part, of the leasehold estate of Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such a proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgage by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgagee.

10. **Property Taxes and Assessments:** Tenant shall pay any and all property taxes or assessments levied or assessed on the improvements on the demised premises, the personal property and fixtures on the demised premises, and, if applicable, upon the leasehold estate of Tenant created hereby. Upon the request of Landlord, Tenant shall from time to time furnish to Landlord a "paid receipts" or other written evidence that all such taxes have been paid by Tenant.

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and condition all the demised premises and all fixtures, equipment and personal property on the demised premises and keep them free from waste or nuisance and, at the expiration of this lease, deliver up the demised premises clean and free of trash and in good repair and condition, with all fixtures and equipment situated in the demised premises in working order, reasonable wear and tear excepted.

B. In the event Tenant shall fail to so maintain the demised premises and the fixtures, equipment and personal property situated thereon, Landlord shall have the right (but not the obligation) to cause all repairs or other maintenance to be made and the reasonable costs therefor expended by Landlord plus interest thereon as provided in paragraph 37 shall be paid by Tenant on demand.

12. **Alterations, Additions and Improvement:** After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

All alterations, additions and improvements in and to the demised premises shall be performed in a first class, workmanlike manner, and Tenant shall promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection therewith.

13. **Insurance:** Tenant shall during the term hereof maintain at Tenant's sole cost and expense insurance relating to the demised premises as follows:

(i) Insurance against loss or damage to improvements by fire, lightning, and other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insured of any loss under the applicable policies but in any event in amounts not less than eighty percent (80%) of the full insurable value of the demised premises. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, therefore, proper adjustment in the limits of insurance coverage shall be effected.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than \$500,000.00 with respect to any one person, \$1,000,000.00 with respect to any one accident and not less than \$200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

(iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in the minimum amount of \$100,000.00 for damage to property resulting from such perils.

(v) Such other insurance on improvements in such amounts and against such other insurable hazard which at the time are commonly obtained in the case of property similar to such improvements.

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: \$200,000.00 per aircraft and \$400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

(vii) During any period of construction, a Builder's Risk Completed Value policy with an all risks endorsement.

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate believed by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warranty, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration proceeds to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed, the net insurance proceeds shall be paid to Tenant or as Tenant may direct from time to time as Restoration proceeds to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

demand from time to time any deficiency the
brokerage commissions, attorneys' fees, and
received under such retelling

arise by reason of any such retelling, in c
expenses and other costs of retelling a
reasonable

lining the amount of such deficiency,
be subtracted from the amount of rent

D. Enter upon the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand for expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, together with interest thereon at the rate of ten percent (10%) per annum from the date expended until paid; Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions and covenants herein contained.

24. Default by Landlord. No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the demised premises or render Landlord liable for damages or entitle Tenant to be relieved from any of Tenant's obligations hereunder (including the obligation to pay rent) or grant Tenant any right of deduction, abatement, set-off or recoupment or entitle Tenant to take any action whatsoever with regard to the demised premises or Landlord until thirty (30) days after Tenant has given Landlord written notice specifically setting forth such default by Landlord, and Landlord has failed to cure such default within said thirty (30) day period, or in the event such default cannot be cured within said thirty (30) day period then within an additional reasonable period of time as long as Landlord has commenced curative action within said thirty (30) day period and thereafter is diligently attempting to cure such default. In the event that Landlord fails to cure such default within said thirty (30) day period, or within said additional reasonable period of time, Tenant shall have the right to:

(i) Proceed to cure such default and deduct the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum from the next succeeding rental installment(s) due by Tenant to Landlord hereunder; or

(ii) Proceed to cure such default and bring suit against Landlord for the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum. (iii) Terminate this lease if such default prohibits conduct of tenant

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee as if such curative action had been taken by Landlord.

25. Waiver of Subrogation. Each party hereto waives any and every claim which arises or may arise in such party's favor against the other party hereto during the term of this Lease for any and all loss of, or damage to, any of such party's property located within or upon, or constituting a part of, the demised premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recoverable under such insurance policies. Such mutual waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss of, or damage to, property of the parties hereto. Inasmuch as such mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation or otherwise to an insurance company (or any other person), each party hereby agrees immediately to give to each insurance company which has issued to such party policies of fire and extended coverage insurance, written notice of the terms of such mutual waivers, and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

26. Title to Improvements. Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) If Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense.

27. Mechanics' and Materialmen's Liens. Tenant agrees to indemnify and hold Landlord harmless of and from all liability arising out of the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or anyone claiming under Tenant, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

28. Title. Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Rules and Regulations; (iii) easements and rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by any governmental authority having jurisdiction over the demised premises.

29. Quiet Enjoyment and Subordination. Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. Rent on Net Return Basis. Except for the rental due under the Base Lease during the time that AAT is the Landlord hereunder, it is intended that the rent provided for in this Lease shall be an absolutely net return to Landlord for the term of this Lease, free of any loss, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accordance with and to effectuate such intention.

31. Holding Over. Should Tenant, or any of Tenant's successors in interest fail to surrender the demised premises, or any part thereof, on the expiration of the term of this Lease, such holding over shall constitute a tenancy from month to month only terminable at any time by either Landlord or Tenant after thirty (30) days prior written notice to the other, at a monthly rental equal to two hundred percent (200%) of the rent paid for the last month of the term of this Lease.

32. Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

33. Release of Landlord Upon Transfer. All of Landlord's personal liability for the performance of the terms and provisions of this Lease (except for any liability accruing prior to such transfer) shall terminate upon a transfer of the demised premises by Landlord, provided that the obligations of Landlord under this Lease are covenants running with the land and shall be binding upon the transferee of Landlord's interest in this Lease and the demised premises.

34. Attorneys' Fees. If, on account of any breach or default by Landlord or Tenant of their respective obligations under this Lease, it shall become necessary for the other to employ an attorney to enforce or defend any of such party's rights or remedies hereunder, and should such party prevail, such party shall be entitled to collect reasonable attorneys' fees incurred in such connection from the other party.

35. Financial Information. Tenant agrees that Tenant will from time to time upon the written request of Landlord during the term of this Lease furnish to Landlord such credit and banking references as Landlord may reasonably request.

36. Estoppel Certificates. Tenant agrees that from time to time, upon not less than ten (10) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Landlord is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

EXHIBIT "B" Page 4

furnished to Landlord also being furnished to Landlord's mortgagee and Landlord's mortgagee to cure such default within the curative period allowed Landlord under this Lease.

Landlord agrees that from time to time, upon not less than ten (10) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Tenant is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of the Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by ~~either party~~ of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of ~~Landlord~~, the period for performance of such term, condition or covenant shall be extended for a period equal to the period ~~Landlord~~ is so delayed or hindered. ~~such party~~ Tenant shall not be excused or released of monetary obligations hereunder.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

41. Use of Language. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings or paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

43. Successors. The terms, conditions and covenants contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives except as otherwise herein expressly provided. All rights, powers, privileges, immunities and duties of Landlord under this Lease, including, but not limited to, any notices required or permitted to be delivered by Landlord to Tenant hereunder, may, at Landlord's option, be exercised or performed by Landlord's agent or attorney.

44. Severability. If any provision in this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

45. Notices. Any notice or document required or permitted to be delivered hereunder may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at the addresses indicated below, or at such other addresses as may have theretofore been specified by written notice delivered in accordance herewith.

LANDLORD:

TENANT:

Addison Airport of Texas, Inc.
P. O. Box 34067
Dallas, Texas 75234

MISSION PROPERTY COMPANY
833 ARAPAHO EAST, SUITE # 110
RICHARDSON, TEXAS 75081

City of Addison, Texas

Jerry Redding, Mayor

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through F attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or in behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

EXECUTED as of the day month and year first above written.

50. Notwithstanding the provisions of Section 9A, tenant may assign tenant's rights hereunder, in whole or in part, to one or more general/limited partnerships in which Ronald M. Frederick or Mission Property Company, or both, is or are a general partner, provided that notwithstanding any such assignment, notice hereunder to Mission Property Company shall, for all purposes constitute notice to any such assignee throughout the term of this Lease.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: 

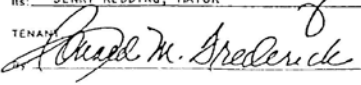
Its: HENRY STUART, PRESIDENT

CITY OF ADDISON, TEXAS

By: 

Its: JERRY REDDING, MAYOR

TENANT:



Its: RONALD M. FREDERICK, PRESIDENT

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Nancy Stuart
known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same
for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 3rd day of September, 19 80.

Shirley A. James
Notary Public
Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Jeany Redding
known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same
for the purpose and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12 day of September, 19 80.

Jacquie Sharp
Notary Public
Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Ronald M. Anderson
known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same
for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 3rd day of September, 19 80.

Elaine M. Jones
Notary Public
Dallas
County, Texas

EXHIBIT "A"

AGREEMENT FOR
OPERATION OF THE ADDISON AIRPORT
BETWEEN
THE CITY OF ADDISON, TEXAS
AND
ADDISON AIRPORT, INC.

THE STATE OF TEXAS
COUNTY OF DALLAS

KNOW ALL MEN BY THESE PRESENTS

THIS AGREEMENT, made and entered into the 30th day of December, 1976, by and between the CITY OF ADDISON, TEXAS, a municipal corporation acting by and through the City Council (hereinafter "City") and ADDISON AIRPORT, INC., a Texas corporation (hereinafter "Company"), with an address at P.O. Box 34067, Dallas, Texas 75234.

WITNESSETH:

WHEREAS, the City has entered into a Contract of Sale whereby the City will acquire the principal portions of the existing Airport known as Addison Airport, in Dallas County, Texas, it being contemplated that the City will purchase approximately three hundred sixty-four (364) acres ("Property"), in part with federal funds available for such purpose, the Property being reflected and described on Exhibit "1" attached hereto.

WHEREAS, the City and the Company are desirous of having the Company operate and conduct all lawful, reasonable and appropriate activity at the Airport for the use of the general public and generally in accordance with the operations description set forth in Section 7 hereof, and

WHEREAS, in the exercise of its lawful authority, the City has entered into that certain Grant Agreement with the United States of America (acting through the Federal Aviation Administration (FAA), dated December 30, 1976, for the purpose of obtaining funds for the acquisition of the Property.

WHEREAS, the Company agrees to carry out the terms and conditions set forth in that certain Grant Agreement; and

WHEREAS, the City, during the term of this Agreement, agrees to consult with the FAA on the adjustment or modification of any term or condition in the Grant Agreement which because of the peculiar circumstances of the Airport operation the Company believes to be unworkable or impractical; and

WHEREAS, it has been found and determined by the City in accordance with its lawful duties, that it is essential, appropriate and necessary for its public purposes and for the public to acquire such adequate general aviation facilities; and

WHEREAS, the Mayor of the City of Addison has been duly authorized and empowered to execute the Agreement; and

WHEREAS, it is the intention of the parties that the Airport shall be operated in a manner as would be accomplished by a reasonably prudent airport operator and in accordance with sound business practices;

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and agreements herein set forth, the parties hereto hereby agree and contract as follows:

The City hereby leases to Company, and the Company hereby takes, upon the terms and conditions hereinafter specified, the following premises:

(i) the land described in Exhibit "1" as the Property and the Improvements thereon owned by the City;

(ii) all easements, rights and appurtenances relating to the land (all property described in clauses (i) and (ii) above is herein sometimes collectively called the "Leased Premises"); and

(iii) City hereby assigns to Company all of its right, title and interest in and to the leases set forth in Exhibit "B" to the Contract of Sale.

As consideration for this Agreement, and in addition to the rents payable hereunder, the Company agrees to pay to the City the sum of Eight Hundred Thousand (\$800,000.00) Dollars, in cash, said payment to be made simultaneous with the release of this Agreement from escrow pursuant to that certain Escrow Agreement dated December 30, 1976, by and between the City, Company and Southwest Land and Title Company ("Escrow Agreement").

In the event this Agreement is not delivered out of escrow to the City and is returned to Company by reason of the Escrow Agreement, the Company shall have no liability for any payment to the City hereunder and this entire Agreement shall be null and void and of no force or effect as of the date this Agreement is executed.

Section 1. Definitions

(a) "Airport" means the Addison Airport as shown on Exhibit "2" hereof;

(b) "Improvements" means all improvements that specifically serve the Airport, including, but not limited to, streets, roadways, parking areas, aprons, runways, sewers and waterlines, all buildings and structures and additions, substitutions, accessions, and replacements thereof on the Leased Premises.

(c) "Gross Receipts" means all monies paid to the Company for sales made and for services rendered or agreed to be rendered at or from the Airport regardless of the time or place of receipt of the order therefor, and for sales made and for services rendered or agreed to be rendered outside the Airport if the order therefor is received at the Airport, the charges, rentals, fees and other payments of whatever kind or nature paid to the Company under any lease, sublease, permit, license, or any other agreement, oral or written, relating to the Airport, all landing, parking and other fees and charges paid to the Company from any user of the Airport, revenues paid to the Company for the sale or delivery of aviation fuel, petroleum and other products, including any fuel flowage fees, any other revenues of any type arising out of or in connection with the Company's services and operations at the Airport, including its operations thereof. Any addition, change, modification or allocation in the Company's method of performing its Airport function or responsibility which would adversely affect the Gross Receipts shall first require the approval of the City.

Section 2. Representations by City

The City is the duly and lawfully created, existing and recognized owner of the Leased Premises, having the power to enter into the transactions hereunder, and by proper action the City has been duly authorized to execute and deliver this Agreement.

Section 3. Representations by Company

The Company is a corporation duly incorporated under the laws of the State of Texas, is in good standing under the laws of said State; is duly authorized to do business in the State of Texas; has the power to enter into this Agreement without violating the terms of any other agreement to which it may be a party; and by proper corporate action had been duly authorized to execute and deliver this Agreement.

It generally will occupy and possess the Leased Premises for the public purposes of the City as set forth in Section 7 hereof.

Section 4. Term of Agreement

Subject to the terms, covenants, conditions and agreements contained in this Agreement, the Company shall have and hold the Leased Premises for a term commencing on the date of closing of the purchase of the Property in the Contract of Sale and ending 20 years thereafter.

The Company agrees to yield and deliver peaceably to the City possession of the Leased Premises together with all buildings, structures, improvements, additions and other installations therein or thereon, on the date of the expiration of this Agreement, promptly and in good operating condition, the intention being that when the Leased Premises are returned to the City they shall be in first-class condition, free of any encumbrances or liens, and shall be free and clear of any and all liens, debts, contracts, leases or encumbrances of whatever kind, nature and description.

Section 5. Rent

(a) Company shall pay the City, on demand, the sum of \$100,000.00, as a special assessment for public improvements to be financed by the City of Addison. The Company shall not be assessed or otherwise be liable for any further such assessments made outside of the Leased Premises during the term of the Agreement.

(b) The Company agrees to pay the City \$5,250.00 per month, or 3% of the Company's monthly Gross Receipts, whichever amount is the greater. Such payments shall be payable to the City of Addison, Dallas County, Texas, commencing on the 20th day of the month next after the effective date of this Agreement for the first month hereof, and on the 20th day of each calendar month thereafter to the date when the last payment is due. Payment of such amounts shall be reduced by any real property or personal property taxes assessed by the City of Addison on the Property or withheld by the City of Addison on the improvements of this Agreement, commencing with the effective date of this Agreement. Such reduction shall be divided against the next succeeding installments of rent hereunder from and after the first payment due hereunder by the Company. The Company shall render to the City, on the 20th day of each calendar month, a sworn statement showing its Gross Receipts for the preceding month.

Section 6. Taxes and Assessments

Should any property taxes or assessments be levied on the Property or improvements thereon, the same shall be paid by the Company.

Article 10. USES OF LEASED PREMISES

10 The Company shall not

(i) For the handling and accommodation of operators, crews and travelers arriving at or departing from the leased premises;

- The provisions of this Section shall be inserted and enforced by the Company in the agreement(s) of any other future user of the Leased Premises.

(b) In the performance of the Uses of the Airport granted by the City hereunder, the Company agrees to operate the Airport for the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and without unjust discrimination and to provide space on the Airport, to the extent available, and to grant rights and privileges for use of the landing facilities of the Airport to all qualified persons, firms and corporations desiring to conduct aeronautical operations at the Airport.

(d) Any clause or provision of this Agreement to the Company notwithstanding:

(i) The Company agrees to operate the Airport in accordance with the obligations of the City to the Federal Government under

(ii) It is specifically understood and agreed that nothing herein contained shall be construed as granting or authorizing the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act.

(iii) The City reserves the right to take any action it considers necessary to protect the aerial approaches to the Airport against obstruction, together with the right to prevent the Company from erecting, or permitting to be erected, any building or other structures on the Airport which, in the opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft.

(iv) This Agreement shall be subordinate to the provisions of any existing or future agreement entered into between the City and the United States to obtain federal aid for the improvement or operation and maintenance of the Airport.

The Company shall conduct its operations in a proper and orderly manner and will not annoy, disturb or be offensive to others. The Company shall take all reasonable measures to control the conduct, demeanor and appearance of its employees, agents, representatives, invitees, and those doing business with it in the Leased Premises.

Section 9. Standards of Operation

The Company shall not knowingly commit any nuisances on the Leased Premises, or do or permit to be done anything which may result in the creation or commission of a nuisance on the Leased Premises.

The terms of this Section shall be inserted and enforced by the Company in the agreement(s) of any other user of the Airport.

Section 10. Insurance

The Company will maintain at its expense insurance on the Leased Premises of the following character:

(a) Insurance against loss or damage to improvements by fire, lightning, other risks from time to time included under 11

(ix) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the leased Premises, such insurance to afford protection to City of not less than \$500,000.00 with respect to any one accident, and not less than \$200,000.00 with respect to property damage. Policies of such insurance shall be for the benefit of City and Company.

(c) Worker's compensation insurance covering all persons employed by Company in connection with any work done on about the Leased Premises with respect to which claims for death or bodily injury could be asserted against City, Company or the Leased Premises, or in lieu of such worker's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

reg. Every other insurance on the improvements in such amounts and against such other insurable hazards which at the time of the mortgage were in the class of property similar to the improvements.

\mathcal{L}_1 and \mathcal{L}_2 are the loss functions for the first and second stages, respectively. \mathcal{L}_1 is the cross-entropy loss, and \mathcal{L}_2 is the L2 loss. \mathcal{L}_1 is calculated as follows:

The amount of \$ 100,000 shall be payable under a valid and enforceable policy or policies of contract or contracts.

insurance required in Section 10 hereof. The Company shall within ten days prior to the expiration of any such insurance policy deliver to the City a copy of the policy or other certificate of the insurance, and shall cause to be renewed the policy or certificate of insurance as required in Section 10 hereof.

Section 12. Casualty

If any improvements or any part thereof owned by the City shall be damaged or destroyed by fire, theft or other casualty, the Company shall with reasonable promptness and diligence rebuild, replace, and repair any damage or destruction to the improvements, at its expense in conformity with the requirements of Section 14, in such manner as to restore the same to a unit of equal size, quality and condition to that which existed prior to such damage or destruction. Insurance proceeds payable with respect to such casualty shall belong to the Company to the extent necessary to make such repairs.

It is agreed that damage or destruction, whether partial or total, by any cause whatsoever, of the improvements, except upon termination of this Agreement as is provided for herein, shall not release the Company from any obligation under this Agreement.

Section 14. Maintenance and Repair

The Company agrees and acknowledges that it has received the Leased Premises in good order and condition, and further agrees to accept the premises as is. The Company further agrees that it will, at its expense, keep and maintain the Leased Premises, and the improvements in good repair and appearance, and in good mechanical condition, except for ordinary wear and tear, and will with reasonable promptness make all interior and exterior, structural and non-structural, foreseen and unforeseen, ordinary and extraordinary changes, repairs, substitutions and replacements (substantially equivalent to the original work) of any kind and nature which may be required to be made upon or in connection with the Leased Premises and improvements or any part thereof, in order to keep and maintain the Leased Premises and improvements in as good repair, mechanical condition and appearance as they were originally, except for ordinary wear and tear.

Section 15. Failure to Commence and Complete Repairs

In the event the Company fails to commence or complete repairs, replacements or painting which is required hereunder within a period of thirty days after written notice from the City, or fails to continue and diligently complete any such repair, the City may at its option make such repairs, replacement or do such painting, the cost of which shall be paid by the Company upon written demand.

Subject to the right of existing sub-leases, the City, by its officers, employees, agents, representatives and contractors shall have the right at all reasonable times to enter upon the Airport for the purpose of inspecting the Leased Premises, for observing the performance by the Company of its obligations under this Agreement, and for the doing of any act or thing which the City may be obligated or have the right to do under this Agreement.

Nothing in this Section shall impose or shall be construed to impose upon the City any obligations to construct or maintain or to make repairs, replacements, alterations or additions, or shall create any liability for any failure to do so. The City shall not in any event be liable for any injury or damage to any property or to any person happening on or about the Leased Premises nor for any injury or damage to the Leased Premises nor to any property of the Company or of any other person located in or thereon other than those occasioned by the acts of the City.

Section 16. Alterations, Construction by Company for Airport Purposes

Company may erect structures, make improvements, install fixtures, or do any other construction work on the Leased Premises, or alter, modify or make additions, improvements, repairs to, or replacement of any improvements or any structure now existing or hereafter built on the Leased Premises.

Any such alterations, additions, improvements, installations, repairs, substitutions or replacements shall be expeditiously completed, in compliance with all laws, ordinances, orders, rules, regulations and requirements applicable thereto. All work done in connection with such alteration, addition, improvement, installation, repair, substitution or replacement shall comply with the requirement of any insurance policy required to be maintained by Company hereunder, with any applicable requirements of the Agreement.

Any improvement to or alteration of the Airport under this Section or under Section 17 shall be consistent with the latest FAA-approved version of the Airport Layout Plan.

Section 17. Alteration, Construction by City

The City may erect structures, make improvements, install fixtures, or do any other construction work on the Airport, whether Airport-related or not; provided, however, the erection of such structures, the making of such improvements, the installation of such fixtures, or the doing of such construction work shall not unreasonably interfere with the operation or development of the Airport, including the maximization of revenues. The City shall give the Company reasonable advance written notice of any action taken hereunder.

Any such alterations, additions, improvements, installation, repairs, substitutions or replacements shall be completed in compliance with all laws, ordinances, orders, rules, regulations and requirements applicable thereto. All work done in connection with such alteration, addition, improvement, installation, repair, substitution or replacement shall be done at the City's expense and shall comply with the requirement of the insurance policy required to be maintained by the City or Company, hereunder. As to any construction, buildings or other structures constructed by the City which are not related to the Airport and its operations, Company shall not be required to furnish insurance.

Section 18. Liens

The Company will not directly or indirectly create or permit to be created or to remain, and will promptly discharge, at its expense, any mortgage, lien, security interest, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to:

- (a) The Leased Premises or any part thereof,
- (b) City's ownership interest, or
- (c) the Rent or other sums payable by Company under this Agreement.

The existence of any mechanic's, laborer's, materialmen's, supplier's, or vendor's lien, or any right in respect thereof shall not constitute a violation of this provision if payment is not yet due upon the contract or for goods or services, or the lien(s) are being contested in good faith by the Company.

This Section shall not apply to security interests or other liens with respect to buildings or improvements on, or which may later be constructed on, the Leased Premises, which are not owned by the City.

Section 19. Prices and Rates

The Company shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service. In furtherance of this objective, a list of charges will be maintained and made available for inspection by the public for all services, materials, supplies and privileges provided by the Company and any Airport tenant; however, the Company, and any Airport tenant, may be allowed to make reasonable and non-discriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

The Company shall, from time to time, as the need arises, make and publish changes in the prices being charged, provided, however, fifteen days prior to any such changes, the Company shall provide to the City a list of such charges. If no objection is received by the City, such changes in prices within fifteen days, the price changes shall become effective. The City may object to any changes in prices within the fifteen-day period; provided, however, the only basis for any such objection by the City will be on the ground that such price change would constitute a violation of a present or future Grant Agreement with the Federal Aviation Administration.

Not later than twelve months after the date of the last such others on the Airport undertake to sell or dispense fuels or lubricants for aircraft or other machinery being used on the Airport, the Company shall impose reasonable standards consistent with any grant agreements with respect to any fueling operations in order to assure adequate safety and efficient operations on or about the Airport. Further, any persons selling or dispensing fuel or lubricants for aircraft or other machinery shall pay to the Company a reasonable and non-discriminatory fuel storage fee.

Section 20. Subleases

(a) The Company shall have the right, and is expressly hereby authorized to sublease such portions of the Leased Premises as it shall deem appropriate for the growth and development of the Airport and the maximization of revenues; provided any such sublease shall be for the purpose of carrying out one or more of the activities set forth in Section 2. During the existence of this Agreement, all subleases shall be subject to the City's approval, subject only to the rights of the City to a percentage of Gross Receipts as provided in Section 5(d).

(b) The Company shall not lease, sublease or otherwise use any interests which is owned or controlled, in whole or in part, by any of the officers, directors or shareholders of the Company without the prior written approval of the City, which approval shall not be unreasonably withheld.

The Company agrees:

(b) that it shall, at its expense, comply with and cause the Leased Premises and Company's operations to comply with all governmental statutes, laws, rules, orders, regulations and ordinances affecting the Leased Premises or any part thereof or the use or occupancy of any part thereof.

Section 22 Indemnification

Company covenants and agrees that it will defend, indemnify and save harmless the City, its council, officers, agents and employees from and against any and all actions, suits, claims, demands, liabilities, losses, damages, costs, expenses or judgments of any nature whatsoever, arising from:

(a) any injury to, any nuisance, or the death of any person or any damage to property on the Leased Premises, or any damage to property on the Leased Premises, or in any manner growing out of or connected with the use, non-use, condition or occupancy of the Leased Premises or any part thereof or resulting from the condition thereof,

(b) the ownership, use or non-use or condition of the improvements, or

In case any action or proceeding be brought against the City by reason of any such claim, the Company covenants upon notice from the City to resist or defend such action, and the City will cooperate and assist in the defense of such action or proceeding. If reasonably requested so to do by the Company; provided, however, that the Company shall not be liable for damages not covered by insurance required to be carried pursuant to this Agreement and caused solely by the negligence or deliberate act of the City, or any of its council members, agents, servants or employees. This provision shall not operate to indemnify others when liability for damages arises due to the negligence or deliberate act of the City, or any of its council members, agents, servants or employees.

fault of such others, unless they are insured or indemnified parties under the insurance policies or contracts required by this Agreement.

To the extent that the City considers it prudent, considering the requirements attached to the acceptance of such funds, the City shall accept and use any such funds for the development of the Airport, provided nothing in this resolution shall be construed to obligate the City to accept any such funds.

Section 24. Notice to Indemnified Parties

Notwithstanding the indemnification set forth in Section 22, the Company shall forward to the City a copy of every notice, summons or demand, or any other communication, in connection with any such claim, suit or proceeding, or in any way affecting the rights

Section 25. Liability of Officials

No officers, agent or employee of the City or the Company shall be personally liable for any of their acts carrying out the provisions of the Agreement, or for any consequences or authority granted to them pursuant to the Agreement, it being understood that in such matters the City and the Company shall be bound by the provisions of the Agreement.

Section 26. Non-Discrimination

Company will, in its operations on the Airport, be bound by the Civil Rights obligations imposed on the City. Company will not discriminate and will not permit its employees to discriminate against any person or group on the basis of race, color, sex, or national origin. Company will

Section 27, OMBE: Advertisements, Bids, Concessions:

In addition to complying with the above and normal procedures required of the City by state/federal law and agreements,

Section 28. Assignment

Except as explicitly set forth herein or contemplated by this Agreement, the Company shall not assign, sublet, sell, convey or transfer any of its rights or obligations under this Agreement or any part thereof to a third party without the prior written consent of the City, provided however that this Agreement shall not be terminated by the Company's assignment of its obligations to a third party.

Section 29 Events of Default and Remedies

The following shall be "events of default" as to the Company under this Agreement and the term "event of default" as to the Company shall mean the occurrence of any one or more of the following events:

(a) Failure by the Company to pay when due or cause to be paid when due the Rent required to be paid under Section 5 hereof

10. The Leased Premises shall be abandoned, deserted or vacated by the Company or any lien shall be filed against the Leased Premises.

14. The dissolution or liquidation of the Company, or the filing by the Company or a voluntary petition in bankruptcy, or the

4.1.1. Remedies on Default

Whenever any event of default as to the Company referred to in Section 201(c)(2) shall have happened and be subsisting, the

g. The City may, at any time, terminate this Agreement and sub (a) shall not apply.

10. The City shall take such action as may be necessary to collect the rent then due and to enforce the due and certain payment of the same by the Company under the terms of this Agreement.

Section 31. No Remedy Exclusion

No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or hereafter existing under law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in this Section, it shall not be necessary to give any notice, unless such notice is herein expressly required by law.

Section 32. No Additional Waiver Implied

In the event any covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 33. Termination by Company

The Company may terminate this Agreement upon the occurrence of any one or more of the following reasons:

(a) In the event the Airport shall be closed or its operations curtailed by more than fifty percent of its achieved operating level in terms of daily average departing and arriving flights, the Company in its reasonable discretion may cease or curtail its operations in the Leased Premises during the period that the Airport operations have ceased or have been so curtailed, and if such condition shall continue unabated for more than two years, the Company shall have the right and option to terminate the Agreement upon thirty days prior written notice to the City.

(b) The City shall fail to perform any of its obligations under this Agreement within sixty days after receipt of notice of default hereunder from the Company (except where fulfillment of its obligations require activity over a period of time and the City shall commence to perform whatever may be required for fulfillment within sixty days after the receipt of notice and continue such performance without interruption, except for causes beyond its control).

Upon the occurrence of any of the foregoing events, or at any time thereafter during the continuation of any such condition, the Company may, by sixty days written notice terminate this Agreement, such termination to be effective upon the date set forth in such notice and to have the same effect as if the terms hereof had expired on that date, subject, as aforesaid, to the provisions of this Section.

No waiver by the Company of any default on the part of the City, in the performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the City shall be or shall be construed to be a waiver by the Company of any other or subsequent default in the performance of any of said terms, covenants and conditions.

Section 34. Access and Egress

Except as set forth in this Agreement, the City hereby grants to the Company full and unrestricted access to and egress from the Leased Premises and between the Leased Premises and the public roadways for the Company, its employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, without charge to Company or to said employees, guests, patrons, invitees, contractors, suppliers of materials and furnishers of services, or their said equipment, vehicles, machinery or other property.

Section 35. Company's Right to Remove Property

The Company shall have the right at any time during the term of this Agreement or any renewal or extension thereof, or at the expiration or earlier termination thereof, to remove any nonessential personal property which it may have on the Leased Premises, including, without limitation, furniture, equipment and machinery; provided the City will purchase from the Company, at its then fair market value, any personal property which the City deems essential.

Section 36. Termination, Settlement

In the event the City exercises its right to terminate the Agreement or any part thereof, the Company and the City shall endeavor in good faith to negotiate a sale by the Company to the City or its designee of the Company's personal property located on the Leased Premises. Upon termination of the Agreement, the City may, and the Company shall, remove any improvements on the Leased Premises belonging to the Company at the Company's expense if required by the City.

Section 37. Settlement

In the event that any sums due or to become due the Company upon termination of this Agreement are paid or payable to the City, the City shall not have any obligation to make such payment or settlement to the Company.

(i) until receipt of payment due to City from Company in accordance with pertinent provisions of this Agreement under which termination is permitted and;

(ii) until Company has paid all other sums due under this Agreement.

Section 38. Quiet Enjoyment

The City covenants that through the term hereof, the Company shall have, hold and enjoy peaceful and uninterrupted possession of all of the Leased Premises, subject to the performance of the covenants as herein provided.

Section 39. No Third Party Beneficiary

No provision contained in or incorporated by the Agreement shall create or give to any third party or parties any claim or right of action against the Company or the City, beyond such claims or rights of action which legally exist in the absence of any provision of said Agreement.

Section 40. Severability

Each and every covenant and agreement contained in this Agreement is and shall be construed to be a separate and independent covenant and agreement.

Section 41. Binding Effect

All of the covenants, conditions, and obligations contained in this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the City and the Company, subject to the limitations contained herein restricting such assignment to the Company, to the same extent as if each such successor and assign were in each case named as a party to this Agreement. This Agreement may not be altered, modified, or discharged except by a writing signed by the City and the Company.

Section 42. Governing Law

This Agreement shall be governed by and interpreted under and in accordance with the laws of the State of Texas.

Section 43. Venue

The venue of any action taken under this Agreement shall lie in Dallas County, in the State of Texas.

Section 44. Force Majeure

Neither the City or the Company shall be deemed in violation of this Agreement if it is prevented from performing any of the obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, acts of God, acts of the public enemy, acts of superior governmental authority, or other force majeure events, rebellion, sabotage, or any other circumstances for which it is not responsible, which it may, in its discretion, and the time for performance shall be automatically extended by the period the party is prevented from performing its obligations hereunder.

Section 45. Issuance of Revenue Bonds for Future Improvements

City and the Company acknowledge that as the Airport develops such circumstances may require that additional improvements (Future Improvements) will be needed in order to provide convenient and necessary services at the Airport. Subject to the approval of plans and specifications by the City as submitted by the Company, the City may make such acquisitions, additions, extensions, improvements and modifications to the Airport as shall be recommended by the Company. In order to obtain funds for such purposes, the City, in its discretion, may provide for the issuance of Airport revenue bonds.

Section 46. Airport Boundaries

The City hereby grants to the Company, its employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, without charge to Company or to said employees, guests, patrons, invitees, contractors, suppliers of materials and furnishers of services, or their said equipment, vehicles, machinery or other property, full and unrestricted access to and egress from the Leased Premises and between the Leased Premises and the public roadways for the Company, its employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, without charge to Company or to said employees, guests, patrons, invitees, contractors, suppliers of materials and furnishers of services, or their said equipment, vehicles, machinery or other property.

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Section 43: Record Keeping

The Company shall maintain its accounting records in accordance with accepted accounting practice and make the same available to an authorized representative of the City of Addison for audit and inspection. The Company shall permit such authorized representative of the City to inspect such books and records during ordinary business hours of the Company and at times reasonably convenient to the Company.

Section 44: Notices

Notices provided for in this Agreement shall be sufficient if sent by registered mail, postage prepaid, addressed if to the City — The City of Addison, P. O. Box 144, Addison, Texas, 75001, Attention: City Administrator, or to such other address and person it may direct in writing, and if to Company — Addison Airport, Inc., P. O. Box 34067, Dallas, Texas 75234, or to such other address and person as it may direct in writing. Notices shall be deemed completed when mailed unless otherwise herein required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed as of the date first above written.

ATTEST:

Joyce H. Stevens
SECRETARY

CITY OF ADDISON, TEXAS

BY:

Jimmy Reddick

APPROVED AS TO FORM:

Robert L. McCall
CITY ATTORNEY

ADDISON AIRPORT, INC.

ATTEST:

Margaret E. Bunch
SECRETARY

BY:

Ray Stew

Exhibit "B"

ND

FIELD NOTES

BEING A PART OF THE E. COOK SURVEY, Abstract 326, the William Lomas Survey, Abstract 792, the George Syms Survey, Abstract 792, the William Lomas Survey, Abstract 1207, and part of Lot 1 and Lot 2 of Block 1A of Carroll Estates Addition, Dallas County, Texas and being more fully described as follows:

BEGINNING at a fence post found for the apparent intersection of the North right-of-way line of Keller Springs Road, a 50 foot street, and the East line of Dooley Road, a 60 foot street, said beginning point being S 89° 58' 54" E 30.00 feet, thence N 0° 05' 50" E 25.00 feet from the apparent northwest corner of the E. Cook Survey, Abstract 326,

THENCE N 89° 58' 54" W. a distance of 105.72 feet with the North line of said Keller Springs Road to an angle point in the right-of-way;
THENCE N 56° 19' 03" W. a distance of 90.20 feet with said angle in the right-of-way to a point in the East right-of-way line of Dooley Road,

THENCE N 0° 03' 47" W. a distance of 1457.70 feet with the East line of said Dooley Road to a point;

THENCE N 20° 38' 30" W. a distance of 170.87 feet to the apparent West right-of-way line of said Dooley Road;

THENCE S 0° 03' 47" E. a distance of 313.49 feet with the apparent West line of said Dooley Road to a point;

THENCE N 89° 23' 56" W. a distance of 208.00 feet to an iron pin;

THENCE N 0° 14' 32" W. a distance of 161.00 feet to an iron pin;

THENCE N 89° 56' 00" W. a distance of 203.65 feet to a point;

THENCE N 20° 38' 30" W. a distance of 2156.07 feet to a point in the apparent East right-of-way line of New Dooley Road, a 100 foot street;

THENCE N 0° 09' 30" E. a distance of 1189.87 feet with the East line of said New Dooley Road;

THENCE N 89° 53' 26" E. a distance of 1165.44 feet to a point in the apparent West line of Dooley Road;

THENCE S 0° 03' 47" E. with the apparent West line of Dooley Road, at 335.02 feet passing a concrete monument for a total distance of 1550.38 feet to an iron pin;

THENCE S 20° 46' 10" E. a distance of 539.44 feet with the West line of said Dooley Road to an iron pin for the beginning point of a curve to the left;

THENCE in a southeasterly direction with the curved West line of said Dooley Road having a central angle of 69° 19' 04", a radius of 337.18 feet a distance of 407.63 feet to a point in the South right-of-way line of Keller Springs Road;

THENCE N 89° 54' 46" E. a distance of 2135.61 feet with the South line of said Keller Springs Road to a point in the West right-of-way line of Addison Road;

THENCE S 0° 14' 20" E. a distance of 307.44 feet with the West line of said Addison Road to an iron pin;

THENCE S 89° 45' 40" W. a distance of 200.00 feet to a point;

THENCE S 0° 14' 20" E. a distance of 210.72 feet to a point;

THENCE S 43° 16' W. a distance of 1595.29 feet to an iron pin;

THENCE S 46° 44' E. a distance of 202.51 feet to a point;

THENCE S 20° 43' E. a distance of 350.85 feet to a point;

THENCE N 69° 17' E. a distance of 30.00 feet to a point;

THENCE N 71° 12' 51" E. a distance of 185.72 feet to a point;

THENCE N 44° 44' 06" E. a distance of 7.05 feet to an iron pin found for the Southwest corner of a tract of land conveyed to O.J. Broughton and E.E. Ericson by deed recorded in Volume 4350, Page 491, Deed Records of Dallas County;

THENCE N 89° 54' 40" E. a distance of 819.46 feet with the South line of the Broughton tract to an iron pin in the West line of said Addison Road;

THENCE S 0° 14' 20" E. a distance of 490.82 feet with the West line of said Addison Road to a point in the apparent common survey line between the William Lomas Survey, Abstract 792, and the E. Cook Survey, Abstract 326;

THENCE S 69° 37' 20" E. a distance of 58.08 feet with said common survey line to a point in the West line of said Addison Road and the beginning of a curve to the left;

THENCE Southerly with said curve, and the West line of Addison Road, having a central angle of 1° 53' 11", a radius of 746.30 feet, for a distance of 24.57 feet;

THENCE S 26° 12' 50" E. 34.05 feet with the West line of Addison Road to the beginning of a curve to the right;

THENCE in a southeasterly direction with the curved West line of said Addison Road having a central angle of 25° 50', a radius of 686.30 feet for a distance of 325.44 feet;

THENCE S 0° 22' 50" E. a distance of 1067.91 feet with the West line of said Addison Road to an angle point in the right-of-way;

THENCE N 89° 37' 10" E. a distance of 10.00 feet with said angle in the right-of-way to a point in the West line of said Addison Road;

THENCE S 0° 22' 50" E. a distance of 811.30 feet with the West line of Addison Road to a point;

THENCE S 69° 37' W. a distance of 185.70 feet to a point;

THENCE S 0° 22' 50" E. a distance of 263.11 feet to a point;

THENCE S 66° 06' 26" W. a distance of 17.27 feet to a point;

THENCE S 0° 22' 50" E. a distance of 211.64 feet to an iron pin in the North right-of-way line of the St. Louis and Southwestern Railroad;

THENCE S 66° 06' 26" W. a distance of 719.60 feet with the North line of said St. Louis and Southwestern Railroad to an iron pin and the Northeast corner of Addison Airport Industrial District;

THENCE N 60° 61' 60" W. a distance of 272.80 feet to an iron pin in the easterly line of said Addison Airport Industrial District;

THENCE N 24° 39' 30" W. a distance of 174.79 feet with the easterly line of said Addison Airport Industrial District to an iron pin.

Dea

THENCE S 71° 41' 25" W. a distance of 441.91 feet to a point;
 THENCE N 89° 56' 35" W. a distance of 658.63 feet to a point;
 THENCE N 0° 03' 25" E. a distance of 160.00 feet to a point;
 THENCE N 89° 56' 35" W. a distance of 160.00 feet to a point in the East right-of-way line of Dooley Road;
 THENCE N 0° 03' 25" E. a distance of 10.00 feet with the East line of Dooley Road to a point;
 THENCE S 89° 56' 35" E. a distance of 797.46 feet to a point;
 THENCE N 75° 48' 25" E. a distance of 408.36 feet to an iron pin in the easterly line of said Addison Airport Industrial District;
 THENCE N 20° 39' 35" W. a distance of 2385.20 feet with the easterly line of said Addison Airport Industrial District to an iron pin for the northeast corner of Addison Airport Industrial District;
 THENCE N 20° 43' 53" W. a distance of 320.72 feet to an iron pin;
 THENCE N 89° 49' 30" E. a distance of 9.98 feet to an iron pin;
 THENCE N 20° 17' 10" W. a distance of 389.50 feet to an iron pin;
 THENCE N 89° 54' 10" W. a distance of 117.08 feet to an iron pin in the apparent East right-of-way line of said Dooley Road;
 THENCE N 0° 05' 50" E. a distance of 502.30 feet with the apparent East line of said Dooley Road to the place of beginning and containing 365.340 acres of land, more or less, save and except the following 1 acre tract:
 Beginning at a fence post found for the apparent intersection of the North right-of-way line of Keller Springs Road, a 50 foot street, and the East line of Dooley Road, a 60 foot street, said point being S 89° 58' 54" E. 30.00 feet, thence N 0° 05' 50" E. 25.0 feet from the apparent northwest corner of the E. Cook Survey, Abstract 326; Thence N 89° 58' 54" W. 105.72 feet with the apparent North line of Keller Springs Road, Thence N 56° 19' 03" W. 90.20 feet to a point in the East line of Dooley Road; Thence N 0° 03' 47" W. 1457.70 feet with the apparent East line of Dooley Road, Thence N 20° 38' 30" W. 170.87 feet to a point in the apparent West line of Dooley Road and the BEGINNING POINT of this description;
 THENCE S 0° 03' 47" E. 209.0 feet with the West line of Dooley Road;
 THENCE N 89° 23' 56" W. 208.0 feet to an iron pin;
 THENCE N 0° 14' 32" W. 209.0 feet to an iron pin;
 THENCE S 89° 23' 56" E. 208.0 feet to the place of beginning and containing 1.0 acres of land, more or less.

The plat hereon is a true and accurate representation of the property as determined by actual survey, the lines and dimensions of said property being as indicated by the plat; all improvements being within the boundaries of the property.

Easements of record that could be located are shown. This plat is subject to any easements of record not shown.

5 JAN 1977

Date

W. J. Wischmeyer
 Registered Professional Engineer



EXHIBIT "A"
 PROPERTY MAP
 ADDISON MUNICIPAL AIRPORT
 ADDISON, TEXAS

Rieue & Wischmeyer, Inc.

CONSULTING ENGINEERS
 DALLAS, TEXAS

DECEMBER 1976

[Handwritten signature]

BEING A TRACT OF LAND SITUATED IN THE WILLIAM LOMAX SURVEY,
ABSTRACT 792 DALLAS COUNTY, TEXAS AND LOCATED ON ADDISON
MUNICIPAL AIRPORT, ADDISON, TEXAS, AND BEING MORE FULLY
DESCRIBED AS FOLLOWS:

BEGIN AT A POINT FOR THE INTERSECTION OF THE WEST RIGHT-
OF-WAY LINE OF ADDISON ROAD, A 60 FOOT STREET, AND THE
SOUTH RIGHT-OF-WAY LINE OF WESTGROVE ROAD A 60 FOOT STREET:

THENCE S $69^{\circ} 54' 46''$ W ALONG THE SOUTH LINE OF SAID WESTGROVE
ROAD A DISTANCE OF 730.00 FEET TO A POINT FOR THE CENTERLINE
OF A PROPOSED 60 FOOT STREET (CLAIRE CHEMVAULT ROAD);

THENCE S $00^{\circ} 05' 14''$ E ALONG THE CENTERLINE OF SAID PROPOSED
STREET A DISTANCE OF 302.19 FEET TO AN ANGLE POINT;

THENCE S $43^{\circ} 16'$ W ALONG THE CENTERLINE OF SAID PROPOSED
STREET A DISTANCE OF 1154.73 FEET TO AN ANGLE POINT;

THENCE S $69^{\circ} 21' 30''$ W ALONG THE CENTERLINE OF SAID PROPOSED
STREET A DISTANCE OF 61.95 FEET TO THE BEGINNING POINT OF
THIS DESCRIPTION;

THENCE S $20^{\circ} 38' 30''$ E 441.69 FEET TO A POINT FOR THE
BEGINNING OF A CURVE TO RIGHT SAID POINT ALSO BEING IN THE
NORTHWEST RIGHT-OF-WAY LINE OF PROPOSED TAXIWAY;

THENCE IN A SOUTHWESTERLY DIRECTION ALONG SAID CURVED LINE
OF PROPOSED TAXIWAY HAVING A CENTRAL ANGLE OF $12^{\circ} 15' 23''$ A
RADIUS OF 365.00 FEET FOR A DISTANCE OF 78.08 FEET TO A POINT;

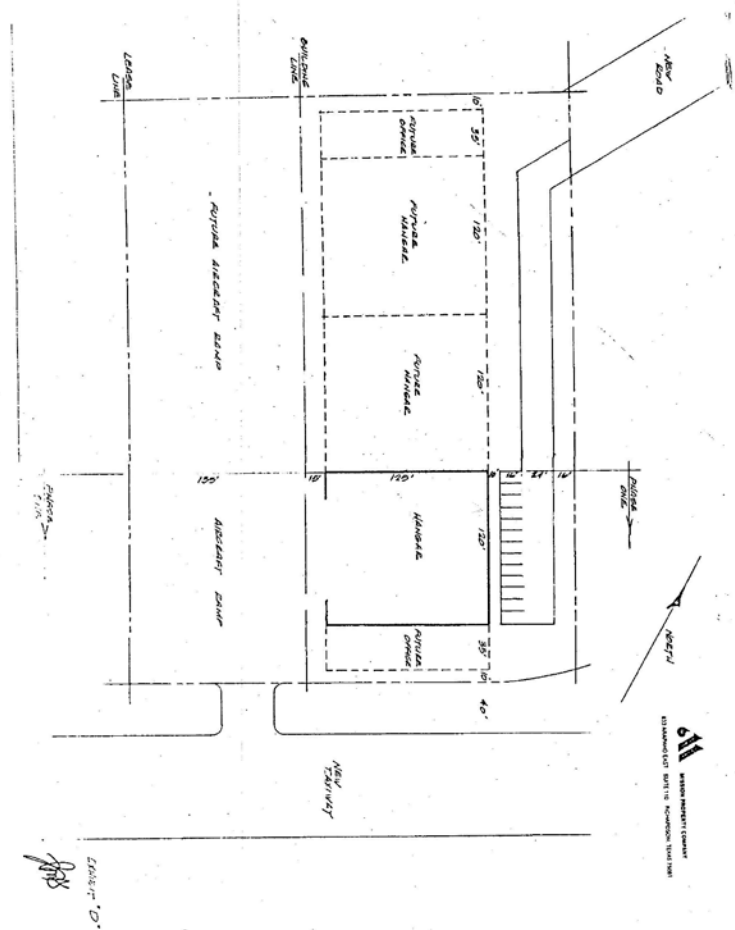
THENCE S $69^{\circ} 21' 30''$ W ALONG THE NORTHWEST LINE OF SAID PROPOSED
TAXIWAY A DISTANCE OF 263.52 FEET TO A POINT;

THENCE N $20^{\circ} 38' 30''$ W 450.00 FEET TO A POINT;

THENCE N $69^{\circ} 21' 30''$ E 341.00 FEET TO THE PLACE OF BEGINNING
AND CONTAINING 3.918 ACRES OF LAND MORE OR LESS.

DATE 16 July 1960

E. R. McDowell, Jr.
FEEBE & WISCHMEYER, INC.



RENTAL AGREEMENT

Date _____

Lessor: _____

Lessee: _____
(Person or Company Responsible for Rental Payment)

(Mailing Address) _____

City _____ State _____ Zip Code _____

Business Telephone: _____

Home Telephone: _____

Aircraft: _____

Make: _____

Aircraft No.: _____

Demised Premises (situated in Lessor's premises at above address in Dallas County, Texas):

Hanger Space: _____

Office Space: _____

Persons authorized to have access to space and/or airplane:

Name

Address

Rental: _____ per month, payable in advance.

Term: Month to month until either party gives 30-day written notice to other party.

Lessee hereby agrees to comply with all airport rules and regulations as may from time to time be in effect and all rules and regulations as Lessor may from time to time prescribe. LESSEE UNDERSTANDS AND AGREES THAT THE TERMS AND PROVISIONS HEREINAFTER SET FORTH CONSTITUTE A PART OF THIS AGREEMENT.

Lessor: _____

Lessee: _____

By _____

21.

TERMS AND PROVISIONS:

1. Lessee agrees to accept the demised premises as they now exist and agrees to surrender the premises at the end of the lease term in the same condition allowing for reasonable use and wear and tear.

2. The first monthly rental installment shall be due and payable on or before the date of this agreement and subsequent installments shall be due and payable on or before the first day of the succeeding calendar month during the lease term; provided that if the date of the lease is the date other than the first day of the calendar month, there shall be due and payable on or before such date the rental for the balance of such calendar month. All such amounts not paid by Lessee shall bear interest at the highest lawful rate which shall not be at a lesser rate than ten percent per annum.

3. The demised hanger space may be used only for the purpose of storing the herein described aircraft and for no other purpose or purposes without prior written consent of Lessor. The demised office space may be used only for office purposes related to Lessee's use of aircraft, and for no other purpose or purposes whatsoever without prior written consent of Lessor.

4. Lessee shall not, without Lessor's prior written consent, keep anything within the demised premises or use the demised premises for any purpose which increases the insurance premium cost or invalidates any insurance policy carried on the demised premises or other parts of the airport. All property kept, stored or maintained within the demised premises by Lessee shall be at Lessee's sole risk.

5. Lessee shall take good care of the demised premises and keep the same free from waste at all times. Lessee shall make no alterations, additions or improvements to the demised premises without the prior written consent of Lessor and, if any of the same shall be authorized by Lessor, Lessee shall, upon termination of this lease for any reason, if requested by Lessor, remove any or all of same without damage to the demised premises. Lessee shall keep the demised premises and areas adjacent to the demised premises neat, clean and free from dirt or rubbish at all times.

6. Lessee shall not permit nor take any action which would constitute a nuisance or would disturb or endanger other tenants of Lessor or the airport or unreasonably interfere with their use of their respective premises. Lessor shall not be liable for any interference or disturbance to Lessee, whether caused by other tenants of Lessor, or otherwise, nor shall Lessee be released from any obligation of this lease because of such interference or disturbance.

7. Lessor shall have the right to enter upon the demised premises at any time for the purpose of inspecting the same, or of making repairs to the demised premises, or of making repairs, alterations or additions to adjacent premises.

8. Lessor shall not be liable to Lessee or to Lessee's employees, agents or visitors, or to any other person whomsoever, for any injury to person or damage to or loss of property on or about the premises caused by the negligence or misconduct of Lessee, its employees or subtenants or of any other person entering the premises under express or implied invitation of Lessee, or arising out of the use of the demised premises by Lessee and the conduct of its business therein, or arising out of any breach or default by Lessee in the performance of its obligation hereunder; and Lessee hereby agrees to indemnify Lessor and hold it harmless from any loss, expense or claims arising out of such damage or injury.

9. Lessor and Lessee agree and covenant that neither shall be liable to the other for loss arising out of damage to or destruction of the demised premises or any of Lessee's property situated or located therein or attached thereto including contents which such loss is caused by any perils included within the Texas Standard Fire and Extended Coverage Insurance Policy; this agreement shall be binding whether or not such damage or destruction may be caused by negligence of either party, or their agents, employees or visitors.

10. Lessor and Lessor's agents and employees shall not be liable to Lessee for any injury to person or damage to property caused by the demised premises or other portions of the premises becoming out of repair or by defect in or failure of equipment, pipes or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, nor shall Lessor be liable to Lessee for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of the airport or of any other person whomsoever, excepting only duly authorized employees and agents of Lessor.

11. The following events shall be deemed to be events of default by Lessee under this agreement:

- (a) Lessee shall fail to pay any installment of rent hereunder and such failure shall continue for a period of 15 days; or,
- (b) Lessee shall fail to comply with any term, provision or covenant of this agreement, other than the payment of rent, and shall not cure such failure within 15 days after written notice thereof to Lessee; or,
- (c) Lessee shall desert or vacate the premises.

Upon the occurrence of any of such events of default, Lessor shall have the option to pursue any of Lessor's remedies without any notice or demand whatsoever, including termination of this lease in which event, Lessee shall immediately surrender the demised premises to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent, enter upon and take possession of the demised premises and expel or remove tenant and any other person who may be occupying said premises or any part thereof by force if necessary, without being liable for prosecution or any claim of damages therefor; Lessee agrees to pay to Lessor on demand the amount of all loss or damage which Lessor may suffer by reason of such termination.

12. If on account of any breach or default by Lessee in Lessee's obligations hereunder, Lessor shall employ an attorney to enforce or defend any of Lessor's rights or remedies hereunder, Lessee agrees to pay a reasonable attorney's fee incurred by Lessor in such connection.

13. Lessor shall have at all times a lien for all rentals and all other sums of money becoming due hereunder from Lessee, upon all aircraft, goods, wares, equipment, fixtures, furniture and other personal property situated on the demised premises, and such property shall not be removed therefrom without the consent of Lessor until all arrearage in rent and other sums of money then due to Lessor hereunder shall first have been paid. Upon the occurrence of an event of default by Lessee, Lessor may, in addition to any other remedy provided herein or by law, enter upon the demised premises and take possession of the aircraft or any and all goods, wares, equipment, fixtures, furniture and other personal property situated on the premises without liability for trespass or conversion, sell the same upon five days written notice to Lessee (said period of time being herein agreed to be reasonable) at public or private sale, with or without having such property at the sale, at which Lessor or its assign may purchase, and apply the proceeds thereof, less any and all expenses connected with the taking of possession and sale of the property, and a credit against any sums due by Lessee to Lessor. Any surplus shall be paid to Lessee, and Lessee agrees to pay any deficiency forthwith. Alternatively, the lien hereby granted may be foreclosed in the manner provided by law for foreclosure of security interest or in any other form provided by law. The statutory lien for rent is not hereby waived, the expressed contractual lien herein granted being in addition and supplementary thereto.

14. Lessee may not assign this lease or any of Lessee's rights hereunder or sublet the whole or any part of the demised premises.

15. Lessor will provide water and electricity generally for tenants of Lessor, at such points of supply and in such amounts as Lessor may determine; and heated and refrigerated air conditioning (office space only) in season, at such temperatures and in such amounts as Lessor shall determine, such service on Sunday and holidays to be optional on the part of Lessor. Failure to any extent to furnish, or any stoppage of such services shall not render Lessor liable in any respect for damage to person or property or be considered an eviction of Lessee or work an abatement of any rent or relieve Lessee from fulfillment of any covenant or obligation hereunder.

16. This Rental Agreement is expressly, subject, subordinate and inferior to (i) the terms and conditions of that certain Ground Lease between Lessor, the City of Addison, Texas ("City") and Addison Airport of Texas, Inc. ("Airport"), dated July 14, 1980, and (ii) that certain Base Lease between the Airport and the City, dated December 30, 1976, and any termination of such Ground Lease or Base Lease, or both, shall, at the option and election of the lessors therein, constitute a termination of this Rental Agreement, and neither Lessor nor Lessee shall have any further obligation or liability hereunder.



EXHIBIT “B”

12

LEASE AMENDMENT

THIS AMENDMENT is made to that certain Lease dated September 3, 1980, by and between the City of Addison and Addison Airport of Texas, Inc., as Landlord, and Mission Property Company as Tenant, as follows:

WHEREAS, Addison Airport of Texas, Inc. (hereinafter referred to as "AATI") sublet to Mission Property Company (hereinafter referred to as "Mission") certain property located at the Addison Airport, Addison, Texas, consisting of 3.518 acres, and being more particularly described in the Lease; and

WHEREAS, AATI leases such property from the City of Addison, Texas, and, also leases from the City of Addison, Texas, a tract of land northwest of the tract so leased to Mission; and

WHEREAS, Claire Chennault Road provides access to the Mission tract and the AATI Tract, and, Mission seeks to use a portion of AATI's lease hold as part of the access to Mission's property, and, AATI seeks to use a portion of Mission's lease hold as part of the access to AATI's property. Both of these areas are indicated in yellow on the attached Exhibit "A".

NOW, THEREFORE, it is understood and agreed by and between the parties as follows:

1. AATI hereby grants to Mission an easement for ingress and egress over and above that property leased by AATI, and as shaded in yellow on the attached Exhibit "A".

2. Mission, on behalf of itself and any limited partners for which Mission may be acting, hereby grants to AATI and the City of Addison, Texas, as its landlord, the right to use that portion of the premises leased to Mission for ingress and egress to the property leased by AATI, such portion being shaded in yellow on Exhibit "A".

3. The cost of construction and completion of the access driveway as shown on Exhibit "A" in accordance with the plans approved by the parties shall be at the sole cost and expense of AATI. Upon completion of the improvements, each party shall maintain and bear the expense of upkeep of that portion of the road which is located on the property leased by the respective party hereto.

4. The City of Addison, Texas, joins in the execution hereof to evidence its agreement to the terms and provisions hereof, and to acknowledge that it will, as owner of the respective properties, recognize and conform to the agreements contained herein in the event that it should obtain possession of either of the tracts leased to the other parties hereto.

EXECUTED this 31 day of JANUARY, 1983.

CITY OF ADDISON, TEXAS

By: [Signature]
(Title)

ADDISON AIRPORT OF TEXAS, INC.

By: [Signature]

MISSION PROPERTY COMPANY

By: [Signature]
Ropald M. Frederick,
President

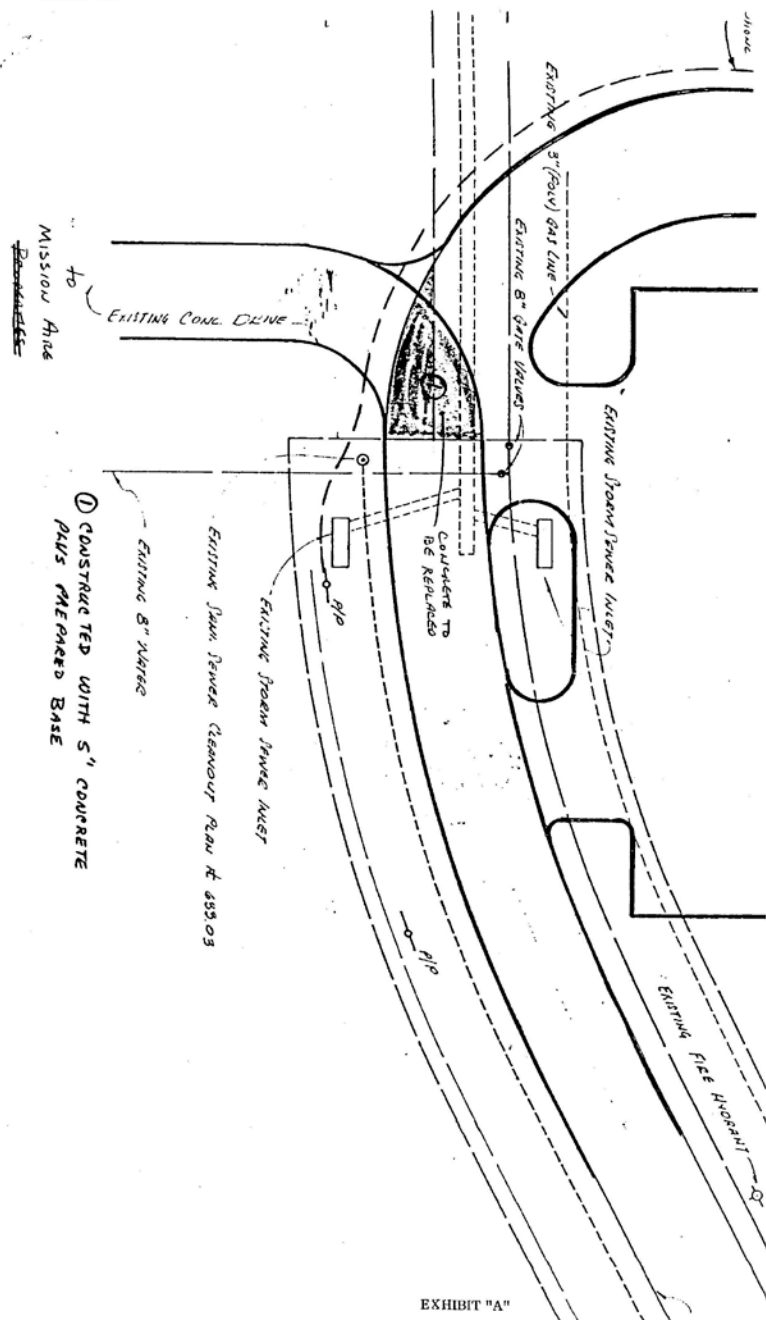


EXHIBIT "A"

EXHIBIT “C”

225065-4 (05)

2

ASSIGNMENT OF LEASE

DEED 17.00
TSTL 17.00
A001 2621 0000000 2434 12:25PM 6/30/94

THIS Assignment of Lease is made this the 29th day of JUNE, 1994;
effective, however, the 2ND day of MAY, 1994 at Addison, Texas, between
Mission Property Company, hereinafter called "Assignor", and MPX Aviation, Inc., hereinafter
called "Assignee".

WHEREAS, a Lease Agreement ("Lease") was executed on September 3, 1980, between
CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as the Lessor, and Assignor,
as the Lessee, and recorded in Volume 93183, at Page 5118 of the Real Property Records in and
for the County of Dallas and State of Texas; by the terms of which certain real property located
on the Addison Airport and being more particularly described on Exhibit "A" attached hereto and
fully incorporated herein for all purposes, was leased to Assignor upon the terms and conditions
provided therein; and

WHEREAS, Assignor now desires to assign the lease to Assignee, and Assignee desires
to accept the assignment thereto;

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars
(\$10.00), receipt of which is hereby acknowledged, and the agreement of Assignee, hereinafter
set forth, Assignor hereby assigns and transfers to Assignee, its successors and assigns, all of its
right, title and interest in and to the Lease hereinbefore described, and Assignee hereby agrees
to and does accept the assignment, and in addition expressly assumes and agrees to keep, perform
and fulfill all the terms, covenants, conditions and obligations required to be kept, performed and

ASSIGNMENT OF LEASE - Page 1
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fulfilled by Assignor as the Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessee under said Lease when due and payable.

This agreement shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED the day and year first above written.

ASSIGNOR:

Mission Property Company

By: 

(Signature)

RONALD M. FREDERICK

(Printed Name and Title)

PRESIDENT

ASSIGNEE:

MPX Aviation, Inc.

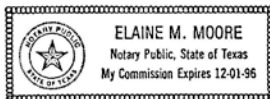
By: 

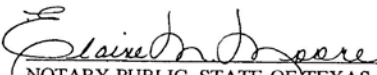
Ronald M. Frederick, President

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on the 29th day of June, 1994, by RONALD M. FREDERICK PRESIDENT of Mission Property Company, a TEXAS corporation, for and on behalf of said corporation.




NOTARY PUBLIC, STATE OF TEXAS
ELAINE M. MOORE
(Notary's Printed Name)
My Commission Expires: 12-01-96

ASSIGNMENT OF LEASE - Page 2
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STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 29th day of June, 1994, by Ronald M. Frederick, President of MPX Aviation, Inc., a Texas corporation, for and on behalf of said corporation.




(NOTARY PUBLIC, STATE OF TEXAS)

ELAINE M. MOORE
(Notary's Printed Name)
My Commission Expires: 12-01-96

CONSENT OF LESSOR

The undersigned is the Lessor in the Lease described in the foregoing Assignment and hereby consents to the assignment of the Lease to Assignee, waiving none of their rights thereunder to the Lessee or the Assignee.

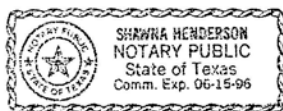
LESSOR:

ADDISON AIRPORT OF TEXAS, INC.

By: *Sam Stuart*
(Signature)
SAM STUART - President
(Printed Name and Title)

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 5th day of October, 1994, by Sam Stuart, President of Addison Airport of Texas, Inc., a Texas corporation for and on behalf of said corporation.



Shawna Henderson
NOTARY PUBLIC, STATE OF TEXAS
Shawna Henderson
(Notary's Printed Name)
My Commission Expires: 6-15-96

EXHIBIT "A"

LEASEHOLD ESTATE as created in Lease Agreement, by and between City of Addison and Addison Airport of Texas, Inc., as Lessor, and Mission Property Company, as Lessee, as evidenced by Ground Lease Agreement, dated September 3, 1980, filed September 21, 1993, recorded in Volume 93183, Page 5118, Deed Records, Dallas County, Texas, and covering the real property more particularly described as follows:

BEING a tract of land situated in the WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, DALLAS County, Texas, and located on ADDISON MUNICIPAL AIRPORT, ADDISON, Texas, and being more fully described as follows:

BEGIN at a point for the intersection of the West Right-of-Way line of Addison Road, a 60 foot street, and the South Right-of-Way line of Westgrove Road a 60 foot street;

THENCE South 89 degrees 54 minutes 46 seconds West, along the South line of said Westgrove Road a distance of 730.00 feet to a point for the centerline of a proposed 60 foot street (Claire Chennault Road);

THENCE South 00 degrees 05 minutes 14 seconds East, along the centerline of said proposed street a distance of 302.19 feet to an angle point;

THENCE South 43 degrees 16 minutes West, along the centerline of said proposed street a distance of 1154.73 feet to an angle point;

THENCE South 69 degrees 21 minutes 30 seconds West, along the centerline of said proposed street at distance of 61.98 feet to the beginning point of this description;

THENCE South 20 degrees 38 minutes 30 seconds East, 441.68 feet to a point for the beginning of a curve to the right said point also being in the Northwest Right-of-Way line of proposed taxiway;

THENCE in a Southwesterly direction along said curved line of proposed taxiway having a central angle of 12 degrees 15 minutes 23 seconds a radius of 365.00 feet for a distance of 78.08 feet to a point;

THENCE South 69 degrees 21 minutes 30 seconds West, along the Northwest line of said proposed taxiway a distance of 263.52 feet to a point;

THENCE North 20 degrees 38 minutes 30 seconds West, 450.00 feet to a point;

THENCE North 69 degrees 21 minutes 30 seconds East, 341.00 feet to the PLACE OF BEGINNING and CONTAINING 3.518 acres of land, more or less.

w:\mis\vp-leg

94125 01638

EXHIBIT "D"

THE STATE OF TEXAS
COUNTY OF DALLAS

§
§
§

ASSIGNMENT OF GROUND LEASE
(9/3/80 - Hangar/Office) Fee

1610773
162896 \$13.00

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of July 19, 1996, at Addison, Texas, between MPX Aviation, Inc., "Assignor", and Mission Property Company, "Assignee".

WHEREAS, Assignor is the Lessee under that certain ground lease dated September 3, 1980 (collectively the "Ground Lease"), as more particularly described on the attached Exhibit "A", and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

AGREEMENT

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.
2. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.
3. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED this day and year first above written.

ASSIGNOR:

MPX AVIATION, INC.

By: 

Name: Ronald M. Frederick

Its: President

ASSIGNEE:

MISSION PROPERTY COMPANY

By: 

Name: Ronald M. Frederick

Its: President

96161 03587

ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Ronald M. Frederick known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 17th day of July, 1996



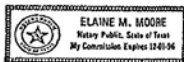
Elaine M. Moore
Notary Public

Dallas
County, Texas

THE STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Ronald M. Frederick known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 17th day of July, 1996



Elaine M. Moore
Notary Public

Dallas
County, Texas

THE STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 19____.

Notary Public

County, Texas

THE STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 19____.

Notary Public

County, Texas

96161 03588

EXHIBIT "A"

THAT CERTAIN LEASE AGREEMENT BY AND BETWEEN THE CITY OF ADDISON AND ADDISON AIRPORT OF TEXAS, INC., AS LESSOR, AND MISSION PROPERTY COMPANY, AS LESSEE, DATED SEPTEMBER 3, 1980, RECORDED IN VOLUME 93183, PAGE 5118, DEED RECORDS, DALLAS COUNTY, TEXAS.

ASSIGNMENT OF SAID LEASE DATED JUNE 29, 1994, EXECUTED BY MISSION PROPERTY COMPANY, ASSIGNOR, TO MPX AVIATION, INC., ASSIGNEE, RECORDED IN VOLUME 94125, PAGE 1633, DEED RECORDS, DALLAS COUNTY, TEXAS.

96161 03589



FILED
96 AUG 15 PM 2:55
EARL BULLOCK
COUNTY CLERK
DALLAS COUNTY

96161 03590

EXHIBIT “E”

THE STATE OF TEXAS §
COUNTY OF DALLAS §

ASSIGNMENT OF GROUND LEASE
(9/3/80 - Hanger/Office)

1610774

08/16/96 162897 \$13.00
Ded AUGUST 5

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of ~~July~~ August 5, 1996, at Addison, Texas, between Mission Property Company, "Assignor", and Ronald M. Frederick, "Assignee".

WHEREAS, Assignor is the Lessee under that certain ground lease dated September 3, 1980 (collectively the "Ground Lease"), as more particularly described on the attached Exhibit "A", and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

AGREEMENT

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.
2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Two Hundred Fifty Dollars and no/100 (\$250.00) to Landlord.
3. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.
4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED this day and year first above written.

ASSIGNOR:

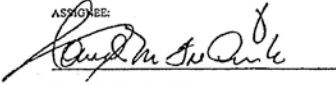
MISSION PROPERTY COMPANY



Name: RONALD M. FREDERICK

Its: PRESIDENT

ASSIGNEE:



Name: RONALD M. FREDERICK

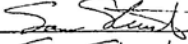
96161 03591

CONSENT OF LANDLORD

The undersigned is the Landlord in the Ground Lease described in the foregoing Assignment and hereby consents to the Assignment of the Ground Lease to Assignee, waiving none of its rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: 

Name: Sam Stuart

Its: President

96161 03592

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared ROBERT M. FREDERICK, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 5th day of AUGUST, 1996



Elaine M. Moore
Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared ROBERT M. FREDERICK, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 5th day of AUGUST, 1996



Elaine M. Moore
Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 19____

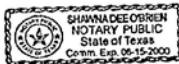
Notary Public

County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 1st day of August, 1996



Shawna Deebren
Notary Public
DALLAS
County, Texas

96161 03593

CLERK OF DISTRICT COURT
COUNTY OF DALLAS
FILED
AUG 15 1996
DALLAS COUNTY
CLERK OF DISTRICT COURT
COUNTY OF DALLAS
FILED
AUG 15 1996
DALLAS COUNTY

FILED
96 AUG 15 PM 2:56
EARL HULLOCK
COUNTY CLERK
DALLAS COUNTY

46161 03594

EXHIBIT “F”

THE STATE OF TEXAS §
COUNTY OF DALLAS §

ASSIGNMENT OF GROUND LEASE 1610775
(9/3/99 - Hanger Office) 09/16/99 162898 \$13.00
Deed August 5

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of August 5, 1999, at Addison, Texas, between Ronald M. Frederick, "Assignor", and Keith Partners I, Ltd., "Assignee".

WHEREAS, Assignor is the Lessee under that certain ground lease dated September 3, 1980 (collectively the "Ground Lease"), as more particularly described on the attached Exhibit "A", and

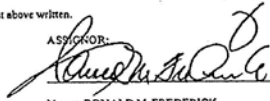
WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

AGREEMENT

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.
 2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Two Hundred Fifty Dollars and no/100 (\$250.00) to Landlord.
 3. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.
 4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.
- EXECUTED this day and year first above written.

ASSIGNOR:


Name: RONALD M. FREDERICK

ASSIGNEE:

KEITH PARTNERS I, LTD.

By: Clotner, Jr., General Partner

By: Douglas J. Keith

Name: Douglas J. Keith

Its: President

96161 03595

CONSENT OF LANDLORD

The undersigned is the Landlord in the Ground Lease described in the foregoing Assignment and hereby consents to the Assignment of the Ground Lease to Assignee, waiving none of its rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: 

Name: Sam Stuart

Is: President

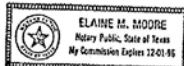
96161 03596

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared ROYAL M. FERRERIE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 5th day of August, 1996



Elaine M. Moore
Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared DOUGLAS T. KEITH, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 5th day of August, 1996



Elaine M. Moore
Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 19____

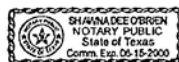
Notary Public

County, Texas

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 1st day of August, 1996



Shawna Dee O'Brien
Notary Public
Dallas
County, Texas

96161 03597

EXHIBIT “G”

THE STATE OF TEXAS

COUNTY OF DALLAS

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ASSIGNMENT OF GROUND LEASE

This Assignment of Ground Lease, the "Assignment," is entered into and effective as of October 23, 1998, between E.U.A. Air Support, Inc., "Assignor," and Addison Express II, L.P., "Assignee."

WHEREAS, Assignor is the Lessee under that certain ground lease dated September 3, 1980 (collectively the "Ground Lease"), as more particularly described on the attached Exhibit "A", and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

WHEREAS, the United States Bankruptcy Court for the Northern District of Texas, in *In re E.U.A. Air Support, Inc.*, case no. 398-37755-RCM-11, has approved the assignment, after notice and hearing, pursuant to 11 U.S.C. §365.

NOW, THEREFORE, for and in consideration of the mutual promise, covenants and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

AGREEMENT

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.
2. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.
3. This Agreement shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED this day and year first above written.

ASSIGNOR:

E.U.A. AIR SUPPORT, INC.

By: 
Douglas J. Keith, President

ASSIGNEE:

ADDISON EXPRESS II, L.P.

By: 
Weyand Corporation, General Partner

ACKNOWLEDGMENT

THE STATE OF TEXAS
COUNTY OF DALLAS

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BEFORE ME the undersigned authority, on this day personally appeared Douglas J. Kieck, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 23rd day of October, 1998.



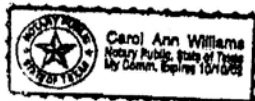
Carol Ann Williams
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS
COUNTY OF DALLAS

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§

BEFORE ME the undersigned authority, on this day personally appeared Richard W. Wynn, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 23rd day of October, 1998.



Carol A. Williams
Notary Public
Dallas
County, Texas

EXHIBIT "A"

THAT CERTAIN LEASE AGREEMENT BY AND BETWEEN THE CITY OF ADDISON AND ADDISON AIRPORT OF TEXAS, INC., AS LESSOR, AND MISSION PROPERTY COMPANY, AS LESSEE, DATED SEPTEMBER 3, 1980, RECORDED IN VOLUME 93183, PAGE 5118, DEED RECORDS, DALLAS COUNTY, TEXAS; AND ALL PREVIOUS ASSIGNMENTS THEREOF.

CONSENT OF LANDLORD

The undersigned is the Landlord in the Ground Lease described in the foregoing Assignment and hereby consents to the Assignment of the Ground Lease between E.U.A. Air Support, Inc., "Assignor", and Addison Express II, L.P., "Assignee", waiving none of its rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC

By: Sam Stuart

Name: SAM STUART

Its: President

TOWN OF ADDISON

By: _____

Name: _____

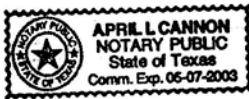
Its: _____

ACKNOWLEDGMENT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 23 day of August, 2000.



April L. Cannon
Notary Public, State of Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

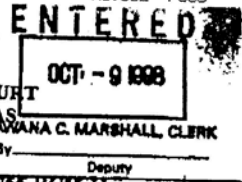
BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 20____.

Notary Public, State of Texas

CONSENT OF LANDLORD

EXHIBIT “H”



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:

E.U.A. AIR SUPPORT, INC.,

CASE NO. 398-37755-RCM-II
(Chapter 11)

DEBTOR.

ORDER ALLOWING ASSUMPTION AND ASSIGNMENT OF
HANGER FACILITY LEASE, SALE OF PROPERTY FREE AND CLEAR
OF LIENS, REJECTION OF FUEL FARM SUBLEASE AND PAYMENT
OF SECURED CREDITOR AND PROPERTY TAXES

Came on to be considered this 8th day of October 1998, the Debtor's Motion to Assume and Assign Hanger Facility Lease, to Sell Property Free and Clear of Liens, to Reject Fuel Farm Sublease and to Pay Secured Creditor and Property Taxes (the "Motion"). The Court, after noting that due notice has been given and after noting the arguments of counsel and the evidence presented finds that just cause exists to grant the relief requested in the Motion. It is therefore

ORDERED that, subject to the further terms of this Order, the Securities and Asset Purchase Agreement attached to the Motion, as modified by the Amended Securities and Asset Purchase Agreement (hereinafter cumulatively the "Purchase Agreement") is hereby approved and the Debtor is hereby authorized to perform its obligations under the Purchase Agreement at Closing ;

ORDERED that the Hanger Lease, as defined in the Motion, is hereby assumed by the Debtor and assigned to Addison Express II, L.P. (hereinafter "Addison Express"), free and clear of all liens, claims and encumbrances, but subject to the provisions of the lease herein assumed

ORDER ALLOWING ASSUMPTION AND ASSIGNMENT OF HANGER FACILITY LEASE, SALE OF
PROPERTY FREE AND CLEAR OF LIENS, REJECTION OF FUEL FARM SUBLEASE AND PAYMENT
OF SECURED CREDITOR AND PROPERTY TAXES - Page 1

32
M. EDMO'

and assigned, in accordance with the agreements attached to the Motion and to any unpaid ad valorem taxes related to the period from and after October 8, 1998. It is further

ORDERED that the Fuel Farm Sublease, as defined in the Motion, is hereby rejected as of the date of the entry of this order. It is further

ORDERED that the Removable Fixtures as defined in the Motion and the exhibits and schedules thereto are sold to Addison Express, free and clear of all liens, claims and encumbrances, but subject to the provisions of the lease herein assumed and assigned, in accordance with the agreements attached to the Motion. It is further

ORDERED that the consideration to be paid by Addison Express to the Debtor, \$1,565,000.00, less \$7,190 withheld to pay Scott Lucas Construction, Inc. for paving requirements per the contract, plus interest, costs and other requirements as set forth in section 1.4 of the Purchase Agreement, shall be paid by Addison Express, ^{Upon Closing} ~~on October 9, 1998~~, as follows: a) \$954,898.24, plus interest from October 9, 1998 till Closing, ^{of \$458.62 per diem} to Ronald M. Frederick on his leasehold deed of trust; b) \$4,970.50 to the landlord to meet the cure requirements under the Hanger Lease; c) \$4,906.10 to the County of Dallas for ad valorem taxes pro-rated for those due through October 8, 1998, Addison Express being responsible for such taxes due for the period from October 9, 1998 to December 31, 1998; d) \$16,304.13 to the Dallas Independent School District for ad valorem taxes pro-rated for those due through October 8, 1998, Addison Express being responsible for such taxes due for the period from October 9, 1998 to December 31, 1998; e) \$77,582.50, plus interest from October 9, 1998 till Closing, to the Internal Revenue Service on its secured claim filed on April 23, 1998, but not on any penalties; and f) \$499,148.53

to the Debtor, to be deposited into a separate interest bearing account(s) with the Debtor's current approved financial institution. The funds delivered to the Debtor shall be subject in all respects to the prior cash collateral orders in this case and shall be treated as cash collateral of State Bank & Trust - Dallas, until further order of this Court, save and except for: a) up to \$16,320.21 plus interest, which the IRS claims as penalty due and which will be resolved either by agreement or by order of this Court; and b) up to \$8,325.00 to the City of Addison for ad valorem taxes pro-rated for those due through October 8, 1998, which will be resolved either by agreement or by order of this Court. Addison Express is also responsible for such taxes due to the City of Addison for the period from October 9, 1998 to December 31, 1998.

SO ORDERED:

SIGNED this 8 day of October, 1998
ROBERT C. MCGUIRE
UNITED STATES BANKRUPTCY JUDGE

SUBMITTED BY:
E. P. Keiffer
State Bar No. 11181700
HANCE | SCARBOROUGH | WRIGHT
2900 Renaissance Tower
1201 Elm Street
Dallas, TX 75270-2102
Phone: (214) 742-2900

ATTORNEYS FOR DEBTOR

ORDER ALLOWING ASSUMPTION AND ASSIGNMENT OF HANGER FACILITY LEASE, SALE OF
PROPERTY FREE AND CLEAR OF LIENS, REJECTION OF FUEL FARM SUBLEASE AND PAYMENT
OF SECURED CREDITOR AND PROPERTY TAXES - Page 3

Bill of Sale

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, pursuant to that certain Amended Securities and Asset Purchase Agreement (the "Agreement") dated as of October 8, 1998, by and among Addison Express, L.L.C., a Texas limited liability company, E.U.A. Air Support, Inc., a Texas corporation ("E.U.A. Assignor"), Clohnco, Inc., a Texas corporation, Keith Issue Trust "B" and Douglas J. Keith ("Keith Assignors"), E.U.A. Assignor and Keith Assignors do hereby grant, bargain, convey, transfer, assign and deliver to Addison Express, L.L.C., a Texas limited liability company, Addison Express II, L.P., a Texas limited partnership, and Addison Express III, L.P., a Texas limited partnership (collectively, the "Assignee"), all of the property and assets set forth on Exhibit A attached hereto and made a part hereof ("Assets"). Terms used herein with their initial letter capitalized and not otherwise defined shall have the meaning assigned to such terms in the Agreement.

TO HAVE AND TO HOLD the Assets unto Assignee and its successors and assigns (to the extent further assignment is permitted by landlords herein) forever. To the extent consistent with the terms of the Agreement, Keith Assignors hereby covenant to Assignee and its successors and assigns that Keith Assignors are the lawful owner of the Assets and have hereby transferred to Assignee good and marketable title to the Assets, free and clear of all liens, mortgages, pledges, security interests, restrictions, prior assignments, encumbrances and other similar claims and that Keith Assignors will warrant and defend the title to the Assets unto Assignee and its successors and assigns against any person whomsoever lawfully claiming or to claim the same, or any part thereof.

IN WITNESS WHEREOF, Assignor has caused this Bill of Sale to be executed by a duly authorized officer as of October 29, 1998.


E.U.A. AIR SUPPORT, INC.

By: Douglas J. Keith
Douglas J. Keith, President

CLOHNCO, INC.

By: Douglas J. Keith
Douglas J. Keith, President

KEITH ISSUE TRUST "B"

By: 
Douglas J. Keith, Trustee


Douglas J. Keith

EXHIBIT A
TO BILL OF SALE

Description of Assets

- a. Lease of hanger facility consisting of 3.518 acres located at 4500 Claire Chenault, Addison, Texas, dated September 3, 1980 between City of Addison, Texas and Addison Airport of Texas, Inc. as Lessor and E.U.A. Air Support, Inc. as Lessee by virtue of the merger between Keith Partners I and E.U.A. Air Support and the assignment of Lease dated August 5, 1996, Inc., and all leasehold improvements thereto.
- b. All lighting and heating equipment located in the hanger portion of the hanger facility.
- c. KPII General Interest
- d. KPII Limited Interest

AMENDED SECURITIES AND ASSET PURCHASE AGREEMENT

This Amended Securities and Asset Purchase Agreement (this "Agreement") dated as of October 8, 1998, is made by and between Addison Express, L.L.C., a Texas limited liability company ("AEI" or "Buyer"), E.U.A. Air Support, Inc., a Texas corporation ("E.U.A."), Clohnc, Inc., a Texas corporation ("Clohnc"), Keith Issue Trust "B" ("Trust") and Douglas J. Keith ("Keith"). E.U.A., Clohnc and Trust are each a "Seller" and collectively the "Sellers."

WHEREAS, Keith is a shareholder of E.U.A. and Clohnc and is the trustee of the Trust;

WHEREAS, E.U.A. is the present lessee under a lease of that certain hanger facility consisting of 3.518 acres located at 4500 Claire Chenault, Addison, Texas and the leasehold improvements thereto and it is the owner of removable fixtures, all as more specifically described in Exhibit A attached hereto (collectively, the "Assets");

WHEREAS, E.U.A. desires to sell and assign, and AEI, through a subsidiary or affiliate to be formed before Closing, desires to purchase and assume, the Assets;

WHEREAS, Keith Partners II, Ltd., a Texas limited partnership ("KPII"), is the lessee and operator of a fuel farm located at the Addison Airport, which fuel farm consists of certain in-ground tanks and attendant pumps and other equipment, all of which are leasehold improvements of which KPII is entitled to the use and benefit pursuant to such lease (the "Fuel Farm Lease");

WHEREAS, Clohnc is the general partner of KPII (the "KPII General Interest"), and Trust is the sole limited partner of KPII (the "KPII Limited Interest"); and

WHEREAS, Clohnc desires to sell, and AEI, through a subsidiary or affiliate to be formed before Closing, desires to purchase, the KPII General Interest, and Trust desires to sell, and AEI desires to purchase, the KPII Limited Interest.

NOW, THEREFORE, in consideration of the representations, warranties and covenants herein contained, and on the terms and subject to the conditions herein set forth, the parties hereby agree as follows:

SECTION 1. DESCRIPTION OF TRANSACTIONS.

1.1 **Purchase and Sale of Assets.** Subject to and upon the terms and conditions contained herein, and upon the entry of an order approving the E.U.A. Transaction, as defined below, by the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Court"), in *In re E.U.A. Air Support, Inc.*, case no. 398-37755-RCM-11, on the Closing Date, E.U.A. shall sell, transfer, assign, convey and deliver to Addison Express II, L.P., a Texas limited partnership ("AEII") to be formed on or before the Closing Date by AEI as its wholly-owned subsidiary or an affiliate, free and clear of all security interests, liens, claims, encumbrances or

restrictions, and AEII shall purchase, accept, assume and acquire from E.U.A., the Assets (the "E.U.A. Transaction"). Other than as set forth herein, AEII does not assume or agree to pay, perform or discharge any liabilities or obligations of E.U.A., whether accrued, absolute, contingent or otherwise. It is understood and agreed that all references herein to "the Court's approval of the E.U.A. Transaction" means the entry of an order by the Court approving the E.U.A. Transaction (hereinafter the "Order").

1.2 **Purchase and Sale of the KPPI General Interest.** Subject to and upon the terms and conditions contained herein, on the Closing Date, Clohncs shall sell, transfer, assign, convey and deliver to AEI, free and clear of all security interests, liens, claims and encumbrances, equities, proxies, options or restrictions, and AEI shall purchase, accept and acquire from Clohncs, the KPPI General Interest. Other than as set forth herein, AEI does not assume or agree to pay, perform or discharge any liabilities or obligations of Clohncs, whether accrued, absolute, contingent or otherwise. Buyer's right herein to purchase the KPPI General Interest is exclusive to Buyer, its subsidiaries and affiliates.

1.3 **Purchase and Sale of the KPPI Limited Interest.** Subject to and upon the terms and conditions contained herein, on the Closing Date, Trust shall sell, transfer, assign, convey and deliver to Addison Express III, L.P. a Texas Limited Partnership ("AEIII") AEIII, free and clear of all security interests, liens, claims and encumbrances, equities, proxies, options or restrictions, and AEIII shall purchase, accept and acquire from Trust, the KPPI Limited Interest. Other than as set forth herein, AEIII does not assume or agree to pay, perform or discharge any liabilities or obligations of Trust, whether accrued, absolute, contingent or otherwise. Buyer's right herein to purchase the KPPI Limited Interest is exclusive to Buyer, its subsidiaries and affiliates. The sale and purchase of the KPPI General Interest and the KPPI Limited Interest are sometimes referred to collectively as the "KPPI Transaction."

1.4 **Purchase Price.** The total consideration for the Assets, the KPPI General Interest and the KPPI Limited Interest shall be \$1,832,000, effective as of October 9, 1998 (the "Purchase Price"), allocated as follows: (a) \$1,565,000 shall be paid to E.U.A., (b) \$2,670 shall be paid to Clohncs and (c) \$264,330 shall be paid to Trust. The Purchase Price shall also require the payment of: a) any and all interest accruing from and after October 9, 1998, on the obligations set forth in Schedule 1.4 and on those obligations designated in the Order as bearing interest from October 9, 1998 until Closing; b) the proportionate cost of all utilities and other operating costs that E.U.A. would be responsible for from October 9, 1998 until Closing, said costs that are to be paid at Closing to be determined by utilizing the latest current billings divided by the number of days between October 9, 1998 and Closing; and c) any funds that would be able to be recouped by E.U.A. or KPPI by virtue of canceling insurance coverages on the assets sold, as of October 9, 1998. Notwithstanding the foregoing, at Closing, a portion of the Purchase Price payable to Clohncs and the Trust shall be paid directly to the persons as set forth on Schedule 1.4, and the portion of the Purchase Price payable to Clohncs and the Trust set forth in (b) and (c), above, shall be reduced, on a pro rata basis based upon the portion of the Purchase Price payable to such parties, by the amount paid directly to the persons as

set forth on Schedule 1.4 which shall not be considered "Purchase Price." All of the Purchase Price attributable to E.U.A. shall be paid in accordance with applicable orders of the Court.

1.5 **Closing.** The closing (the "Closing") of the transactions contemplated herein will take place at the offices of Jackson Walker L.L.P., 901 Main Street, Suite 6000, Dallas, Texas 75202, at 10:00 A.M., on or before the ninth day after the Court's approval of the E.U.A. Transaction (the "Closing Date"). At the Closing, Sellers will deliver to Buyers title to the Assets, the KPII General Interest and the KPII Limited Interest upon payment of the Purchase Price as set forth in this Section 1 by wire transfer, certified or bank cashier's check, or by other form of payment acceptable to the Sellers. The Order shall be entered on the Court's docket on October 15, 1998. If Sellers can not close the Agreement by 10:00 a.m. October 26, 1998, then the Agreement shall be deemed void and unenforceable in all respects and in such case Buyer shall receive no benefit of any safe harbor provisions under the Code.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF E.U.A. AND KEITH

As part of the basis of this Agreement, E.U.A. and Keith, jointly and severally, represent and warrant to Buyer that the following are true and correct as of the date hereof and will be true and correct through the Closing Date as if made on that date:

2.1 **Organization and Good Standing; Qualification.** E.U.A. is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, with all requisite corporate power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

2.2 **Authorization and Validity.** The execution, delivery and performance by E.U.A. of this Agreement and the other agreements contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by E.U.A. upon approval of the E.U.A. Transaction by the Court. This Agreement and each other agreement contemplated hereby have been or will be as of the Closing Date duly executed and delivered by E.U.A. and Keith.

2.3 **Title; Leased Assets.** E.U.A. has good, valid and marketable title to or leasehold interest in all the Assets and is selling, transferring, assigning, conveying and delivering the Assets to Buyer (assuming the Court's approval of the E.U.A. Transaction) free and clear of all security interests, liens, claims and encumbrances, with it being understood that any and all liens, claims and encumbrances shall attach to the proceeds of the E.U.A. Transaction. Upon consummation of the transactions contemplated hereby, AEII shall receive good, valid and marketable title to or leasehold interest in the Assets free and clear of all security interests, liens, claims and encumbrances and subject to the terms of the assumed lease.

2.4 **Litigation.** There is no litigation, arbitration or governmental proceeding or investigation pending or, to the knowledge of E.U.A. or Keith, threatened, that is not otherwise

stayed pursuant to 11 U.S.C. §362, (a) against E.U.A., (b) affecting the Assets or any of the properties or other assets of E.U.A. or (c) against any officer, director, shareholder or employee of E.U.A. in such capacity or relating to his prior employment relationships. Neither E.U.A. nor Keith is aware of any fact that is likely to form the basis of any such litigation, arbitration or proceeding.

2.5 Legal Compliance. E.U.A. has all material franchises, permits, licenses and other rights and privileges necessary to permit it to own its properties and to conduct its business as presently conducted. E.U.A. has complied with all laws, regulations and licensing requirements and has filed with the proper authorities all necessary statements and reports. There are no existing violations of, or any existing, pending or threatened investigation or inquiry with respect to any federal, state or local law or regulation.

2.6 Environmental Matters. Neither E.U.A. nor any of the Assets are currently in violation of, or subject to any existing, pending or threatened investigation or inquiry by any governmental authority or to any remedial obligations under, any laws or regulations pertaining to health or the environment (hereinafter sometimes collectively called "Environmental Laws"), and this representation and warranty would continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Assets. To the best knowledge of E.U.A., the Assets have never been used in a manner that would be in violation of any Environmental Laws.

2.7 Disclosure. This Agreement and the Exhibits and Schedules hereto, when taken as a whole with other documents and certificates furnished by E.U.A. and Keith to Buyers or their counsel, do not contain any untrue statement of material fact or omit any material fact necessary in order to make the statements not misleading.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF CLOHNCO, TRUST AND KEITH.

As part of the basis of this Agreement, Clohnco, the Trust and Keith, jointly and severally, represent and warrant to Buyer that the following are true and correct as of the date hereof and will be true and correct through the Closing Date as if made on that date:

3.1 Organization and Good Standing; Qualification. Clohnco is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, with all requisite corporate power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute and deliver this Agreement and to consummate the transactions contemplated hereby. Trust is a Texas trust duly formed, validly existing and in good standing under the laws of the state of its formation, with all requisite power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute and deliver this Agreement and to consummate the transactions contemplated hereby. KPPI is a limited partnership duly formed, validly existing and in good standing under the laws of the state of its formation, with

all requisite power and authority to carry on the business in which it is engaged, to own the properties it owns, and to consummate the transactions contemplated by this Agreement.

3.2 **Authorization and Validity.** The execution, delivery and performance by Clohnco, the Trust and Keith of this Agreement and the other agreements contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by Clohnco, the Trust and Keith. This Agreement and each other agreement contemplated hereby have been or will be as of the Closing Date duly executed and delivered by Clohnco, the Trust and Keith, and constitute or will constitute legal, valid and binding obligations of Clohnco, the Trust and Keith, enforceable against Clohnco, the Trust and Keith in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies. Copies of the Articles of Incorporation and Bylaws of Clohnco attached hereto as Schedule 3.2 are true, correct and complete. Copies of the Trust Agreement of Trust attached hereto as Schedule 3.2 are true, correct and complete. Copies of the Certificate of Limited Partnership and Partnership Agreement of KPPII attached hereto as Schedule 3.2 are true, correct and complete.

3.3 Capitalization.

(a) The authorized and issued capital stock of Clohnco and the names and ownership interests of the shareholders of Clohnco is as set forth in Schedule 3.3. All of the presently outstanding shares of capital stock of Clohnco have been validly authorized and issued and are fully paid and nonassessable. Clohnco has not issued any other shares of its capital stock and there are no outstanding options, warrants, subscriptions or other rights or obligations to purchase or acquire any of such shares, nor any securities convertible into or exchangeable for such shares. There are no agreements to which Clohnco or Keith is a party or has knowledge regarding the issuance, registration, voting or transfer of its outstanding shares of capital stock. No shares of capital stock of Clohnco have been issued or disposed of in violation of the preemptive rights of any of Clohnco's shareholders. No dividends are accrued but unpaid on any capital stock of Clohnco.

(b) Keith is the sole trustee of Trust. A true and correct copy of the Trust Agreement, as well as the names and ownership interests of the beneficiaries of Trust is as set forth in Schedule 3.3.

(c) The authorized and issued partnership interests of KPPII and the names and ownership interests of the partners of KPPII is as set forth on Schedule 3.3. All of the presently outstanding partnership interests of KPPII have been validly authorized and issued and all capital contributions of all partners are fully paid. No other partnership interests of KPPII have been issued and there are no outstanding subscriptions or other rights or obligations to purchase or acquire any of such partnership interests, nor any securities convertible into or exchangeable for such partnership interests. There are no agreements, other than the Agreement of Limited Partnership of KPPII, to which Clohnco, Trust or Keith is a party or has knowledge regarding the issuance, voting or transfer of outstanding

partnership interests of KPII. No distributions to limited partners of KPII are due and owing or have been declared but unpaid.

3.4 Liabilities and Obligations. Set forth in Schedule 3.4 is a list of all liabilities and obligations of KPII, accrued, contingent or otherwise (known or unknown and asserted or unasserted), arising out of transactions effected or events occurring on or prior to the date hereof. KPII is not liable upon or with respect to, or obligated in any other way to provide funds in respect of or to guarantee or assume in any manner, any debt, obligation or dividend of any person, corporation, association, partnership, joint venture, trust or other entity, and neither Keith, Trust nor Clohno knows of any basis for the assertion of any other claims or liabilities of any nature or in any amount.

3.5 Commitments. There are no existing defaults, events of default or events, occurrences, acts or omissions that, with the giving of notice or lapse of time or both, would constitute defaults by KPII, and no penalties have been incurred nor are amendments pending, with respect to any contract or agreement to which KPII is a party (the "Commitments"). Neither Keith, Trust nor Clohno has received notice of any plan or intention of any other party to any Commitment to exercise any right to cancel or terminate any Commitment or agreement, and neither Keith, Trust nor Clohno knows of any fact that would justify the exercise of such a right with respect to any Commitment of KPII.

3.6 Title; Leased Assets. Clohno has good, valid and marketable title to the KPII General Interest and is selling, transferring, assigning, conveying and delivering the KPII General Interest to Buyer free and clear of all security interests, liens, claims and encumbrances. Upon consummation of the transactions contemplated hereby, AEI shall receive good, valid and marketable title to the KPII General Interest free and clear of all security interests, liens, claims and encumbrances. Trust has good, valid and marketable title to the KPII Limited Interest and is selling, transferring, assigning, conveying and delivering the KPII Limited Interest to AEIII free and clear of all security interests, liens, claims and encumbrances. Upon consummation of the transactions contemplated hereby, AEIII shall receive good, valid and marketable title to the KPII Limited Interest free and clear of all security interests, liens, claims and encumbrances. A description of all (i) interests in real property owned by KPII (collectively, the "Real Property"), (ii) tangible and intangible personal property owned by KPII (collectively, the "Personal Property") and (iii) a list and brief description of all leases of real and personal property to which KPII is a party, either as lessor or lessee is set forth in Schedule 3.6. Except as set forth in Schedule 3.6, KPII has good, valid and indefeasible title to all the Real Property and Personal Property. The Real Property, Personal Property and any leased property referred to in Schedule 3.6 constitute the only property used in the conduct of KPII's business. All leases set forth in Schedule 3.6 are valid and enforceable in accordance with their respective terms except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies.

3.7 Tax Matters. All required foreign, federal, state, local and other tax returns, notices and reports (including, without limitation, income, property, sales, use, franchise, capital stock,

EXHIBIT "I"

Description of Leasehold Improvements

- (i) Tenant shall have completed upon the Demised Premises the following additional improvements (the "Leasehold Improvements"):
 - at least 32,038 (193 x 166) square feet of additional concrete ramp;
 - 18,6000 (150 x 124) square feet of additional hangar space (full clear span facility with door height/ceiling height of at least 28 feet);
 - 4,784 square feet of additional office space (26 x 92, two story) with brick facade to match the existing facilities located upon the Demised Premises;
 - five (5) additional parking spaces; and such landscaping, utilities, and other improvements in connection therewith as may be required in accordance with applicable laws and regulations; and
- (ii) Tenant shall present evidence acceptable to Landlord that the construction costs of the said hangar facilities and the office/shop facilities exceeds \$1,000,000.

EXHIBIT "J"

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

August 8, 2000
6:30 p.m. - Council Chambers
5300 Belt Line Road

Present: Mayor Wheeler, Councilmembers Barrett, Klein, Mallory, Silver,
Turner, Ways
Absent: None

Item #WS1 - Presentation and discussion of General Fund non-profit requests, Airport Fund, and other issues for the FY 2000-2001 General Fund budget.

No action was required.

Item #R1 - Consideration of Old Business.

The following employees were introduced to the Council: Jorge Hernandez (Parks & Recreation), Dennis Gowdy (Fire), and Al Torres (Visitor Services).

Item #R2 - Consent Agenda.

Items #2g and #2l were considered separately.

#2a - Approval of the Minutes for the June 22, 2000, June 26, 2000, June 27, 2000, and July 27, 1000 Council Meeting. (Approved)

#2b - Approval of a 9-1-1 billing agreement with Texas UM, Inc., which has received a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

#2c - Approval of 9-1-1 billing agreement with Sprint Communications Company, L.P., which has received a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

#2d - Approval of 9-1-1 billing agreement with Ionex Communications South, Inc., which has received a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

#2e - Approval of 9-1-1 billing agreement with MCI Worldcom Communications, Inc., which has received a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

#2f - Consideration of a Resolution authorizing the City Manager to enter into an agreement with Chief of Police Don Franklin to attend an Executive MBA program at Texas A&M, in an amount not to exceed \$42,000. (R00-055)

#2h – Award of bid in the amount of \$35,775.00 to August Industries for purchase of a Mobile Compressor, Fill Station & Air Storage to replace bottled air compressor that currently refills the SCBA (Self Contained Breathing Apparatus) for the Addison Fire Department. (Approved)

#2i – Award of bid in the amount of \$25,227.00 to Motorola for purchase of nine mobile radios for the Police Department. (Approved)

#2j – Rejection of all bids for Bid #00-42, Swimming Pool Resurfacing for Athletic Club. (Rejected)

#2k - Award of a contract in an amount not to exceed \$313,700.00 for engineering, surveying and geotechnical services to GBW for Midway Road Reconstruction – Phase One Design. (Approved)

#2m – Consideration of a Resolution authorizing the City Manager to enter into an agreement with Clarence A. West of the law firm of Dow Cogburn & Friedman to address right-of-way issues. (R00-056)

Councilmember Turner moved to approve the above listed items.
Councilmember Ways seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

#2g – Award of bid in the amount of \$32,672.00 with options to renew for two additional years at the same unit prices to Knight Electric for temporary electrical services for Addison Oktoberfest.

Councilmember Mallory moved to award a bid in the amount of \$32,672.00 to Knight Electric. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None



#2l - Approval of a Hangar Development and an Amendment to the Ground Lease for Addison Express.

Councilmember Silver moved to approve a Hangar Development and an Amendment to the Ground Lease for Addison Express. Councilmember Klein seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R3 - Selection of candidate(s) for the 2000-2001 class of Leadership Metrocrest.

Councilmember Ways moved to select Mike Buttrey for the 2000-2001 class of Leadership Metrocrest. Councilmember Mallory seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R4 – Appointment of one member to the Planning and Zoning Commission.

Councilmember Barrett moved to appoint Tom Braun to a first term on the Planning and Zoning Commission. Councilmember Silver seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R5 – Appointment of two members to the Board of Zoning Adjustment.

Councilmember Mallory moved to re-appoint Marti Olden and Cora Ewing to a second term on the Board of Zoning Adjustment. Councilmember Klein seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R6 – Consideration of an Ordinance approving a meritorious exception to Section 62-163 of the Code of Ordinances, to allow more than one letter to exceed 20" in height, and the sign area to exceed 25 square feet located at 14362 Marsh Lane on application from the Town of Addison.

Councilmember Barrett moved to duly pass Ordinance No. 000-031 approving a meritorious exception to Section 062-163. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R3 - Selection of candidate(s) for the 2000-2001 class of Leadership Metrocrest.

Councilmember Ways moved to select Mike Buttrey for the 2000-2001 class of Leadership Metrocrest. Councilmember Mallory seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R4 – Appointment of one member to the Planning and Zoning Commission.

Councilmember Barrett moved to appoint Tom Braun to a first term on the Planning and Zoning Commission. Councilmember Silver seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R5 – Appointment of two members to the Board of Zoning Adjustment.

Councilmember Mallory moved to re-appoint Marti Olden and Cora Ewing to a second term on the Board of Zoning Adjustment. Councilmember Klein seconded. The motion carried.

Voting Aye: Wheeler, Barrett, Klein, Mallory, Silver, Turner, Ways
Voting Nay: None
Absent: None

Item #R6 – Consideration of an Ordinance approving a meritorious exception to Section 62-163 of the Code of Ordinances, to allow more than one letter to exceed 20" in height, and the sign area to exceed 25 square feet located at 14362 Marsh Lane on application from the Town of Addison.

Councilmember Barrett moved to duly pass Ordinance No. 000-031 approving a meritorious exception to Section 062-163. Councilmember Turner seconded. The motion carried.

EXHIBIT "K"

Certificate of Occupancy Town of Addison Building Inspection Department

This certificate issued pursuant to the requirements of Section 109 of the Uniform Building Code certifying that at the time of issuance this structure was in compliance with the various ordinances of the City regulating building construction or use. For the Following:



Name of Business Addison Express LLC C.O. 02039223
Building Address 4502 Claire Chennault
Group S-1 Type Construction IIB Use Zone 1-3 Business Type Aircraft Storage Facility
Owner of Business Addison Express LLC
Building Official *Glynis J. Chandler* Date April 17, 2002

POST IN A CONSPICUOUS PLACE

EXHIBIT "L"


[Home](#) | [Find Property](#) | [Contact Us](#)

Account History #1000059000A100000

Owner Legal Desc Market Value Taxable Value Exemptions

Owner / Legal Description		
Year	Owner	Legal Description
2004	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST ADDISON, TEXAS 75001-5321	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000
2003	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST ADDISON, TEXAS 75001-5321	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000
2002	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST DALLAS, TEXAS 75001-5321 UNASSIGNED	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000
2001	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST DALLAS, TEXAS 75001-5321 UNASSIGNED	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000
2000	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST DALLAS, TEXAS 75001-5321 UNASSIGNED	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000
1999	ADDISON EXPRESS 4500 CLAIRE CHENNAULT ST DALLAS, Code of 45 Not Found 75001-5321 Code of 0 Not Found	1: ADDISON AIRPORT 2: BLDG A-10 3: IMPTS ONLY 4: CO-DALLAS 5: 000590000A10 31000059000

Market Value				
Year	Improvement	Land	Total Market	Homestead Capped
2004	\$1,850,870	\$0	\$1,850,870	N/A
2003	\$1,850,870	\$0	\$1,850,870	N/A
2002	\$1,999,300	\$10	\$1,999,310	N/A
2001	\$607,780	\$10	\$607,790	N/A
2000	\$607,780	\$10	\$607,790	N/A
1999	\$607,780	\$10	\$607,790	N/A

Taxable Value						
Year	City	ISD	County	College	Hospital	Special District
2004	\$1,850,870	\$1,850,870	\$1,850,870	\$1,850,870	\$1,850,870	\$0
2003	\$1,850,870	\$1,850,870	\$1,850,870	\$1,850,870	\$1,850,870	\$0
2002	\$1,999,310	\$1,999,310	\$1,999,310	\$1,999,310	\$1,999,310	\$0
2001	\$607,790	\$607,790	\$607,790	\$607,790	\$607,790	\$0
2000	\$607,790	\$607,790	\$607,790	\$607,790	\$607,790	\$0
1999	\$607,790	\$607,790	\$607,790	\$607,790	\$607,790	\$0

AI-1654

10.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: Infrastructure- Development Services

AGENDA CAPTION:

Consider Approval Of A **Resolution For The Appointments To The Master Transportation Plan Advisory Committee.**

BACKGROUND:

During the April 12, 2016 Council Work Session, Staff and consultants from Prologue Planning and Kimley-Horn discussed the progress made to date on the Master Transportation Plan. After the presentation and discussion, Council was asked to begin identifying individuals to appoint to the Master Transportation Plan advisory committee. The advisory committee will work with staff and the consultants to provide more detailed feedback on the issues raised and give input as consultants discuss different approaches to address various issues as the Master Transportation Plan is being drafted.

This resolution will formally adopt the appointments to the committee.

RECOMMENDATION:

Administration recommends approval.

Attachments

Resolution

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON,
TEXAS CREATING THE MASTER TRANSPORTATION PLAN ADVISORY
COMMITTEE.**

WHEREAS, the Town of Addison is updating its Master Transportation Plan and desires to maximize public input from both residents and businesses; and

WHEREAS, in an effort to stimulate public participation, the City Council desires to create a committee to provide input to the consultants retained to update the Master Transportation Plan.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
TOWN OF ADDISON, TEXAS:**

Section 1. The City Council hereby creates the Master Transportation Plan Advisory Committee to provide input regarding the 2016 update to the Master Transportation Plan. The Committee will be made up of not more than 14 individuals appointed by the City Council. Committee members shall be either residents of Addison, Addison business owners or employees of Addison businesses. The Committee shall be advisory in nature and shall be dissolved upon adoption of the Master Transportation Plan update.

Section 2. This resolution shall be effective from and after the date of passage.

**DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON,
TEXAS**, this the 26th day of April, 2016.

Todd Meier, Mayor

ATTEST:

Laura Bell, City Secretary

APPROVED AS TO FORM:

Brenda N. McDonald, City Attorney

Work Session and Regular Meeting**Meeting Date:** 04/26/2016**Department:** Economic Development

AGENDA CAPTION:

Discuss, Consider, And Approve A **Resolution Approving An Incentive Agreement With Beltline Beltway Investments, Ltd. and Urban Intownhomes, LLC For The Addison Grove Redevelopment Project At 4150 Belt Line Road Commonly Known As The Former Sam's Wholesale Club Property And Authorizing The City Manager To Execute The Contract.**

BACKGROUND:

On January 26, 2016, City Council approved a letter of intent with Beltline Beltway Investments, Ltd. and Urban Intownhomes, LLC for the redevelopment of the former Sam's Club property for an amount not to exceed \$6.5 Million for the construction of public infrastructure as part of the redevelopment.

The funding breakdown for the \$6.5 Million will be provided through the following:

- Maximum of \$250,000 of the total incentive will be given in the nature of permit/development fee waivers
- Maximum of \$1,000,000 for infrastructure qualifying for Utility Fund funding
- Maximum of \$1,000,000 for infrastructure qualifying for Stormwater Fund funding
- Maximum of \$4,250,000 to provide funding for street and park development from the General Fund and Infrastructure Investment Fund

Council also directed a three-term payment plan upon successful completion of construction milestones. The payment terms include the following:

- 1/3 of total potential award upon successful completion of public infrastructure and acceptance by the Town of Addison
- 1/3 of the total potential award upon completion of 40 percent of the townhomes/live-work units
- 1/3 of the total potential award upon completion of 75 percent of the townhomes/live-work units

The Town of Addison will support the process to acquire the right-of-way for Runyon Road. Any acquisition costs will be the responsibility of the Developer.

As requested by Council, the agreement includes several conditions to qualify for payment including a deed restriction on the multi-family property to prohibit the use of Federal governmental subsidies for its construction and operation and reasonable approval by the City Council for the multi-family developer and potential future owners.

RECOMMENDATION:

Administration recommends approval.

Attachments

Resolution

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING AN ECONOMIC DEVELOPMENT PROGRAM GRANT AGREEMENT BETWEEN THE TOWN OF ADDISON, BELTLINE BELTWAY INVESTMENTS, LTD. AND URBAN INTOWNHOMES, LLC FOR A MIXED USE DEVELOPMENT, TO BE KNOWN AS ADDISON GROVE, LOCATED AT 4150 BELT LINE ROAD, AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONTRACT, AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

Section 1. The Economic Development Program Grant Agreement between the Town of Addison, Beltline Beltway Investments, Ltd. and Urban Intownhomes, LLC for a mixed use development, to be known as Addison Grove, located at 4150 Belt Line Road, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved. The City Manager is hereby authorized to execute the agreement.

Section 2. This Resolution shall take effect from and after its date of adoption.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 26th day of April, 2016.

Todd Meier, Mayor

ATTEST:

By: _____
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: _____
Brenda N. McDonald, City Attorney

EXHIBIT A

Work Session and Regular Meeting**Meeting Date:** 04/26/2016**Department:** Finance

AGENDA CAPTION:

Presentation And Acceptance Of The **Fiscal Year 2015 Comprehensive Annual Financial Report.**

BACKGROUND:

The Addison Town Charter requires that Town Staff prepare a Comprehensive Annual Financial Report (CAFR) that shows the status of the Town's finances. The CAFR is required to be prepared in accordance with generally accepted accounting and financial reporting principles. The charter also requires that the Town's financial statements be audited annually by an independent external auditing firm. The results of the independent external audit are included in the CAFR.

The Town of Addison Finance Department has prepared the CAFR for the fiscal year ended September 30, 2015. The CAFR is a report of the Town's overall financial results. The Town's financial statements have been audited by Weaver, LLP, an independent firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are free of material misstatement.

In addition to providing an overview of the Town of Addison CAFR for fiscal year 2015, Weaver will present their audit report and opinion on the Town's financial statements.

Weaver has issued an ***unmodified opinion***, which means that financial statements are presented, in all material respects, in accordance with applicable financial reporting framework. Simply, stated an ***unmodified opinion*** is a clean opinion.

This year, we adopted the provisions of GASB 68. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. Our reportable pension liability is \$18,658,835 and has been incorporated as a reduction of our Net Position in the Statement of Net Position. See Pages 19, 56, and 62 in the FY2015 CAFR.

RECOMMENDATION:

Administration recommends Council make a motion to accept the Fiscal Year 2015 CAFR.

Comprehensive Annual Financial Report



TOWN OF ADDISON, TEXAS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Town of Addison, Texas

Comprehensive Annual Financial Report

For the Year Ended September 30, 2015

City Council

Expiration of Term

Todd Meier, Mayor	May 2017
Janelle Moore, Mayor Pro Tempore	May 2016
David Heape, Deputy Mayor Pro Tempore	May 2016
Bruce Arfsten, Councilmember	May 2017
Mary Carpenter, Councilmember	May 2016
Ivan Hughes, Councilmember	May 2017
Dale Wilcox, Councilmember	May 2017

City Manager

Wesley S. Pierson

Prepared by the Department of Finance

Dr. Scott Neils, Interim Chief Financial Officer
Olivia Riley, CPA, CGMA, Assistant Finance Director
Amanda Turner, CPA, Accounting Manager



Town of Addison, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

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April 18, 2016

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, 2015. 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 *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.

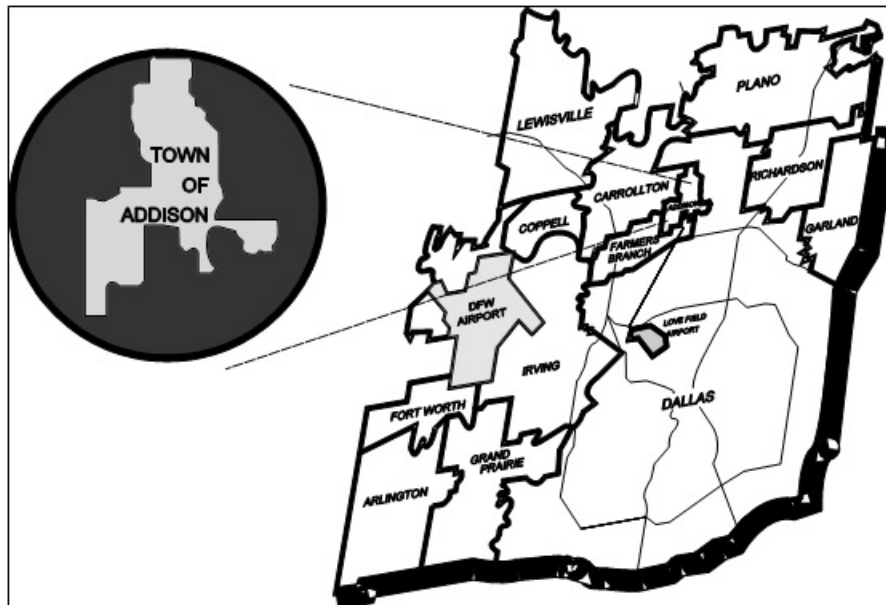
The *Financial Section* contains the opinion of the Town's independent auditor. The Town of Addison's financial statements have been audited by Weaver and Tidwell, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Addison for the fiscal year ended September 30, 2015 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, 2015 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.

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 15,000 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, 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.

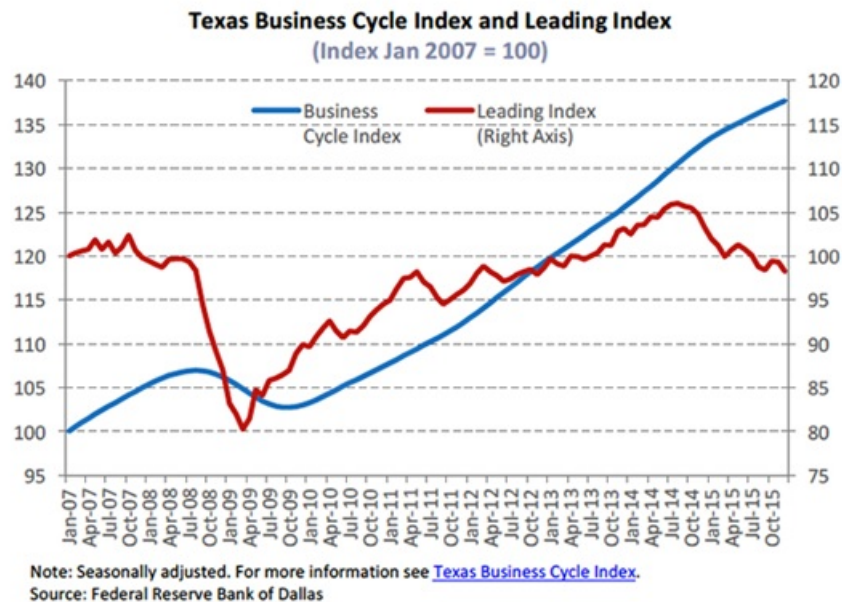
Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the City Manager and Chief Financial Officer provided that a department's total budget is not changed by more than 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 all non-major 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. However, due to the drop in oil and gas prices, Texas' unemployment contracted, with the unemployment rate at 4.2% in September 2015, just slightly below that for the US.

Because Addison is densely developed with over 9.2 million square feet of office space distributed among 101 office buildings, much attention is given to the occupancy rates of buildings in Addison. Office Space in Dallas/Ft. Worth has reached a 15 year low as lease rates continue to climb. At the end of September 2015, Addison's occupancy rate stood at 86.8 percent compared with the 86.1 percent recorded a year earlier. Addison's occupancy rate is 1.1% higher than the 85.7 percent average for all of the Dallas/Ft. Worth Area. (Source: CoStar Group)

The Town experienced a 6.1 percent increase in taxable property values for the 2015 certified levy compared to a 9 percent increase for the 2014 certified levy.

For the 2015 fiscal year, General Fund revenues of \$32.1 million represented a small decrease from \$32.2 million in fiscal year 2014. The property tax levy produced 47% of the total revenue available to the Town's general fund for this year, while the sales tax revenue category produced 32%. The Town's sales tax receipts decreased 8.2 percent from fiscal year 2014, due to the loss of a major sales tax contributor. General Fund expenditures and transfers for the 2015 budget totaled \$36.9 million. The General Fund ending balance decreased by \$3.9 million to \$11.6 million, but fund balance is still 36% of general fund operating expenditures. The primary reason for the decrease was due to a onetime \$4 million transfer to seed an infrastructure investment fund.

Long-Term Financial Planning

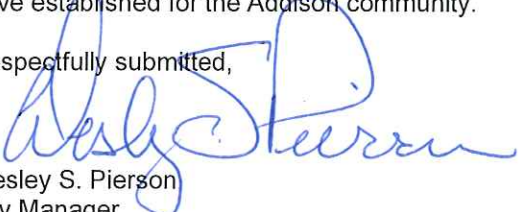
Users of this document as well as others interested in the programs and services offered by the Town of Addison are encouraged to read the Town's 2015-16 Annual Budget. The document details the Town's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines 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 [### AWARDS AND ACKNOWLEDGMENTS](http://addisontexas.net/index.php?section=finance-department>Addison-budget.</p></div><div data-bbox=)

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, 2014. 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 39 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 2015 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 28 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, Weaver, 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**

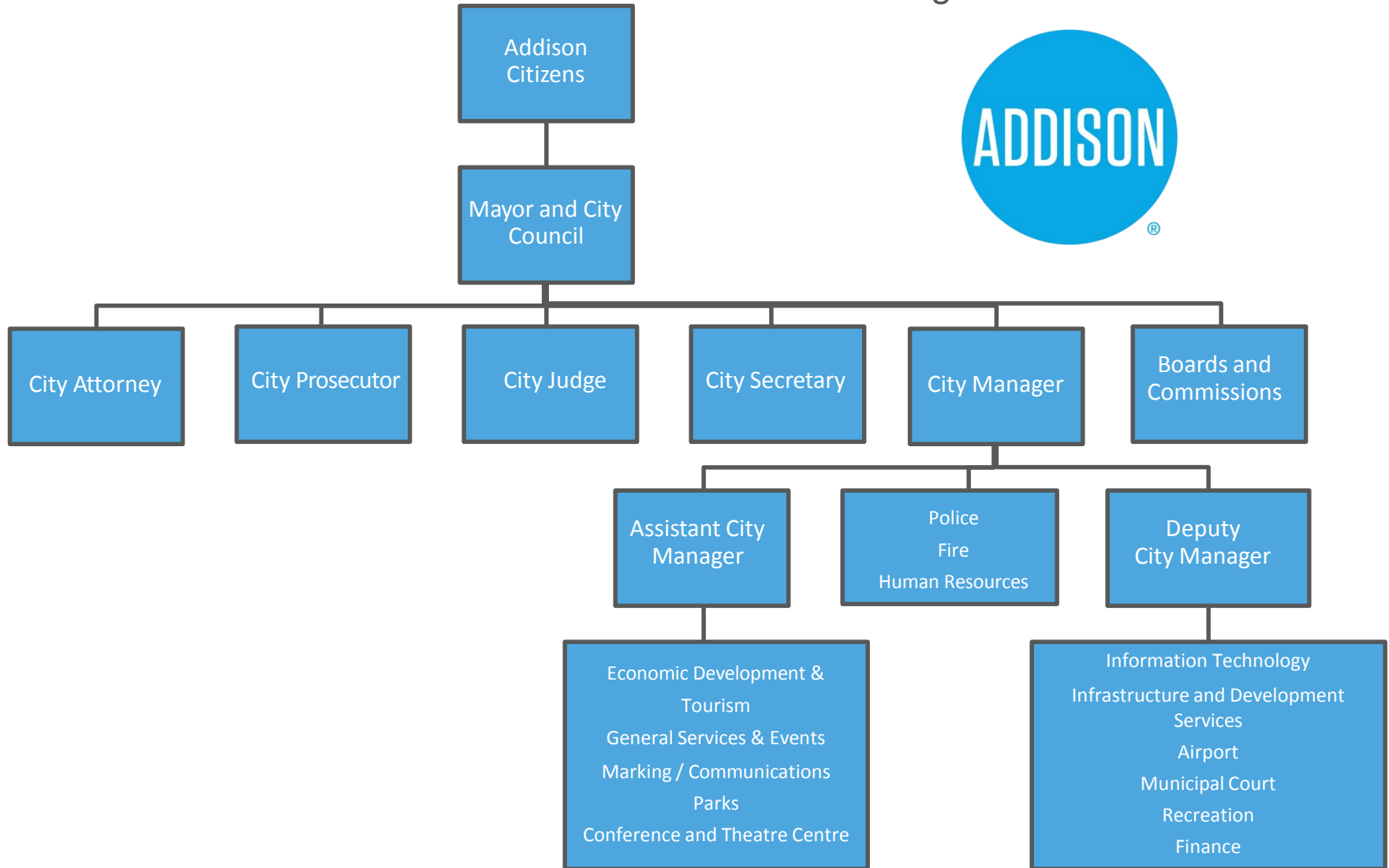
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive.

Executive Director/CEO

Addison Organizational Chart



Town of Addison
LIST OF PRINCIPAL OFFICIALS
September 30, 2015

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

Elected Officials

Mayor	Todd Meier	(972) 450-7000
Mayor Pro Tempore	Janelle Moore	(972) 450-7000
Deputy Mayor Pro Tempore	David Heape	(972) 450-7000
Council Member	Bruce Arfsten	(972) 450-7000
Council Member	Mary Carpenter	(972) 450-7000
Council Member	Ivan Hughes	(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
Assistant City Manager	Chris Terry	(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
Interim Chief Financial Officer	Dr. Scott Neils	(972) 450-7050
Interim 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 Svcs	Lisa Pyles	(972) 450-2878
Interim 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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Addison, Texas (the Town) as of and for the year ended September 30, 2015, and the related notes to basic financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Hotel Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IV.E. to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*, as of September 30, 2015. Also discussed in Note IV.E. to the financial statements, the Town made a prior period adjustment for the accrual of a sales tax liability, as of September 30, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Changes in Net Pension Liability and Related Ratios - TMRS; Schedule of Contributions - TMRS; and the Retiree Health Plan Analysis of Funding Progress on pages 11 through 18 and 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
April 18, 2016



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, 2015. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section. ***All amounts reported in this MD&A, unless otherwise indicated, are expressed in thousands of dollars (000's).***

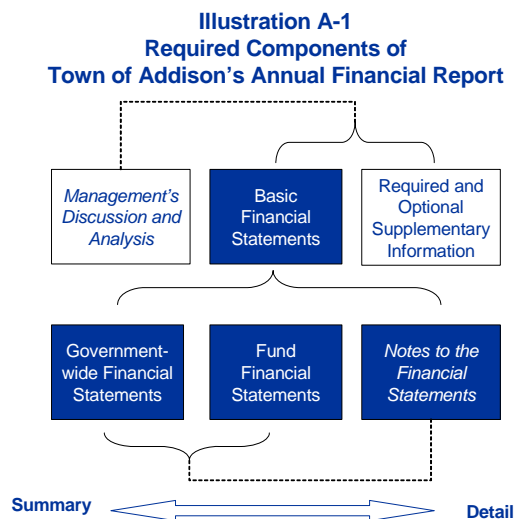
Financial Highlights

- The Town's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2015 fiscal year by \$218,578. This amount represents an increase over the previous year of \$367.
- As of September 30, 2015, the Town's governmental funds reported combined ending fund balances of \$56,921, a decrease of \$7,306. The majority of the decrease is due to no debt issuance in 2015 with additional outlay for scheduled retirement of existing debt.
- At the end of the 2015 fiscal year, the fund balance for the General Fund was \$11,602, or 36.3 percent of total fund expenditures. Fund balance decreased \$3,904 during the year.
- At year-end, the Town of Addison's outstanding debt totals \$132,468, a decrease of \$12,259 from the previous year, which is attributed to 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.



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

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

Illustration A-2 Major Features of Town of Addison's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	Activities of the Town that are not proprietary, such as police, fire, and parks	Activities the Town operates similar to a private-sector business: airport, water/sewer utility, and storm water
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* 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 assets, liabilities, and deferred inflows and outflows, with the difference reported as *net position*. Over time, increases or decreases in net position **may** indicate the improvement or deterioration of the Town's financial position.
- The *statement of activities* presents information showing the Town's change in net position during the concluded fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

- *Governmental activities* – These are functions such as fire, police, and 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental *funds* and governmental *activities*.

The Town of Addison maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for all of these funds, with the exception of the Economic Development Fund, Municipal Court Fund, Public Safety Fund, Advanced Funding Grant Fund, and Reimbursement Grant 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 all its governmental funds. A budgetary comparison statement is provided for each fund to demonstrate compliance with this budget.

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

- *Enterprise funds* are used to report the same functions presented as *business-type 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 for its management information systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements provide separate information for Addison's airport, 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 30 - 61 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 65 - 73. The Town has included schedules of capital assets starting on page 74.

Government-wide Financial Analysis

As of the close of the 2015 fiscal year, the Town's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$218,578 (see Table A-1). Of this amount \$184,752, or 85 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 (\$555), promotion of tourism and hotel industry (\$2,529) and other restrictions (\$567). The remaining amount of net position is labeled as unrestricted and totals \$30,174. 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.

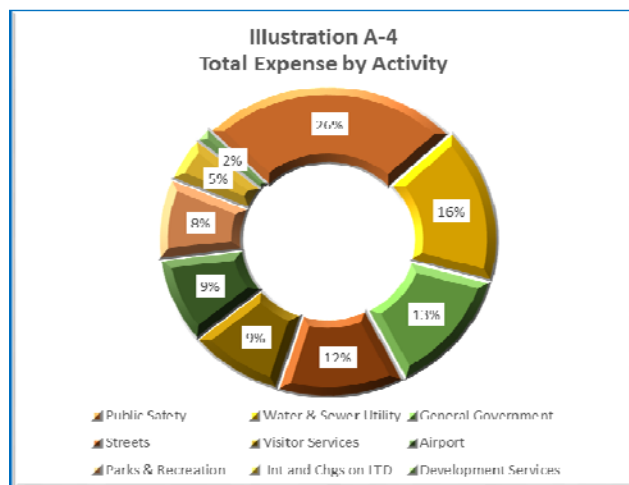
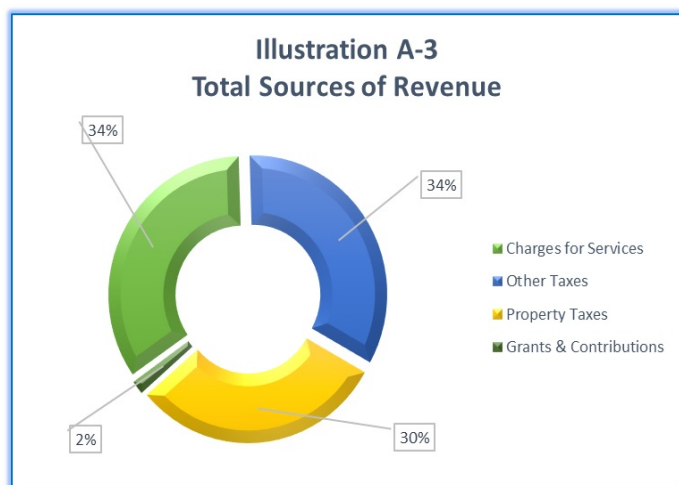
Table A-1
Town of Addison's Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and Other Assets	\$ 71,286	\$ 79,325	\$ 33,667	\$ 34,000	\$ 104,953	\$ 113,325
Capital Assets	168,887	165,827	83,156	82,642	252,043	248,469
Total Assets	240,173	245,152	116,823	116,642	356,996	361,794
Deferred Outflows of Resources:						
Deferred Charges	365	466	26	32	391	498
Deferred Outflows of Pensions	2,458	-	143	-	2,601	-
Total Deferred Outflows of Resources	2,823	466	169	32	2,992	498
Liabilities:						
Long-Term Liabilities Outstanding	104,672	92,696	27,796	27,512	132,468	120,208
Other Liabilities	5,451	4,641	2,724	2,753	8,175	7,394
Total Liabilities	110,123	97,337	30,520	30,265	140,643	127,602
Deferred Inflows of Resources:						
Deferred Inflows of Pensions	725	-	42	-	767	-
Total Deferred Inflows of Pensions	725	-	42	-	767	-
Net Assets:						
Net Investment in Capital Assets	121,444	120,035	63,308	69,949	184,752	189,984
Restricted :						
Debt Service	555	606	-	-	555	606
Tourism/Hotel	2,529	1,682	-	-	2,529	1,682
Child Safety	191	102	-	-	191	102
Justice Administration	64	32	-	-	64	32
Court Technology	92	80	-	-	92	80
Building Security	177	66	-	-	177	66
Public Safety	25	-	-	-	25	-
Court Security	19	19	-	-	19	19
Unrestricted	7,052	25,659	23,122	16,461	30,174	42,120
Total Net Position	\$ 132,148	\$ 148,280	\$ 86,430	\$ 86,409	\$ 218,578	\$ 234,689

As reflected in Table A-2, the Town's net position increased \$367 during the 2015 fiscal year. The increase is a result of excess revenues realized by the Business-type Activities.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,022	\$ 5,335	\$ 16,742	\$ 16,451	\$ 21,764	\$ 21,786
Operating Grants & Contributions	158	-	-	-	158	-
Capital Grants & Contributions	26	19	1,026	7,661	1,052	7,680
General Revenues:						
Property Taxes	20,385	19,485	-	-	20,385	19,485
Other Taxes	22,443	22,041	-	-	22,443	22,041
Other	773	744	614	(15)	1,387	729
Total Revenues	48,807	47,624	18,382	24,097	67,189	71,721
Expenses:						
General Government	8,731	7,939	-	-	8,731	7,939
Public Safety	16,821	15,765	-	-	16,821	15,765
Development Services	1,032	932	-	-	1,032	932
Streets	8,105	6,451	-	-	8,105	6,451
Parks & Recreation	5,517	5,597	-	-	5,517	5,597
Visitor Services	6,106	7,358	-	-	6,106	7,358
Interest and Fiscal Charges on Long-Term Debt	3,019	3,038	-	-	3,019	3,038
Airport	-	-	5,894	6,027	5,894	6,027
Storm water	-	-	848	768	848	768
Water & Sewer Utility	-	-	10,749	10,317	10,749	10,317
Total Expenses	49,331	47,080	17,491	17,112	66,822	64,192
Increase (decrease) in net position before transfers	(524)	544	891	6,985	367	7,529
Transfers	-	(4,626)	-	4,626	-	-
Change in Net Position	(524)	(4,082)	891	11,611	367	7,529
Restated	-	(15,608)	-	(871)	-	(16,479)
Net Position - Beginning	132,672	152,362	85,538	74,798	218,210	227,160
Net Position - Ending	\$ 132,148	\$ 132,672	\$ 86,430	\$ 85,538	\$ 218,578	\$ 218,210



Governmental Activities

Governmental activities decreased the Town of Addison's net position by \$524.

Business-Type Activities

The Town's business-type activities experienced an \$891 increase in net position with the Airport Fund recording an increase of \$797, while the Utility Fund posted a decrease of \$824, and the Storm Water Fund an increase of \$917. Of the Airport Fund's increase, \$1,026 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, 2015, the Town's governmental funds reported combined ending fund balances of \$56,921, a decrease of \$7,306 compared to balances a year earlier. Of the ending balance, \$11,271 or 16.0 percent is *unassigned* and is available to the Town for future spending. Most of the remaining fund balance is *restricted* for future capital projects (\$40,902), promotion of tourism and hotel industry (\$2,529), debt service (\$831) or *committed* for Economic Development (\$753). Components of the net increase of total fund balance are:

- In the General Fund, expenditures totaled \$31,981 compared to revenues of \$32,092. Revenues decreased \$134 from the previous year. The decrease was due to receiving less sales taxes revenues due to a major sales tax payer moving out of Addison. Expenditures increased \$1,906 from the 2014 fiscal year. This increase is primarily due to public safety (\$806) and general government expenditures (\$1,000).
- In the Hotel Fund, expenditures and transfers out to other funds totaled \$6,666 compared to revenues of \$7,512. Fund revenues increased \$331 from the previous year, due to an increase in non-property taxes. Expenditures decreased \$635 from fiscal year 2014 due in large part to the reduction in spending for the fiscal year 2015.
- Capital project funds recorded a net decrease in fund balance of \$4,316, primarily due to ongoing expenditures for capital projects.

Proprietary funds - The Town of Addison's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Airport Fund at the end of the fiscal year amounted to \$3,502; the Utility Fund reported an unrestricted net position of \$16,729, while the Stormwater Fund reported an unrestricted net position of \$2,891.

General Fund Budgetary Highlights

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

- Revenues were amended to recognize decreases in sales tax revenue (\$803). In total, the amendments resulted in a budget decrease of \$804 in revenue and a decrease of \$401 in expenditures. Allocations to various departments were made that did not result in a net change to appropriations.

The adjustments resulted in decreasing budgeted revenue 3.0 percent and decreasing expenditures by 1.0 percent. The projected deficit of \$4,853 (expenditures and other uses exceeding revenues) changed to a deficit of \$5,241. Fund balance actually decreased \$3,904.

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, 2015, totals \$252,042 (net of accumulated depreciation). This amount represents a \$3,573 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 66,245	\$ 66,233	\$ 16,945	\$ 16,945	\$ 83,190	\$ 83,178
Buildings	9,993	10,566	8,435	7,676	18,428	18,242
Improvements other than Buildings	75,485	77,263	55,081	48,570	130,566	125,833
Machinery and Equipment	4,725	3,657	753	666	5,478	4,323
Construction in Progress	12,439	8,109	1,941	8,784	14,380	16,893
Total Capital Assets	<u>\$ 168,887</u>	<u>\$ 165,828</u>	<u>\$ 83,155</u>	<u>\$ 82,641</u>	<u>\$ 252,042</u>	<u>\$ 248,469</u>

Long-term debt – At the end of the 2015 fiscal year, the Town of Addison had total bonded debt outstanding of \$112,019 as detailed in Table A-4. The Town did not issue new debt during 2015. 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. Because of the strength of the Town's credit ratings, future bond sales should obtain competitive bids with relatively low financing rates. More information related to the Town's long-term debt can be found in Section III, G of the Notes to Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 48,157	\$ 45,096	\$ 1,805	\$ 2,145	\$ 49,962	\$ 47,241
Certificates of Obligation	37,514	39,611	24,543	25,322	62,057	64,933
Total Debt Outstanding	<u>\$ 85,671</u>	<u>\$ 84,707</u>	<u>\$ 26,348</u>	<u>\$ 27,467</u>	<u>\$ 112,019</u>	<u>\$ 112,174</u>

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 2016 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 operating revenues and expenses and changes in fund balances related to the Town's adopted financial policy to work to maintain a minimum 25% fund balance for these funds.

Major 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.

Revenues assumptions in the general fund are expected to follow the growth curve of job creation and economic activity. Other revenues, such as property tax revenue and sales tax revenue, are forecasted using historical results or specific calculations. Certified taxable property values in Addison totaled \$4,036,723,767 for fiscal year 2015 which represented a 6.0 percent increase from the previous year. The property tax rate was increased from \$.5618 to \$.5791 per \$100 appraised value. Of the 2016 budget tax rate, \$.3767 was levied for operation/maintenance and \$.2024 for debt service. (Note: The preceding tax rates are not reflected in \$000's of dollars).

Sales tax collections for the Town were conservatively budgeted due to the loss of a major sales tax contributor from the amount collected in 2014. After four consecutive years of increases in annual collections, sales tax collections are projected to remain flat for fiscal year 2016.

Hotel occupancy tax collections increased 10 percent from the previous year. This represents four consecutive years of increasing annual collections.

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) 450-7098
Email: oriley@addisontx.gov





Basic Financial Statements



Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 64,912,897	\$ 24,322,595	\$ 89,235,492
Receivables, Net of Allowances for Uncollectibles	5,281,751	2,530,890	7,812,641
Prepaid Items	267,357	-	267,357
Inventories, at Cost	63,176	-	63,176
Investment in Joint Venture	760,508	6,813,249	7,573,757
Capital Assets, Net of Accumulated Depreciation			
Land	66,245,287	16,945,437	83,190,724
Buildings	9,992,668	8,435,245	18,427,913
Improvements other than Buildings	75,485,047	55,080,649	130,565,696
Machinery and Equipment	4,725,327	752,848	5,478,175
Construction in Progress	12,439,161	1,941,489	14,380,650
Total Assets	240,173,179	116,822,402	356,995,581
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	364,646	26,452	391,098
Deferred Outflows on Pensions	2,458,079	142,810	2,600,889
Total Deferred Outflows of Resources	2,822,725	169,262	2,991,987
LIABILITIES			
Accounts Payable and Accrued Liabilities	5,390,527	1,632,167	7,022,694
Intergovernmental Payable	-	10,129	10,129
Customer Deposits	60,665	1,081,657	1,142,322
Non-Current Liabilities			
Due within One Year	5,899,099	1,337,350	7,236,449
Due in More Than One Year	98,772,768	26,458,303	125,231,071
Total Liabilities	110,123,059	30,519,606	140,642,665
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	724,572	42,096	766,668
Total Deferred Inflows of Resources	724,572	42,096	766,668
NET POSITION			
Net Investment in Capital Assets	121,444,364	63,308,088	184,752,452
Restricted for:			
Debt Service	555,279	-	555,279
Promotion of Tourism and Hotel Industry	2,529,271	-	2,529,271
Child Safety	190,635	-	190,635
Justice Administration	63,638	-	63,638
Court Technology	91,942	-	91,942
Building Security	176,512	-	176,512
Court Security	19,190	-	19,190
Public Safety	25,484	-	25,484
Unrestricted	7,051,958	23,121,874	30,173,832
Total Net Position	\$ 132,148,273	\$ 86,429,962	\$ 218,578,235

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues				Net (Expense)/Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 8,730,944	\$ 688,005	\$ -	\$ -	\$ (8,042,939)	\$ -	\$ (8,042,939)
Public Safety	16,820,899	945,217	13,376	-	(15,862,306)	-	(15,862,306)
Development Services	1,032,105	1,015,053	-	-	(17,052)	-	(17,052)
Streets	8,105,373	400,561	12,430	-	(7,692,382)	-	(7,692,382)
Parks and Recreation	5,517,049	82,681	-	158,253	(5,276,115)	-	(5,276,115)
Visitor Services	6,106,103	1,890,522	-	-	(4,215,581)	-	(4,215,581)
Interest on Long-Term Debt	3,018,672	-	-	-	(3,018,672)	-	(3,018,672)
Total Governmental Activities	49,331,145	5,022,039	25,806	158,253	(44,125,047)	-	(44,125,047)
Business-Type Activities:							
Airport	5,893,611	5,138,479	-	1,025,835	-	270,703	270,703
Utilities	10,748,886	9,877,262	-	-	-	(871,624)	(871,624)
Stormwater	848,354	1,726,526	-	-	-	878,172	878,172
Total Business-Type Activities	17,490,851	16,742,267	-	1,025,835	-	277,251	277,251
Total Primary Government	\$ 66,821,996	\$ 21,764,306	\$ 25,806	\$ 1,184,088	(44,125,047)	277,251	(43,847,796)
GENERAL REVENUES							
Taxes							
Property Taxes, Levied for General Purposes					20,385,225	-	20,385,225
Sales Taxes					14,104,584	-	14,104,584
Franchise Taxes					2,828,420	-	2,828,420
Hotel/Motel Taxes					5,510,406	-	5,510,406
Interest on Investments					181,811	100,928	282,739
Miscellaneous					590,619	512,888	1,103,507
Total General Revenues					43,601,065	613,816	44,214,881
Change in Net Position					(523,982)	891,067	367,085
NET POSITION, Beginning of Year as Restated					132,672,255	85,538,895	218,211,150
NET POSITION, End of Year					\$ 132,148,273	\$ 86,429,962	\$ 218,578,235

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Governmental Funds
Balance Sheet
September 30, 2015

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments	\$ 11,980,579	\$ 2,371,954	\$ 833,800	\$ 488,270	\$ 42,134,997	\$ 1,200,431	\$ 59,010,031
Receivables:							
Ac Valorem Taxes, Including Interest and Penalties, Net	192,464	-	119,880	-	1,275	10,543	324,162
Non-Property Taxes	2,760,698	475,994	-	-	-	-	3,236,692
Service Fees, Net	672,094	585	-	-	-	-	672,679
Ambulance, Net	247,937	-	-	-	-	-	247,937
Interest	9,085	1,510	567	272	28,607	833	40,874
Intergovernmental	-	-	-	-	-	229,837	229,837
Other	300,645	110,498	-	-	114,482	-	525,625
Interfund	519,753	-	-	-	-	-	519,753
Prepaid Items	267,357	-	-	-	-	-	267,357
Inventories, At Cost	63,176	-	-	-	-	-	63,176
Total Assets	\$ 17,013,788	\$ 2,960,541	\$ 954,247	\$ 488,542	\$ 42,279,361	\$ 1,441,644	\$ 65,138,123
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 2,777,163	\$ 569,863	\$ 3,000	\$ -	\$ 1,376,456	\$ 144,690	\$ 4,871,172
Interfund Payable	-	293,000	-	-	-	226,753	519,753
Intergovernmental Payable	116,311	1,444	-	-	-	-	117,755
Customer Deposits	13,733	46,932	-	-	-	-	60,665
Total Liabilities	2,907,207	911,239	3,000	-	1,376,456	371,443	5,569,345
Deferred Inflows of Resources:							
Unavailable Resources	2,504,720	8,573	119,881	-	1,275	13,716	2,648,165
Total Deferred Inflows of Resources	2,504,720	8,573	119,881	-	1,275	13,716	2,648,165
Fund Balances:							
Nonspendable	267,357	-	-	-	-	-	267,357
Prepaid Items	63,176	-	-	-	-	-	63,176
Inventories	-	-	-	-	-	-	-
Restricted	-	-	831,366	-	-	-	831,366
Debt Service	-	2,040,729	-	488,542	-	-	2,529,271
Promotion of Tourism and Hotel Industry	-	-	-	-	-	-	40,901,630
Capital Projects	-	-	-	-	40,901,630	-	88,479
Restricted - Child Safety	-	-	-	-	-	-	28,893
Justice Administration	-	-	-	-	-	-	28,893
Court Technology	-	-	-	-	-	-	77,831
Building Security	-	-	-	-	-	-	63,789
Court Security	-	-	-	-	-	-	19,190
Public Safety	-	-	-	-	-	-	25,484
Committed	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	752,819	752,819
Unassigned	11,271,328	-	-	-	-	-	11,271,328
Total Fund Balance	11,601,861	2,040,729	831,366	488,542	40,901,630	1,056,485	56,920,613
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 17,013,788	\$ 2,960,541	\$ 954,247	\$ 488,542	\$ 42,279,361	\$ 1,441,644	\$ 65,138,123

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds	\$ 56,920,613
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.	10,438,339
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 \$164,350,330, net of accumulated depreciation of \$108,498,447, exclusive of the capital assets of internal service funds with a net carrying value of \$ 4,537,160 , included above, increased net position in the government-wide financial statements.	164,350,330
Investments in Joint Venture are not financial resources and are not reported in the fund financial statements. Investments in Joint Venture of \$ 760,508 increased net position in the government-wide financial statements.	760,508
Deferred losses on refundings of debt have been reflected net of amortization in the government-wide financial statements.	364,646
Bonds payable, contractual obligations, and related premium and discount amounts have not been included in the fund financial statements.	(85,671,168)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(900,910)
Net OPEB obligation is not reflected in the fund financial statements.	(465,473)
Deferred outflows on pension costs, net of amortization, are not reflected in fund financial statements	2,458,079
Deferred inflows on pension costs, net of amortization, are not reflected in fund financial statements	(724,572)
Net pension liability is not reflected in fund financial statements	(17,634,316)
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.	(395,968)
Revenue from property taxes, sales taxes, franchise fees, court bonds, ambulance billing, and intergovernmental grants is a deferred inflow in the fund financial statements until it is considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide statements.	2,648,165
Net Position of Governmental Activities	\$ 132,148,273

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, 2015

	General Fund	Hotel	General Obligation Debt Service	Hotel Debt Service	Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:							
Ad Valorem Taxes	\$ 11,378,975	\$ -	\$ 7,984,536	\$ -	\$ 226,899	\$ 969,714	\$ 20,560,124
Non-Property Taxes	14,215,555	5,512,956	-	-	-	-	19,728,511
Franchise Fees	2,828,420	-	-	-	-	-	2,828,420
Licenses and Permits	1,011,223	-	-	-	-	-	1,011,223
Intergovernmental	-	-	-	-	158,253	22,359	180,612
Service Fees	1,507,653	967,659	-	-	-	68,395	2,543,707
Fines and Forfeitures	725,189	-	-	-	-	38,955	764,144
Earnings on Investments	69,431	7,376	9,892	1,416	184,005	5,560	277,680
Rental Charges	236,667	964,722	-	-	-	-	1,201,389
Recycling Proceeds	10,403	-	-	-	-	-	10,403
Other	108,504	59,334	-	-	32,042	-	199,880
Total Revenues	32,092,020	7,512,047	7,994,428	1,416	601,199	1,104,983	49,306,093
EXPENDITURES:							
Current:							
General Government	7,654,051	-	3,049	365	-	-	7,657,465
Public Safety	16,677,666	-	-	-	-	22,060	16,699,726
Development Services	1,090,973	-	-	-	-	-	1,090,973
Streets	1,803,139	-	-	-	-	-	1,803,139
Parks and Recreation	4,755,341	-	-	-	-	-	4,755,341
Visitor Services	-	5,454,910	-	-	-	-	5,454,910
Municipal Court	-	-	-	-	-	60,426	60,426
Economic Development	-	-	-	-	-	1,281,649	1,281,649
Debt Service:							
Principal Retirement	-	-	4,833,152	640,000	-	-	5,473,152
Interest and Fiscal Charges	-	-	3,347,020	70,800	-	-	3,417,820
Capital Projects:							
Engineering and Contractual Services	-	-	-	-	5,076,254	-	5,076,254
Construction and Equipment	-	-	-	-	3,840,912	-	3,840,912
Total Expenditures	31,981,170	5,454,910	8,183,221	711,165	8,917,166	1,364,135	56,611,767
Excess/(Deficiency) of Revenues over Expenditures	110,850	2,057,137	(188,793)	(709,749)	(8,315,967)	(259,152)	(7,305,674)
OTHER FINANCING SOURCES/(USES):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	(4,015,000)	(1,211,082)	-	710,800	4,000,000	515,282	5,226,082
Total Other Financing Sources/(Uses)	(4,015,000)	(1,211,082)	-	710,800	4,000,000	515,282	(5,226,082)
Net Change in Fund Balance	(3,904,150)	846,055	(188,793)	1,051	(4,315,967)	256,130	(7,305,674)
Fund Balances at Beginning of Year, as Restated	15,506,011	1,194,674	1,020,159	487,491	45,217,597	800,355	64,226,287
Fund Balances at End of Year	\$ 11,601,861	\$ 2,040,729	\$ 831,366	\$ 488,542	\$ 40,901,630	\$ 1,056,485	\$ 56,920,613

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

TOWN OF ADDISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(7,305,674)
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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.

694,771

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.

8,248,806

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.

(6,501,843)

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:

Bond repayments	5,473,152	
Amortization	<u>200,175</u>	5,673,327

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

(80,041)

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.

(36,483)

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.

198,973

Increase in pension liability and amortization of pension costs decrease net position

(916,888)

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.

(498,930)

Change in Net Position of Governmental Activities	\$	<u>(523,982)</u>
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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, 2015

	2015			
	Budget		Actual GAAP	Variance With
	Original	Final	Basis	Final Budget
				Positive
				(Negative)
REVENUES:				
Ad Valorem Taxes	\$ 11,736,390	\$ 11,736,390	\$ 11,378,975	\$ (357,415)
Non-Property Taxes	14,320,000	13,391,275	14,215,555	824,280
Franchise Fees	2,627,000	2,887,000	2,828,420	(58,580)
Licenses and Permits	740,000	740,000	1,011,223	271,223
Service Fees	1,443,500	1,403,500	1,507,653	104,153
Fines and Forfeitures	900,000	700,000	725,189	25,189
Earnings on Investments	20,000	50,000	69,431	19,431
Rental Charges	250,000	250,000	236,667	(13,333)
Recycling Proceeds	24,000	24,000	10,403	(13,597)
Other	25,000	100,000	108,504	8,504
Total Revenues	32,085,890	31,282,165	32,092,020	809,855
EXPENDITURES:				
General Government	7,725,574	7,917,927	7,654,051	263,876
Public Safety	16,827,332	16,411,780	16,677,666	(265,886)
Development Services	1,125,030	1,211,290	1,090,973	120,317
Streets	2,037,535	1,962,447	1,803,139	159,308
Parks and Recreation	5,193,405	5,004,266	4,755,341	248,925
Total Expenditures	32,908,876	32,507,710	31,981,170	526,540
Excess (deficiency) of revenues over expenditures	(822,986)	(1,225,545)	110,850	1,336,395
OTHER FINANCING SOURCES/(USES):				
Transfers Out	(4,030,000)	(4,015,000)	(4,015,000)	-
Total Other Financing Sources/(Uses)	(4,030,000)	(4,015,000)	(4,015,000)	-
Net Change in Fund Balance	(4,852,986)	(5,240,545)	(3,904,150)	1,336,395
Fund Balances at Beginning of Year, as Restated	15,506,011	15,506,011	15,506,011	-
Fund Balances at End of Year	\$ 10,653,025	\$ 10,265,466	\$ 11,601,861	\$ 1,336,395

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, 2015

	2015			
	Budget		Actual GAAP	Variance With
	Original	Final	Basis	Final Budget
				Positive
				(Negative)
REVENUES:				
Hotel/Motel Occupancy Taxes	\$ 5,439,311	\$ 5,839,311	\$ 5,512,956	\$ (326,355)
Proceeds from Special Events	1,400,000	1,350,000	967,659	(382,341)
Earnings on Investments	5,000	5,000	7,376	2,376
Rental Charges	983,750	1,033,750	964,722	(69,028)
Other	5,000	5,000	59,334	54,334
Total Revenues	7,833,061	8,233,061	7,512,047	(721,014)
EXPENDITURES:				
Visitor Services	-	71,500	36,304	35,196
Visit Addison	847,992	847,992	765,288	82,704
Conference Centre	1,178,942	1,178,942	959,140	219,802
Marketing	975,889	975,889	872,579	103,310
Special Events	2,358,050	2,358,050	2,279,532	78,518
Performing Arts	551,521	551,521	542,067	9,454
Total Expenditures	5,912,394	5,983,894	5,454,910	528,984
Excess/(Deficiency) of Revenues over Expenditures	1,920,667	2,249,167	2,057,137	(192,030)
OTHER FINANCING SOURCES/(USES):				
Transfer to Debt Service Fund	(1,211,082)	(1,211,082)	(1,211,082)	-
Net Change in Fund Balance	709,585	1,038,085	846,055	(192,030)
Fund Balances at Beginning of Year	1,194,674	1,194,674	1,194,674	-
Fund Balances at End of Year	\$ 1,904,259	\$ 2,232,759	\$ 2,040,729	\$ (192,030)

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Net Position
September 30, 2015

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
ASSETS:					
Current Assets:					
Cash and Investments	\$ 4,124,027	\$ 10,489,605	\$ 9,708,963	\$ 24,322,595	\$ 5,902,866
Interest Receivable	2,499	7,120	6,552	16,171	3,945
Accounts Receivable, Net	77,578	2,186,634	250,507	2,514,719	-
Total Current Assets	4,204,104	12,683,359	9,966,022	26,853,485	5,906,811
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	53,872,596	44,780,829	50,000	98,703,425	-
Machinery and Equipment	1,536,031	2,049,785	-	3,585,816	15,096,884
Accumulated Depreciation	(22,580,860)	(26,108,352)	(1,250)	(48,690,462)	(11,225,495)
Total Capital Assets, Net of Accumulated Depreciation	51,061,442	30,103,987	48,750	81,214,179	3,871,389
Construction in Progress	424,472	1,457,991	59,026	1,941,489	665,771
Net Property, Plant, and Equipment	51,485,914	31,561,978	107,776	83,155,668	4,537,160
Investment in Joint Venture	-	6,813,249	-	6,813,249	-
Total Assets	55,690,018	51,058,586	10,073,798	116,822,402	10,443,971
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charge on Refunding	26,452	-	-	26,452	-
Deferred Outflows on Pension Costs	-	142,810	-	142,810	-
Total Deferred Outflows of Resources	26,452	142,810	-	169,262	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 475,730	\$ 793,676	\$ 85,209	\$ 1,354,615	\$ 5,632
Accrued Interest Payable	16,940	223,562	34,677	275,179	-
Current Compensated Absences Payable	-	2,373	-	2,373	-
Current Maturities of Long-Term Debt	517,500	549,850	270,000	1,337,350	-
Intergovernmental Payable	10,129	-	-	10,129	-
Customer Deposits	199,598	882,059	-	1,081,657	-
Total Current Liabilities	1,219,897	2,451,520	389,886	4,061,303	5,632
Non-Current Liabilities:					
Compensated Absences, Net of Current Portion	-	56,257	-	56,257	-
Long-Term Debt, Net of Current Portion	4,477,330	15,131,598	6,793,118	26,402,046	-
Total Liabilities	5,697,227	17,639,375	7,183,004	30,519,606	5,632
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows on Pension Costs	-	42,096	-	42,096	-
NET POSITION:					
Net Investment in Capital Assets	46,517,536	16,790,552	-	63,308,088	4,537,160
Unrestricted	3,501,707	16,729,373	2,890,794	23,121,874	5,901,179
Total Net Position	\$ 50,019,243	\$ 33,519,925	\$ 2,890,794	\$ 86,429,962	\$ 10,438,339

See accompanying notes to basic financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2015

	Business Type Activities - Enterprise Funds				Governmental Activities
	Airport	Utility	Stormwater	Total	Internal Service
OPERATING REVENUES:					
Water	\$ -	\$ 5,678,134	\$ -	\$ 5,678,134	\$ -
Sewer	-	4,436,230	-	4,436,230	-
Drainage	-	-	1,729,899	1,729,899	-
Penalties	-	64,949	-	64,949	-
Water and Sewer Taps and Other Fees	-	12,580	-	12,580	-
Fuel Flowage Fees	829,044	-	-	829,044	-
Customs Agent Fees	61,379	-	-	61,379	-
Rental Charges	4,248,056	-	-	4,248,056	-
Other Income	512,888	1,200	-	514,088	-
Department Contributions	-	-	-	-	1,550,000
Total Operating Revenues	5,651,367	10,193,093	1,729,899	17,574,359	1,550,000
OPERATING EXPENSES:					
Salaries and Fringe Benefits	318,036	1,329,625	72,315	1,719,976	-
Supplies	58,326	132,338	946	191,610	337
Maintenance and Materials	2,520,508	415,013	803	2,936,324	-
Contractual Services	1,080,580	1,169,152	510,195	2,759,927	28,313
Water Purchases	-	3,223,750	-	3,223,750	-
Wastewater Purchases	-	2,496,828	-	2,496,828	-
Total Operating Expenses (Excluding Depreciation)	3,977,450	8,766,706	584,259	13,328,415	28,650
Depreciation	1,778,693	1,290,594	1,250	3,070,537	864,189
Total Operating Expenses	5,756,143	10,057,300	585,509	16,398,952	892,839
OPERATING INCOME/(LOSS)	(104,776)	135,793	1,144,390	1,175,407	657,161
NON-OPERATING REVENUES/(EXPENSES):					
Investment Income/(Expense)	13,588	48,098	39,242	100,928	25,610
Sale of Assets	-	-	-	-	12,000
Gain/(Loss) on Joint Venture	-	(251,226)	-	(251,226)	-
Interest Expense and Fiscal Charges	(137,468)	(756,191)	(266,218)	(1,159,877)	-
Total Non-Operating Revenues/(Expenses)	(123,880)	(959,319)	(226,976)	(1,310,175)	37,610
NET INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(228,656)	(823,526)	917,414	(134,768)	694,771
Capital Grants and Contributions	1,025,835	-	-	1,025,835	-
CHANGE IN NET POSITION	797,179	(823,526)	917,414	891,067	694,771
Net Position at Beginning of Year, as Restated	49,222,064	34,343,451	1,973,380	85,538,895	9,743,568
Net Position at End of Year	\$ 50,019,243	\$ 33,519,925	\$ 2,890,794	\$ 86,429,962	\$ 10,438,339

See accompanying notes to basic financial statements.

Town of Addison, Texas
Basic Financial Statements

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental Activities
	<u>Airport</u>	<u>Utility</u>	<u>Stormwater</u>	<u>Total</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 6,090,069	\$ 9,857,119	\$ 1,733,385	\$ 17,680,573	\$ 1,550,000
Payments to Suppliers	(3,646,133)	(6,557,424)	(474,326)	(10,677,883)	(139,051)
Payments to Employees for Services	(318,036)	(2,287,326)	(72,315)	(2,677,677)	-
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>2,125,900</u>	<u>1,012,369</u>	<u>1,186,744</u>	<u>4,325,013</u>	<u>1,410,949</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(388,195)	(1,818,648)	(109,026)	(2,315,869)	(2,630,411)
Principal Paid on Long-Term Debt	(445,000)	(381,848)	(265,000)	(1,091,848)	-
Interest and Fiscal Charges Paid on Long-Term Debt	(138,767)	(731,446)	(283,439)	(1,153,652)	-
Proceeds from Sale of Capital Assets	-	-	-	-	12,000
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(971,962)</u>	<u>(2,931,942)</u>	<u>(657,465)</u>	<u>(4,561,369)</u>	<u>(2,618,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Cash and Investments	13,009	48,980	38,600	100,589	26,249
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>13,009</u>	<u>48,980</u>	<u>38,600</u>	<u>100,589</u>	<u>26,249</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	<u>1,166,947</u>	<u>(1,870,593)</u>	<u>567,879</u>	<u>(135,767)</u>	<u>(1,181,213)</u>
Cash and Cash Equivalents, October 1	<u>2,957,080</u>	<u>12,360,198</u>	<u>9,141,084</u>	<u>24,458,362</u>	<u>7,084,079</u>
Cash and Cash Equivalents, September 30	<u>\$ 4,124,027</u>	<u>\$ 10,489,605</u>	<u>\$ 9,708,963</u>	<u>\$ 24,322,595</u>	<u>\$ 5,902,866</u>
Reconciliation of Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ (104,776)	\$ 135,793	\$ 1,144,390	\$ 1,175,407	\$ 657,161
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:					
Depreciation	1,778,693	1,290,594	1,250	3,070,537	864,189
Change in Assets and Liabilities:					
(Increase)/Decrease in Accounts Receivables	446,334	(517,466)	3,486	(67,646)	-
Increase/(Decrease) in Accounts Payable	13,281	64,766	37,618	115,665	(110,401)
Increase/(Decrease) in Customer Deposits	(7,632)	38,682	-	31,050	-
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>\$ 2,125,900</u>	<u>\$ 1,012,369</u>	<u>\$ 1,186,744</u>	<u>\$ 4,325,013</u>	<u>\$ 1,410,949</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grants and Contributions	\$ 893,242	\$ -	\$ -	\$ 893,242	\$ -
Gain/(Loss) of Joint Venture	-	(251,226)	-	(251,226)	-
<i>Net Non-Cash Items from Capital and Related Financing Activities</i>	<u>\$ 893,242</u>	<u>\$ (251,226)</u>	<u>\$ -</u>	<u>\$ 642,016</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.



NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015

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 and General Obligation Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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.

The Town reports the following major proprietary funds:

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

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

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

Additionally, the Town reports the following internal service funds:

Capital Replacement Fund – The Capital Replacement Fund is used to accumulate sufficient resources to replace existing capital equipment that have reached or exceeded their useful lives. Resources are acquired through charges to operating departments in the 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, 2015

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 for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The Town considers quoted market price at September 30, 2015 to be the fair value of investments. The government investment pools, TexPool and TexSTAR, operate in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of pool shares.

2) Receivables and Payables

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

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

3) Inventories and Prepaid Items

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

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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

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

5) Compensated Absences

Vacation, holiday, and sick pay costs are charged to operations when taken by the employees of the Town. In the event of termination, an employee is reimbursed for all accumulated vacation and holiday days not exceeding two years' accumulation. The amounts of such liabilities have been provided for in the government-wide financial statements. No reimbursements upon termination are made for accumulated sick leave; accordingly, no liability for unused sick leave has been provided. The Town's liability for compensated absences increased \$93,593 for a total liability of \$959,540.

6) Grants and Contributions

Included in capital grants and contributions in the government-wide financial statements is \$1,025,835 of capital contributions for improvements at the Addison Airport and \$158,253 for improvements at Vitruvian Park. Operating grants included \$25,806 of funding for general government initiatives.

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial 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 only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

8) Fund Equity

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

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

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

Committed – Amounts whose use is constrained by specific limitations that the Town imposes itself, as determined 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 Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by 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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) Minimum Fund Balance Policy

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

10) Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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.
- 4) The department level is the legal level of control enacted by the Town Charter. The Town has also adopted a budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the City Manager and Chief Financial Officer provided a department's total budget is not changed by more than five percent. Transfers between funds or transfers between departments that change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

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

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budget Data – The budget amounts presented in the statements reflect original and amended budget amounts. During the fiscal year, one budget amendment was approved by the City Council. In the General Fund, Non-Property Tax revenue was decreased \$928,725 due to the loss of a major sales tax contributor. Franchise fee revenue was increased \$195,000, as amounts received related to gas franchise fees exceeded the budgeted amount. Miscellaneous revenues were decreased \$70,000 each due to lower than anticipated activity in these accounts. The City Manager Office budget was increased \$249,994 due to a retirement of former City Manager and hiring of Interim City Manager. The City Council Projects (\$144,133) and Development Services (\$131,000), budgets were increased related to COSO initiatives and new code enforcement positions funding in fiscal year 2015. This budget amendment included departmental savings of \$401,166 due to departments delaying spending for noncrucial operations and vacant positions not filled by the end of fiscal 2015.

Excess of Expenditures over Appropriations – For the year ended September 30, 2015, expenditures in the General Fund - Police exceeded appropriations by \$58,930 due to increased salaries and overtime associated with high department turnover and unanticipated legal expenditures. Also for the General Fund, expenditures in Combined Services exceeded appropriation by \$97,583 due to the implementation of several COSO initiatives Town-wide, as directed by Council. Available fund balance was sufficient to provide for the excess expenditures.

Encumbrance accounting is employed in governmental funds.

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 on the Combined Balance Sheet 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, 2015. Included in Cash and Investments is \$5,925 of petty cash. At year-end, the carrying amount of the Town's deposits was a debit balance of \$37,275,334. The respective bank balance totaled \$40,193,543. In addition, collateral with a market value of \$43,298,730 and unused letters of credit in the amount of \$18,827,364 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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

External Investment Pools

The Town's pool investments as of September 30, 2015 were invested in TexPool and TexSTAR (Texas Short Term Asset Reserve program).

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

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

The fair value of the Town's position in the external investment pool is the same as the value of the pool shares.

Investments

As of September 30, 2015, the Town held the following investments:

	Fair Value	Average Maturity (Days)
Agency Securities	\$ 17,029,717	250
Commercial Paper	4,998,030	71
Certificates of Deposit	35,213,550	228
<i>Total Investment in Securities</i>	<u>57,241,297</u>	<u>221</u>
TexStar	25,315,391	1
TexPool	4,611,095	1
<i>Total Investment in Pools</i>	<u>29,926,486</u>	<u>1</u>
<i>Total Investments</i>	<u>\$ 87,167,783</u>	146

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the Town records investments at fair value. However, for investments with maturities of one year or less at time of purchase, the Town reports these investments at book value. The carrying value of the Town's investments at September 30, 2015 was \$87,167,783, of which \$34,924,516 had maturities of less than one year at time of purchase.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

- a) Debt obligations with a maturity not to exceed five years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). The Town's investments in bonds of U.S. Agencies were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's. Mortgage-backed securities may be held as collateral although principal-only and interest-only mortgage-backed securities as well as all types of collateralized mortgage obligations (CMO) and real estate mortgage investment conduits (REMICs) are expressly prohibited.
- b) Prime commercial paper with an original maturity of one hundred eighty days or less which at the time of purchase, is rated at least A-1 by Standard and Poor's, P-1 by Moodys or F1 by Fitch.
 - (1) At the time of purchase, the commercial paper must be rated by at least two of the above stated ratings agencies at the above stated minimum credit rating.
 - (2) If more than two of the above rated agencies rates an issuer, all the rating agencies must rate the issuer in accordance with the above stated minimum credit criteria.
 - (3) If the commercial paper issuer has senior debt* outstanding, the senior debt must be rated by each service that publishes a rating of the issue at least:
 - A-1 by Moodys
 - A+ by Standard and Poor's
 - A+ by Fitch(*Senior Debt is defined as the most senior secured or unsecured debt of an issuer with an original maturity exceeding one year)

If the commercial paper issuer is given a "plus (+) rating", the maximum maturity of 270 days or less will be allowed.

- c) Time Certificates of Deposit with a maturity not to exceed three years from the date of purchase, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in depository institutions that have a main office or a branch in the state of Texas which have been approved by the Town in accordance with its Investment Policy. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD federally insured may be purchased through a selected depository institution with its main office or branch office in Texas. This depository shall act as the custodian for the various certificates on behalf of the Town.
- d) State and Local Investment Pools organized under the Interlocal Cooperation Act that 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 AAAM by Standard and Poor's.

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 20%, Commercial Paper (30%) of which the Town's portfolio is currently at 6%, Certificates of Deposit (50%) of which the Town's portfolio is currently at 40%, and Local Government Investment Pools (40%) of which the Town's portfolio is currently at 34%.

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, 2014, upon which the fiscal year 2015 levy is based, was \$3,805,580,841.

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, 2015 was \$.5618 per \$100, of which \$.3437 was allocated for general government and \$.2181 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, 2015 were 95.73% of the original tax levy. In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the Town may at its own expense require annual reviews of appraised values. The Town may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this arrangement, the Town continues to set tax rates on Town property.

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

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, 2015 was \$82,058.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables

As of September 30, 2015, 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	\$ 241,735	\$ -	\$ 151,166	\$ -	\$ 1,342	\$ 11,978	\$ -	\$ 406,221
Non-Property	2,760,698	475,994	-	-	-	-	-	3,236,692
Franchise Fees	-	-	-	-	-	-	-	-
Service Fees	975,205	-	-	-	-	-	-	975,205
Ambulance	542,733	-	-	-	-	-	-	542,733
Interest	9,085	1,510	567	272	28,607	833	3,945	44,819
Other	308,145	111,083	-	-	114,482	229,837	-	763,547
Gross Receivables	\$ 4,837,601	\$ 588,587	\$ 151,733	\$ 272	\$ 144,431	\$ 242,648	\$ 3,945	\$ 5,969,217
Less: Allowance for Uncollectibles	654,678	-	31,286	-	67	1,435	-	687,466
Net Receivables	<u>\$ 4,182,923</u>	<u>\$ 588,587</u>	<u>\$ 120,447</u>	<u>\$ 272</u>	<u>\$ 144,364</u>	<u>\$ 241,213</u>	<u>\$ 3,945</u>	<u>\$ 5,281,751</u>

The above allowance for uncollectible accounts represents reserves for ambulance (\$294,797), court warrants (\$310,611), and property taxes (\$82,058).

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital Asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not Depreciable:					
Land	\$ 66,233,100	\$ 12,187	\$ -	\$ -	\$ 66,245,287
Construction in Progress	8,108,551	8,386,203	(228,004)	(3,827,589)	12,439,161
<i>Total Capital Assets, not Depreciable</i>	<u>74,341,651</u>	<u>8,398,390</u>	<u>(228,004)</u>	<u>(3,827,589)</u>	<u>78,684,448</u>
Capital Assets, Depreciable:					
Buildings	22,026,374	-	-	-	22,026,374
Improvements other than Buildings	165,224,676	134,104	-	3,827,589	169,186,369
Machinery and Equipment	17,150,527	2,122,021	(558,305)	-	18,714,243
<i>Total Capital Assets, Depreciable</i>	<u>204,401,577</u>	<u>2,256,125</u>	<u>(558,305)</u>	<u>3,827,589</u>	<u>209,926,986</u>
Less Accumulated Depreciation for:					
Buildings	(11,460,566)	(573,140)	-	-	(12,033,706)
Improvements other than Buildings	(87,961,733)	(5,747,635)	8,046	-	(93,701,322)
Machinery and Equipment	(13,493,918)	(1,053,305)	558,307	-	(13,988,916)
<i>Total Accumulated Depreciation</i>	<u>(112,916,217)</u>	<u>(7,374,080)</u>	<u>566,353</u>	<u>-</u>	<u>(119,723,944)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>91,485,360</u>	<u>(5,117,955)</u>	<u>8,048</u>	<u>3,827,589</u>	<u>90,203,042</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 165,827,011</u>	<u>\$ 3,280,435</u>	<u>\$ (219,956)</u>	<u>\$ -</u>	<u>\$ 168,887,490</u>
Business-type Activities:					
Capital Assets, not Depreciable:					
Land	\$ 16,945,437	\$ -	\$ -	\$ -	\$ 16,945,437
Construction in Progress	8,784,117	1,867,568	-	(8,710,196)	1,941,489
<i>Total Capital Assets, not Depreciable</i>	<u>25,729,554</u>	<u>1,867,568</u>	<u>-</u>	<u>(8,710,196)</u>	<u>18,886,926</u>
Capital Assets, Depreciable:					
Buildings	9,706,870	963,093	-	-	10,669,963
Improvements other than Buildings	89,470,844	522,386	-	8,710,196	98,703,426
Machinery and Equipment	3,617,779	231,067	(263,029)	-	3,585,817
<i>Total Capital Assets, Depreciable</i>	<u>102,795,493</u>	<u>1,716,546</u>	<u>(263,029)</u>	<u>8,710,196</u>	<u>112,959,206</u>
Less Accumulated Depreciation for:					
Buildings	(2,030,950)	(203,768)	-	-	(2,234,718)
Improvements other than Buildings	(40,900,520)	(2,722,257)	-	-	(43,622,777)
Machinery and Equipment	(2,951,486)	(144,512)	263,029	-	(2,832,969)
<i>Total Accumulated Depreciation</i>	<u>(45,882,956)</u>	<u>(3,070,537)</u>	<u>263,029</u>	<u>-</u>	<u>(48,690,464)</u>
<i>Total Capital Assets, Depreciable, net</i>	<u>56,912,537</u>	<u>(1,353,991)</u>	<u>-</u>	<u>8,710,196</u>	<u>64,268,742</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 82,642,091</u>	<u>\$ 513,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,155,668</u>

Town of Addison, Texas
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NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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	\$ 89,353	\$ -
Public Safety	166,921	-
Development Services	5,734	-
Streets	4,778,608	-
Parks and Recreation	746,976	-
Visitor Services	722,299	-
IT Replacement	339,924	-
Capital Replacement	524,265	-
Airport Fund		1,778,693
Utility Fund		1,290,594
Stormwater Fund		1,250
	<u>\$ 7,374,080</u>	<u>\$ 3,070,537</u>

The following tabulation presents the estimated significant commitment under unfinished capital construction and equipment contracts that are fully funded as of September 30, 2015:

Project	Estimated Commitments	Less Expenditures to Date	Total Commitment Remaining
<u>Governmental Activities</u>			
Belt Line Road Underground Utilities	\$ 20,830,000	\$ 6,371,214	\$ 14,458,786
Pedestrian Connectivity Improvements	3,500,000	809,506	2,690,494
Vitruvian Public Infrastructure	10,021,107	1,843,729	8,177,378
Public Safety Radio Replacement	3,000,000	2,588,620	411,380
Addison Road Rehabilitation	2,274,473	823,871	1,450,602
	<u>\$ 39,625,580</u>	<u>\$ 12,436,940</u>	<u>\$ 27,188,640</u>
<u>Business-type Activities</u>			
Water Storage Facility	\$ 3,531,189	\$ 1,637,514	\$ 1,893,675
Mary Kay/Keller Springs Basin Improvements	1,700,000	114,458	1,585,542
	<u>\$ 5,231,189</u>	<u>\$ 1,751,972</u>	<u>\$ 3,479,217</u>

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.

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

The Town was obligated for construction costs of the project in proportion to its percentage of allocated flows for each specific portion of the project as set forth in the agreement. The Town is also obligated to pay 55% of all general overhead costs. Operating and maintenance costs since the project became operational shall be paid in accordance with respective percentages of allocated flows as set forth in the agreement.

The Town's net investment and its share of general overhead expenses are reported in the Town's Utility Fund (an enterprise fund). The Town's equity interest in the North Dallas County Water Supply Corporation of \$6,813,249, net of related debt, is included in Unrestricted Net Position. 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. Joint Venture and Shared Radio System

The North Texas Emergency Communications Center, Inc. (NTECC) is a joint venture between the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed during fiscal year 2015 to establish and operate a joint public safety dispatch center. The affairs of the NTECC are managed by a four-person board of directors representing each of the four participating Cities.

The Cities are responsible for funding capital and operating costs of the NTECC in the proportions stated in the inter-local agreement. The Town financed its portion of construction funds with proceeds from Combination Tax and Revenue Certificates of Obligation, Series 2012. The Town of Addison's equity interest (19%) in the NTECC is reported as investment in joint venture in the governmental activities on the government-wide Statement of Net Position. Condensed financial information for the NTECC joint venture is presented below. Complete financial statements for the NTECC can be obtained from Pamela Hodges, Controller, City of Carrollton, 1945 E Jackson Road, Carrollton, Texas.

STATEMENT OF NET POSITION

As of September 30, 2015

	Total	Town's Interest
ASSETS		
Cash and cash equivalents	\$ 1,622,936	\$ 308,358
Prepays	27,347	5,196
Capital assets:		
Construction in progress	4,002,674	760,508
Total Assets	<u>\$ 5,652,957</u>	<u>\$ 1,074,062</u>
LIABILITIES		
Accounts payable	\$ 233,929	\$ 44,447
Unearned revenue	1,396,501	265,335
Compensated absences	19,853	3,772
Total current liabilities	1,650,283	313,554
Fund balances:		
Unassigned	-	-
Total Liabilities and fund balances	1,650,283	313,554
NET POSITION	<u>\$ 4,002,674</u>	<u>\$ 760,508</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
As of September 30, 2015

	Total	Town's Interest
Operating contributions	\$ 821,382	\$ 156,063
Capital contributions	2,490,265	473,150
General & administrative current expenses	928,973	176,505
Changes in Net Position	2,382,674	452,708
Net position at beginning of year	1,620,000	307,800
Net Position at end of year	<u>\$ 4,002,674</u>	<u>\$ 760,508</u>

Additionally, the Cities have entered into an inter-local agreement to jointly procure a public safety radio system. While this agreement did not include the formation of a separate legal joint venture entity, it is possible that this system may be consolidated into the NTECC in the future. The Town has financed its portion of construction funds with proceeds from Combination Tax and Revenue Certificates of Obligation, Series 2012. The Cities are responsible for funding a portion of the radio system in the proportions stated in the inter-local agreement. The Town of Addison's portion of the system costs at September 30, 2015 of \$2,588,620 is capitalized as construction in progress in the governmental activities on the government-wide Statement of Net Position.

G. Long-Term Debt

The long-term debt of the Town consisted of the following as of September 30, 2015:

	Governmental Activities	Business-type Activities
Combination Tax and Revenue Certificates of Obligation Series of 2008		
A series of 6,900 bonds at \$5,000 each dated May 1, 2008. The bonds were issued for the purpose of constructing improvements to (i) water, sewer, drainage, park and streets including sidewalks, street lighting, landscaping, extensions and relocations, and acquisition of land and rights-of-way; (ii) acquisition and construction of a water tower; (iii) acquisition of land for street and other municipal purposes (collectively with items (i) and (ii)); and (iv) payment of professional services of attorneys, financial advisors and other professionals in connection with the issuance of the certificates. The bonds mature serially through 2033 with interest rates ranging from 4% to 5%. The bonds are callable at par value plus accrued interest on or after February 15, 2018 in whole or in part in principal amounts of \$5,000. Bonds and interest are payable from a combination of Ad Valorem taxes and a limited pledge (not to exceed \$1,000) of surplus net revenues of the Town's Utility Fund.	23,148,849	7,166,151
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Refunding Bonds Series of 2011		
<p>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.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	4,455,000	-
Combination Tax and Revenue Certificates of Obligation Series of 2012		
<p>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.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	14,445,000	-

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	Governmental Activities	Business-type Activities
General Obligation Refunding and Improvement Bonds Series of 2012		
<p>A series of 4,518 bonds at \$5,000 each dated August 15, 2012. The bonds were issued to fund various public improvement projects up to \$19,830,000 to include construction, engineering, and other professional 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.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"; AMBAC Insured</p>	21,040,000	-
General Obligation Bonds, Tax-Exempt Series of 2013		
<p>A series of 933 bonds at \$5,000 each dated July 15, 2013. The bonds will be used to provide funds to (i) engineer, construct, improve, repairing, develop, extend and expand streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, included related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting and the acquisition of land therefore; (ii) acquire and improve of land and interest in land to provide improvements, additions and access to the Addison Municipal Airport, and (iii) pay the costs of issuing the Tax-Exempt Bonds. The bonds mature serially through 2033 with interest rates ranging from 2% to 5%.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	4,365,000	-
General Obligation Bonds Series 2013A (AMT)		
<p>A series of 375 bonds at \$5,000 each dated July 15, 2013. The bonds will be used to provide funds to: (i) acquire and improve of land and interests in land to provide improvements, additions and access to the Addison Municipal Airport, and (ii) pay the costs of issuing the AMT bonds. The bonds mature serially through 2018 with interest rates ranging from 2% to 2.25%.</p> <p>Ratings: Moody's "Aa1"; Standard & Poor's "AAA"</p>	1,745,000	-

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

	Governmental Activities	Business-type Activities
General Obligation Bonds Taxable Series of 2013B		
A series of 250 bonds at \$5,000 each dated July 15, 2013. The bonds, together with other available Town funds, will be used to provide funds to: (i) acquire and improve of land and interests in land to provide improvements, additions and access to the Addison Municipal Airport, and (ii) pay the costs of issuing the Taxable Bonds. The bonds mature serially through 2033 with interest rates ranging from 3.75% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	1,170,000	-
Combination Tax and Revenue Certificates of Obligation Series of 2013		
A series of 2,037 bonds at \$5,000 each dated July 15, 2013. The Certificates will be used for (i) (a) designing, acquiring, improving, constructing and renovating facilities and infrastructure at the Addison Municipal Airport and the acquisition and improvement of land and interests in land to provide improvements, additions and access to the airport, (b) designing, acquiring, improving, constructing, and renovating City drainage and stormwater infrastructure and facilities ((a) and (b) together, the "Project") and (ii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. The bonds mature serially through 2033 with interest rates ranging from 2% to 5%. Ratings: Moody's "Aa1"; Standard & Poor's "AAA"	-	9,485,000
General Obligation Bonds, Tax-Exempt Series 2014		
A series of 2,400 bonds at \$5,000 each dated February 15, 2014. The bonds will be used to provide funds for: (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; relocating utilities currently located in or adjacent to the Belt Line Road right-of-way and acquiring, constructing, and developing Belt Lind 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"	11,805,000	-

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 will be used 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%.	-	7,455,000
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
General Obligation Refunding Bonds Series 2014 (AMT)		
A series of 429 bonds at \$5,000 each dated February 15, 2014. The bonds will be used 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%.	-	1,805,000
Ratings: Moody's "Aa1"; Standard & Poor's "AAA"		
TOTAL LONG-TERM DEBT OUTSTANDING	<u><u>\$ 82,173,849</u></u>	<u><u>\$ 25,911,151</u></u>

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 48,985	\$ -	\$ (4,405)	\$ 44,580	\$ 4,210
Premium on General Obligation Bonds	3,938	-	(309)	3,629	-
Discount on General Obligation Bonds	(56)	-	4	(52)	-
Certificates of Obligation	38,662	-	(1,068)	37,594	1,590
Premium on Certificates of Obligation	20	-	(1)	19	-
Discount on Certificates of Obligation	(103)	-	4	(99)	-
Net Pension Liability	-	17,634	-	17,634	-
Compensated Absences	821	901	(821)	901	99
Net OPEB Obligation	429	199	(163)	465	-
Long-Term Liabilities – Governmental Activities	<u>\$ 92,696</u>	<u>\$ 18,734</u>	<u>\$ (6,759)</u>	<u>\$ 104,671</u>	<u>\$ 5,899</u>
Business-type Activities:					
General Obligation Refunding Bonds	\$ 2,145	\$ -	\$ (340)	\$ 1,805	\$ 345
(Payable from levy of Ad Valorem tax)					
Combination Tax and Revenue Certificates of Obligation	2,815	-	(105)	2,710	110
(Payable from levy of Ad Valorem tax)					
Premium on Combination Tax and Revenue C.O.	122	-	(7)	115	-
Combination Tax and Revenue Certificates of Obligation	15,003	-	(382)	14,621	549
(Payable from utility system revenues)					
Premium on Combination Tax and Revenue C.O.	38	-	(3)	35	-
Combination Tax and Revenue Certificates of Obligation	7,040	-	(265)	6,775	270
(Payable from storm water system revenues)					
Premium on Combination Tax and Revenue C.O.	304	-	(17)	287	-
Note Payable	-	375	(10)	365	62
Net Pension Liability	-	1,025	-	1,025	-
Compensated Absences	45	58	(45)	58	1
Long-Term Liabilities – Business-type Activities	<u>\$ 27,512</u>	<u>\$ 1,458</u>	<u>\$ (1,174)</u>	<u>\$ 27,796</u>	<u>\$ 1,337</u>

The Town intends to retire all of its general obligation bonds (other than those recorded in the enterprise funds), plus interest, from future Ad Valorem tax levies, interest income, and transfers from other funds. The Town is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. There is \$831,366 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 an annual principal only payment of \$62,500 for years 2016 through 2019 and 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, 2015.

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

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds:				
2016	\$ 4,210,000	\$ 1,650,208	\$ 345,000	\$ 22,875
2017	3,980,000	1,527,720	350,000	19,400
2018	3,205,000	1,410,626	360,000	15,400
2019	2,615,000	1,303,217	370,000	10,375
2020	1,710,000	1,221,748	380,000	3,800
2021-2025	9,380,000	5,020,184	-	-
2026-2030	11,710,000	2,749,660	-	-
2031-2035	7,770,000	457,767	-	-
2036-2037	-	-	-	-
	<u>\$ 44,580,000</u>	<u>\$ 15,341,130</u>	<u>\$ 1,805,000</u>	<u>\$ 71,850</u>
Certificates of Obligation:				
2016	\$ 1,590,151	\$ 1,431,135	\$ 929,850	\$ 924,197
2017	1,638,331	1,376,949	961,669	900,709
2018	1,704,148	1,319,108	990,852	876,112
2019	1,763,782	1,263,849	1,031,218	849,333
2020	1,823,417	1,206,405	1,071,583	818,277
2021-2025	10,270,602	4,942,242	6,094,398	3,429,096
2026-2030	10,434,299	2,719,027	7,415,701	1,983,681
2031-2035	7,174,119	747,360	5,610,880	410,936
2036-2037	1,195,000	40,753	-	-
	<u>\$ 37,593,849</u>	<u>\$ 15,046,828</u>	<u>\$ 24,106,151</u>	<u>\$ 10,192,341</u>

H. Property Under Operating Leases

The Town leases land with a book value of \$63,560 to tenants under non-cancelable lease agreements. The following is a schedule by year of minimum lease rental receipts as of September 30, 2015.

2015	2016	2017	Thereafter	Total
\$ 260,000	\$ 260,000	\$ 220,000	\$ 35,000	\$ 775,000

I. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2015 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 519,753	\$ -
Grant Fund	-	226,753 Loan for grant expenditures, reimbursement expected in next year
Hotel Fund	-	293,000 Loan for HVAC system, reimbursement expected in next year
Total	<u>\$ 519,753</u>	<u>\$ 519,753</u>

Town of Addison, Texas
Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Transfers between funds during the year ended September 30, 2015 were comprised of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ -	\$ 4,000,000	For capital projects
General Fund	-	15,000	For economic development
Capital Project Fund	4,000,000	-	For capital projects
Economic Development Fund	15,000	-	For economic development
Economic Development Fund	500,282	-	For economic development
Hotel Fund	-	500,282	For economic development
Hotel Fund	-	710,800	For payment of debt service
Hotel Debt Service Fund	710,800	-	For payment of debt service
<i>Total Transfers</i>	<u>\$ 5,226,082</u>	<u>\$ 5,226,082</u>	

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 2015, 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. During fiscal year 2008, the one remaining claim met the stop-loss of \$175,000, and the Town has no future liability for this claim.

For the period of October to December 2014, 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. For the period of January 1, to September 30, 2015, the Town offered health benefits through one of two plans operated by Aetna, employees were able to choose either a PPO (preferred provider organization) or an HSA (high deductible health savings account). The Town also offers a dental plan through Delta Dental. The HMO, PPO, and dental plans are funded by joint contributions from the employees and the Town and are accounted for in the respective operating funds.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION (CONTINUED)

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, 2015

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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	169
Inactive employees entitled to but not yet receiving benefits	179
Active employees	<u>256</u>
Total	<u>604</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 2015 of 9.91%, and 2014 was 9.93%. Accordingly, contributions to TMRS for the years ended September 30, 2015 and 2014 were \$1,777,431 and \$1,816,613, respectively and were equal to the required contribution.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2015

IV. OTHER INFORMATION (CONTINUED)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, 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, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. 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:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return (Arithmetic)
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	100.0%	

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 7.00%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). A single discount rate of 7.0% was used to measure the total pension liability as of December 31, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 124,907,757	\$ 107,639,477	\$ 17,268,280
Changes for the year:			
Service cost	2,819,937	-	2,819,937
Interest	8,660,470	-	8,660,470
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(987,858)	-	(987,858)
Changes of assumptions	-	-	-
Contributions - employer	-	1,789,255	(1,789,255)
Contributions - employee	-	1,224,976	(1,224,976)
Net investment income	-	6,157,338	(6,157,338)
Benefit payments, including refunds of employee contributions	(5,193,445)	(5,193,445)	-
Administrative expense	-	(64,289)	64,289
Other	-	(5,286)	5,286
Net changes	5,299,104	3,908,549	1,390,555
Balance at 12/31/2014	\$ <u>130,206,861</u>	\$ <u>111,548,026</u>	\$ <u>18,658,835</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 7.0% 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Town's net pension liability	\$ 37,218,667	\$ 18,658,835	\$ 3,487,151

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the Town recognized pension expense of \$2,844,538. At September 30, 2015, 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	\$	\$ (766,668)
Contributions subsequent to the measurement date	1,498,949	
Difference between projected and actual investment earnings	1,101,940	
Total	\$ <u>2,600,889</u>	\$ <u>(766,668)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,498,949 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e., recognized in the Town's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended Dec 31	Net deferred outflows (inflows) of resources
2015	\$ 54,295
2016	54,295
2017	54,295
2018	172,387
2019	-
Thereafter	-
Total	\$ <u>335,272</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION (CONTINUED)

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 2015 contribute \$377 to \$1,323 per month depending on coverage levels selected. In fiscal year 2015, total retiree contributions were \$104,626.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit (OPEB) cost (expense) for the health plan is calculated based on the annual required contribution (ARC) of the Town, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town of Addison utilized the actuarial services of Gabriel, Roeder, Smith & Company (GRS), a company who has been providing actuarial consulting services since 1938, under the shared services arrangement provided by GRS and North Central Texas Council of Governments. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the net OPEB obligation for 2015.

Annual Required Contribution	\$ 199,471
Interest on OPEB Obligation	23,864
Adjustment to ARC	<u>(22,110)</u>
Annual OPEB Cost (Expense)	201,225
Contributions Made	<u>(164,742)</u>
Change in OPEB Obligation	36,483
Net OPEB Obligation (Asset) – Beginning of Year	<u>428,990</u>
Net OPEB Obligation (Asset) – End of Year	<u>\$ 465,473</u>

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION (CONTINUED)

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, 2015 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>
2012	\$ 182,900	\$ 148,348	81.1%	\$ 386,542
2013	183,625	155,383	84.6%	414,784
2014	189,313	175,107	92.5%	428,990
2015	201,225	164,742	81.9%	465,473

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 \$17,479,153, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.2%. 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.

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.

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION (CONTINUED)

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. Restatement of Beginning Net Position

The beginning net position was restated for a liability of sales tax to be paid back to the State Comptrollers, and the implementation of GASB 68 which resulted in the recording of beginning net pension liability and beginning deferred outflow for contributions made after the measurement. The table below illustrates the effect of the sales tax payback liability and GASB 68 on the Town's net position for fiscal years 2015 and 2014.

	Fund Level			
	Government-wide Statement of Activities		Statement of Revenues, Expenses and Changes in Fund Balance	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
	Governmental Activities	Business-type Activities	General Fund	Utility Fund
Net position at September 30, 2014 as previously reported	\$ 148,280,261	\$ 86,409,432	\$ 64,850,372	\$ 35,213,988
Sales tax payback as of September 30, 2014	(624,085)		(624,085)	
Recording of net pension liability as of September 30, 2014	(14,983,921)	(870,537)		(870,537)
Net position at September 30, 2015 as restated	\$ 132,672,255	\$ 85,538,895	\$ 64,226,287	\$ 34,343,451

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION (CONTINUED)

F. New Accounting Pronouncements

The GASB has issued the following statements which became effective for fiscal year 2015.

Statement No. 68, Accounting and Financial Reporting for Pensions (effective for periods beginning after June 15, 2014) - The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state-and governmental entities and replaces Statements 27 and 50.

The 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 responsibly 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.





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 Fiscal Year (Previous years are not available)

	Measurement Year 2014
Total pension liability:	
Service cost	\$ 2,819,937
Interest (on the Total Pension Liability)	8,660,470
Changes in benefit terms	-
Difference between expected and actual experience	(987,858)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(5,193,445)</u>
Net change in total pension liability	5,299,104
Total pension liability - beginning	<u>124,907,757</u>
Total pension liability - ending (a)	<u>130,206,861</u>
Plan fiduciary net position:	
Contributions - employer	1,789,255
Contributions - employee	1,224,976
Net investment income	6,157,338
Benefit payments, including refunds of employee contributions	(5,193,445)
Administrative expense	(64,289)
Other	<u>(5,286)</u>
Net change in plan fiduciary net position	3,908,549
Plan fiduciary net position - beginning	<u>107,639,477</u>
Plan fiduciary net position - ending (b)	<u>111,548,026</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,658,835</u>
Plan fiduciary net position as a percentage of total pension liability	85.67%
Covered employee payroll	\$ 17,479,153
Net pension liability as a percentage of covered employee payroll	106.75%
As of December 31	

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System
Schedule of Contributions (Unaudited)
September 30, 2015

	(1)	(2)	(3) = (2) - (1)	(4)	(5) = (1) / (4)	(6) = (2) / (4)
Fiscal Year	Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contribution excess (deficiency)	Covered employee payroll	Actuarially determined contributions as a percentage of covered employee payroll	Contributions as a percentage of covered employee payroll
2006	\$1,885,203	\$ 1,885,203	\$ -	\$ 13,330,709	14.14%	14.14%
2007	1,884,965	1,884,965	-	13,753,045	13.71%	13.71%
2008	1,974,491	1,974,491	-	14,455,362	13.66%	13.66%
2008	1,974,491	1,974,491	-	14,455,362	13.66%	13.66%
2009	2,123,822	2,123,822	-	16,237,145	13.08%	13.08%
2010	2,240,980	2,240,980	-	16,810,483	13.33%	13.33%
2011	2,238,741	2,238,741	-	16,680,756	13.42%	13.42%
2012	1,934,462	1,934,462	-	15,787,262	12.25%	12.25%
2013	1,763,244	1,763,244	-	15,598,079	11.30%	11.30%
2014	1,804,359	1,804,359	-	17,763,954	10.87%	10.87%
2015	1,874,383	1,874,383	-	18,804,927	10.72%	10.72%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumption Used to Determine Contribution Rate for 2015:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 year smoothed market: 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
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
Granted 70% ad hoc COLA

Town of Addison, Texas
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Health Plan
Analysis of Funding Progress (Unaudited)
September 30, 2015

		(1)	(2)		(3) = (2) - (1)	(4)	(5) = (3)/(4)
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	12/31/08	\$ -	\$ 2,749,111	0.00%	\$ 2,749,111	\$ 15,764,082	17.44%
2011	12/31/10	-	1,968,533	0.00%	1,968,533	15,557,784	12.65%
2013	12/31/12	-	2,003,539	0.00%	2,003,539	15,598,079	12.84%
2015	12/31/14	-	2,137,029	0.00%	2,137,029	16,603,192	12.87%

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







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.

Town of Addison, Texas
Non-Major Governmental Funds

Non-Major Governmental Funds
Combining Balance Sheet
September 30, 2015

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	Total Nonmajor Governmental Funds
ASSETS:						
Cash and Investments	\$ 344,295	\$ 21,354	\$ 23,378	\$ 811,404	\$ -	\$ 1,200,431
Receivables:						
Ad Valorem Taxes, Including Interest and Penalties,	-	-	-	10,543	-	10,543
Net	234	15	16	568	-	833
Interest	-	-	-	-	229,837	229,837
Intergovernmental	-	-	-	-	229,837	229,837
Total Assets	\$ 344,529	\$ 21,369	\$ 23,394	\$ 822,515	\$ 229,837	\$ 1,441,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:						
Liabilities:						
Accounts Payable and Accrued Liabilities	85,537	-	-	59,153	-	144,690
Interfund Payable	-	-	-	-	226,753	226,753
Total Liabilities	85,537	-	-	59,153	226,753	371,443
Deferred Inflows of Resources:						
Unavailable Resources	-	2,179	-	10,543	994	13,716
Total Deferred Inflows of Resources	-	2,179	-	10,543	994	13,716
Fund Balances:						
Restricted:						
Child Safety	88,479	-	-	-	-	88,479
Justice Administration	28,893	-	-	-	-	28,893
Court Technology	77,831	-	-	-	-	77,831
Building Security	63,789	-	-	-	-	63,789
Court Security	-	19,190	-	-	-	19,190
Public Safety	-	-	23,394	-	2,090	25,484
Committed:						
Economic Development	-	-	-	752,819	-	752,819
Total Fund Balance	258,992	19,190	23,394	752,819	2,090	1,056,485
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 344,529	\$ 21,369	\$ 23,394	\$ 822,515	\$ 229,837	\$ 1,441,644

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, 2015

	Municipal Court Fund	Public Safety Fund	Advanced Funding Grant Fund	Economic Development Fund	Reimbursement Grant Fund	Total Nonmajor Governmental Funds
REVENUES:						
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ 969,714	\$ -	\$ 969,714
Intergovernmental	-	-	5,421	-	16,938	22,359
Service Fees	-	-	-	68,395	-	68,395
Fines and Forfeitures	38,955	-	-	-	-	38,955
Earnings on Investments	1,528	89	99	3,844	-	5,560
Total Revenues	40,483	89	5,520	1,041,953	16,938	1,104,983
EXPENDITURES:						
Public Safety	-	84	4,013	-	17,963	22,060
Municipal Court	60,426	-	-	-	-	60,426
Economic Development	-	-	-	1,281,649	-	1,281,649
Total Expenditures	60,426	84	4,013	1,281,649	17,963	1,364,135
Excess/(Deficiency) of Revenues over Expenditures	(19,943)	5	1,507	(239,696)	(1,025)	(259,152)
OTHER FINANCING SOURCES/(USES):						
Transfers In	-	-	-	515,282	-	515,282
Total Other Financing Sources/(Uses)	-	-	-	515,282	-	515,282
Net Change in Fund Balance	(19,943)	5	1,507	275,586	(1,025)	256,130
Fund Balances at Beginning of Year	278,935	19,185	21,887	477,233	3,115	800,355
Fund Balances at End of Year	\$ 258,992	\$ 19,190	\$ 23,394	\$ 752,819	\$ 2,090	\$ 1,056,485

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, 2015
With Comparative Actual Totals for 2014

	2015				2014
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Court Awards	\$ 10,700	\$ 10,700	\$ 9,788	\$ (912)	\$ 8,861
Building Security Fees	15,500	15,500	12,497	(3,003)	15,414
Court Technology Fees	20,500	20,500	16,670	(3,830)	20,556
Earnings on Investments	2,700	2,700	1,528	(1,172)	1,238
Total Revenues	49,400	49,400	40,483	(8,917)	46,069
EXPENDITURES:					
Salaries and Fringe Benefits	25,000	25,000	14,371	10,629	14,665
Supplies	50,000	17,000	381	16,619	-
Maintenance and Materials	14,000	12,000	24,199	(12,199)	16,213
Contractual Services	8,000	8,000	-	8,000	-
Capital Outlay	-	35,000	21,475	13,525	-
Total Expenditures	97,000	97,000	60,426	36,574	30,878
Net Change in Fund Balance	(47,600)	(47,600)	(19,943)	27,657	15,191
Fund Balance at Beginning of Year	278,935	278,935	278,935	-	263,744
Fund Balances at End of Year	\$ 231,335	\$ 231,335	\$ 258,992	\$ 27,657	\$ 278,935

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, 2015
With Comparative Actual Totals for 2014

	2015			2014
	Budget		Actual GAAP	Variance With Final Budget Positive (Negative)
	Original	Final	Basis	Actual GAAP Basis
REVENUES:				
Court Awards	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Earnings on Investments	50	50	89	39
Total Revenues	4,050	4,050	89	(3,961)
EXPENDITURES:				
General Government				
Supplies	-	-	-	-
Contractual Services	-	-	-	-
Public Safety				
Supplies	5,000	5,000	-	5,000
Contractual Services	-	-	84	(84)
Total Expenditures	5,000	5,000	84	4,916
Net Change in Fund Balance	(950)	(950)	5	955
Fund Balance at Beginning of Year	19,185	19,185	19,185	-
Fund Balances at End of Year	\$ 18,235	\$ 18,235	\$ 19,190	\$ 955

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, 2015
With Comparative Actual Totals for 2014

	2015				2014
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental	\$ -	\$ -	\$ 5,421	\$ 5,421	\$ -
Service Fees	-	-	-	-	4,639
Earnings on Investments	-	-	99	99	74
Total Revenues	-	-	5,520	5,520	4,713
EXPENDITURES:					
Contractual Services	5,000	5,000	4,013	987	-
Total Expenditures	5,000	5,000	4,013	987	-
Net Change in Fund Balance	(5,000)	(5,000)	1,507	6,507	4,713
Fund Balance at Beginning of Year	21,887	21,887	21,887	-	17,174
Fund Balances at End of Year	\$ 16,887	\$ 16,887	\$ 23,394	\$ 6,507	\$ 21,887

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, 2015
With Comparative Actual Totals for 2014

	2015				2014
	Budget		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Ad Valorem Taxes	\$ 1,000,030	\$ 1,000,030	\$ 969,714	\$ (30,316)	\$ 775,226
Service Fees	70,000	70,000	68,395	(1,605)	-
Fines and Forfeitures	-	-	-	-	65,205
Earnings on Investments	1,660	1,660	3,844	2,184	1,986
Total Revenues	1,071,690	1,071,690	1,041,953	(29,737)	842,417
EXPENDITURES:					
Salaries and Fringe Benefits	359,774	359,774	354,316	5,458	281,097
Supplies	32,600	32,600	20,853	11,747	6,893
Maintenance and Materials	91,230	91,230	62,448	28,782	5,518
Contractual Services	1,088,640	1,133,640	824,884	308,756	729,007
Capital Replacement	19,150	19,150	19,148	2	7,070
Total Expenditures	1,591,394	1,636,394	1,281,649	354,745	1,029,585
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(519,704)	(564,704)	(239,696)	325,008	(187,168)
Other financing sources (uses)					
Transfers In	515,282	515,282	515,282	-	-
Total other financing sources (uses)	515,282	515,282	515,282	-	-
Net Change in Fund Balance	(4,422)	(49,422)	275,586	325,008	(187,168)
Fund Balance at Beginning of Year	477,233	477,233	477,233	-	664,401
Fund Balances at End of Year	\$ 472,811	\$ 427,811	\$ 752,819	\$ 325,008	\$ 477,233



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, 2015

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Investments	\$ 3,568,731	\$ 2,334,135	\$ 5,902,866
Interest Receivable	2,413	1,532	3,945
Total Current Assets	<u>3,571,144</u>	<u>2,335,667</u>	<u>5,906,811</u>
Non-Current Assets:			
Capital Assets:			
Machinery and Equipment	8,244,834	6,852,050	15,096,884
Accumulated Depreciation	<u>(5,805,029)</u>	<u>(5,420,466)</u>	<u>(11,225,495)</u>
Total Capital Assets, Net of Accumulated Depreciation	2,439,805	1,431,584	3,871,389
Construction in Progress	<u>-</u>	<u>665,771</u>	<u>665,771</u>
Total Assets	<u>6,010,949</u>	<u>4,433,022</u>	<u>10,443,971</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	<u>78</u>	<u>5,554</u>	<u>5,632</u>
NET POSITION:			
Net Investment in Capital Assets	2,439,805	2,097,355	4,537,160
Unrestricted	<u>3,571,066</u>	<u>2,330,113</u>	<u>5,901,179</u>
Total Net Position	<u>\$ 6,010,871</u>	<u>\$ 4,427,468</u>	<u>\$ 10,438,339</u>

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended September 30, 2015

	<u>Capital Replacement</u>	<u>Information Technology Replacement</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES:			
Department Contributions	\$ 800,000	\$ 750,000	\$ 1,550,000
Total Operating Revenues	<u>800,000</u>	<u>750,000</u>	<u>1,550,000</u>
OPERATING EXPENSES:			
Supplies	-	337	337
Contractual Services	5,504	22,809	28,313
Total Operating Expenses (Excluding Depreciation)	<u>5,504</u>	<u>23,146</u>	<u>28,650</u>
Depreciation	524,265	339,924	864,189
Total Operating Expenses	<u>529,769</u>	<u>363,070</u>	<u>892,839</u>
OPERATING INCOME/LOSS	<u>270,231</u>	<u>386,930</u>	<u>657,161</u>
NON-OPERATING REVENUES/(EXPENSES):			
Investment Income/(Expense)	14,275	11,335	25,610
Sale of Assets	12,000	-	12,000
Total Non-Operating Revenues/(Expenses)	<u>26,275</u>	<u>11,335</u>	<u>37,610</u>
CHANGE IN NET POSITION	296,506	398,265	694,771
Net Position at Beginning of Year, as Restated	<u>5,714,365</u>	<u>4,029,203</u>	<u>9,743,568</u>
Net Position at End of Year	<u>\$ 6,010,871</u>	<u>\$ 4,427,468</u>	<u>\$ 10,438,339</u>

Town of Addison, Texas
Proprietary Funds - Internal Service Funds

Internal Service Funds
Combining Statement of Cash Flows
Year Ended September 30, 2015

	Capital Replacement	Information Technology Replacement	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Department Contributions	\$ 800,000	\$ 750,000	\$ 1,550,000
Payments to Suppliers	(72,920)	(66,131)	(139,051)
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>727,080</u>	<u>683,869</u>	<u>1,410,949</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(985,752)	(1,644,659)	(2,630,411)
Proceeds from Sale of Capital Assets	12,000	-	12,000
<i>Net Cash Provided/(Used) by Capital and Related Financing Activities</i>	<u>(973,752)</u>	<u>(1,644,659)</u>	<u>(2,618,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Cash and Investments	<u>14,324</u>	<u>11,925</u>	<u>26,249</u>
<i>Net Cash Provided/(Used) by Investing Activities</i>	<u>14,324</u>	<u>11,925</u>	<u>26,249</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	<u>(232,348)</u>	<u>(948,865)</u>	<u>(1,181,213)</u>
Cash and Cash Equivalents, October 1	3,801,079	3,283,000	7,084,079
Cash and Cash Equivalents, September 30	<u>\$ 3,568,731</u>	<u>\$ 2,334,135</u>	<u>\$ 5,902,866</u>
Reconciliation of Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 270,231	\$ 386,930	\$ 657,161
Adjustments to Reconcile Income/(Loss) from Operations to Net Cash Provided/(Used) by Operating Activities:			
Depreciation	524,265	339,924	864,189
Change in Assets and Liabilities:			
Increase/(Decrease) in Accounts Payable	(67,416)	(42,985)	(110,401)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 727,080</u>	<u>\$ 683,869</u>	<u>\$ 1,410,949</u>

Capital Assets Used in Operations of Governmental Funds

Town of Addison, Texas
Capital Assets Used in Operations by Governmental Funds

**COMPARATIVE SCHEDULE OF CAPITAL ASSETS
BY SOURCE**

September 30, 2015 and 2014

	2015	2014
GENERAL CAPITAL ASSETS:		
Property and Equipment in Service:		
Land	\$ 66,245,286	\$ 66,233,100
Buildings	22,026,374	22,026,374
Improvements Other Than Buildings	169,186,368	165,224,676
Equipment	18,714,243	3,459,978
<i>Total Property and Equipment in Service</i>	<u>276,172,271</u>	<u>256,944,128</u>
Construction in Progress	12,439,161	8,108,551
 <i>Total Capital Assets</i>	 <u><u>\$ 288,611,432</u></u>	 <u><u>\$ 265,052,679</u></u>
 INVESTMENT IN GENERAL CAPITAL ASSETS BY SOURCE:		
Capital Projects Funds:		
General Obligation Bonds	\$ 106,930,459	\$ 99,706,788
Certificates of Obligation Bonds	38,472,259	38,472,259
Revenue Bonds	5,165,573	5,165,573
DART Grant	14,996,322	14,996,322
State Grant	530,821	530,821
Federal Grant	35,087	35,087
Contributions by Developers	60,993,430	60,993,430
Property Owners' Participation	1,026,857	1,026,857
Other Governments	7,391,728	7,391,728
General Fund:		
Revenues	36,932,905	20,884,370
Special Revenue Funds	14,405,585	14,352,843
Infrastructure Fund	233,805	-
Debt Service Fund	30,893	30,893
Donations	1,465,708	1,465,708
 <i>Total Investment in General Capital Assets</i>	 <u><u>\$ 288,611,432</u></u>	 <u><u>\$ 265,052,679</u></u>

This schedule presents only the capital asset balances related to governmental funds.
Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts.

Town of Addison, Texas
Capital Assets Used in Operations by Governmental Funds

SCHEDULE OF CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
September 30, 2015

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Equipment	Total
GENERAL GOVERNMENT:					
City Manager	\$ 881,309	\$ 441,699	\$ 16,705	\$ 39,898	\$ 1,379,611
Financial & Strategic Services	663,561	653,868	-	58,435	1,375,864
General Services	-	1,397,134	21,099	243,404	1,661,637
Municipal Court	-	-	21,475	90,484	111,959
Human Resources	-	202,433	5,499	9,887	217,819
City Council Special Projects	-	-	-	1,623	1,623
<i>Total General Government</i>	<u>1,544,870</u>	<u>2,695,134</u>	<u>64,778</u>	<u>443,731</u>	<u>4,748,513</u>
PUBLIC SAFETY:					
Police	-	2,239,994	76,209	964,436	3,280,639
Fire	-	2,366,507	220,333	15,453,506	18,040,346
<i>Total Public Safety</i>	<u>-</u>	<u>4,606,501</u>	<u>296,542</u>	<u>16,417,942</u>	<u>21,320,985</u>
URBAN DEVELOPMENT	<u>-</u>	<u>161,946</u>	<u>10,998</u>	<u>18,648</u>	<u>191,592</u>
STREETS	<u>54,155,412</u>	<u>302,616</u>	<u>142,897,513</u>	<u>95,899</u>	<u>197,451,440</u>
PARKS AND RECREATION:					
Parks	3,983,561	531,800	14,374,315	128,942	19,018,618
Recreation	-	8,040,898	1,136,996	116,203	9,294,097
<i>Total Parks and Recreation</i>	<u>3,983,561</u>	<u>8,572,698</u>	<u>15,511,311</u>	<u>245,145</u>	<u>28,312,715</u>
VISITOR SERVICES:					
Visitor Services	-	-	172,918	34,037	206,955
Visit Addison	-	-	1,605,772	50,263	1,656,035
Conference Centre/Theatre	2,680,636	5,687,479	8,531,958	1,401,436	18,301,509
Special Events	3,880,807	-	94,578	7,144	3,982,529
<i>Total Visitor Services</i>	<u>6,561,443</u>	<u>5,687,479</u>	<u>10,405,226</u>	<u>1,492,880</u>	<u>24,147,028</u>
<i>Balance at End of Year</i>	<u>\$ 66,245,286</u>	<u>\$ 22,026,374</u>	<u>\$ 169,186,368</u>	<u>\$ 18,714,245</u>	<u>\$ 276,172,273</u>
Construction in Progress					<u>12,439,161</u>
<i>Total General Capital Assets</i>					<u>\$ 288,611,434</u>

This schedule presents only the capital asset balances related to governmental funds.
Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts.

Town of Addison, Texas
Capital Assets Used in Operations by Governmental Funds

**SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTION AND ACTIVITY**

For the fiscal year ended September 30, 2015

Function and Activity	Balance 9/30/2014	Additions	Deletions	Transfers	Balance 9/30/2015
GENERAL GOVERNMENT:					
City Manager	\$ 1,379,611	\$ -	\$ -	\$ -	\$ 1,379,611
Financial & Strategic Services	1,375,864	-	-	-	1,375,864
General Services	1,616,376	45,261	-	-	1,661,637
Municipal Court	90,484	21,475	-	-	111,959
Human Resources	217,819	-	-	-	217,819
City Council Special Projects	1,623	-	-	-	1,623
<i>Total General Government</i>	<u>4,681,777</u>	<u>66,736</u>	<u>-</u>	<u>-</u>	<u>4,748,513</u>
PUBLIC SAFETY:					
Police	3,233,460	47,139	-	-	3,280,599
Fire	17,996,965	43,421	-	-	18,040,386
<i>Total Public Safety</i>	<u>21,230,425</u>	<u>90,560</u>	<u>-</u>	<u>-</u>	<u>21,320,985</u>
URBAN DEVELOPMENT	<u>191,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,592</u>
STREETS	<u>193,557,439</u>	<u>66,412</u>	<u>-</u>	<u>-</u>	<u>193,623,851</u>
PARKS AND RECREATION:					
Parks	19,006,431	12,187	-	-	19,018,618
Recreation	9,257,586	36,511	-	-	9,294,097
<i>Total Parks and Recreation</i>	<u>28,264,017</u>	<u>48,698</u>	<u>-</u>	<u>-</u>	<u>28,312,715</u>
VISITOR SERVICES:					
Visitor Services	206,955	-	-	-	206,955
Visit Addison	1,656,035	-	-	-	1,656,035
Conference Centre/Theatre	18,270,245	31,264	-	-	18,301,509
Special Events	3,982,529	-	-	-	3,982,529
<i>Total Visitor Services</i>	<u>24,115,764</u>	<u>31,264</u>	<u>-</u>	<u>-</u>	<u>24,147,028</u>
<i>Total General Capital Assets Allocated by Function</i>	<u>272,041,014</u>	<u>303,670</u>	<u>-</u>	<u>3,827,589</u>	<u>276,172,273</u>
Construction in Progress	<u>8,774,322</u>	<u>7,720,433</u>	<u>(228,005)</u>	<u>(3,827,589)</u>	<u>12,439,161</u>
<i>Total General Capital Assets</i>	<u>\$ 280,815,336</u>	<u>\$ 8,024,103</u>	<u>\$ (228,005)</u>	<u>\$ -</u>	<u>\$ 288,611,434</u>

This schedule presents only the capital asset balances related to governmental funds.
Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts.





STATISTICAL SECTION

Town of Addison, Texas
Statistical Section

Table 1

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 117,537,709	\$ 117,446,984	\$ 117,389,355	\$ 120,308,686	\$ 123,041,354	\$ 129,261,976	\$ 129,471,095	\$ 135,260,723	\$ 120,034,622	\$ 121,444,364
Restricted for:										
Debt Service	1,578,392	1,569,846	781,304	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279
Promotion of Tourism and Hotel Industry	-	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271
Child Safety	-	-	-	-	-	-	30,635	30,635	101,664	190,635
Justice Administration	-	-	-	-	-	-	93,472	93,472	31,898	63,638
Court Technology	-	-	-	-	-	-	77,179	74,895	79,591	91,942
Building Security	-	-	-	-	-	-	66,716	64,742	65,782	176,512
Court Security	-	-	-	-	-	-	-	-	19,185	19,190
Other purposes	-	-	-	-	-	-	32,449	22,235	-	25,484
Unrestricted	20,148,886	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
Total Net Position - Governmental Activities	\$ 139,264,987	\$ 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
Business-type Activities										
Net Investment in Capital Assets	\$ 36,416,684	\$ 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
Unrestricted	7,105,849	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
	\$ 43,522,533	\$ 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
Primary Government										
Net Investment in Capital Assets	\$ 153,954,393	\$ 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
Restricted for:										
Debt Service	1,578,392	1,569,846	781,304	918,483	-	1,007,330	1,698,555	904,422	606,471	555,279
Promotion of Tourism and Hotel Industry	-	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271
Child Safety	-	-	-	-	-	-	30,635	30,635	101,664	190,635
Justice Administration	-	-	-	-	-	-	93,472	93,472	31,898	63,638
Court Technology	-	-	-	-	-	-	77,179	74,895	79,591	91,942
Building Security	-	-	-	-	-	-	66,716	64,742	65,782	176,512
Court Security	-	-	-	-	-	-	-	-	19,185	19,190
Other purposes	-	-	-	-	-	-	32,449	22,235	-	25,484
Unrestricted	27,254,735	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
Total Net Position - Primary Government	\$ 182,787,520	\$ 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

SOURCE: Town of Addison Comprehensive Annual Financial Reports



Town of Addison, Texas
Statistical Section

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

	2006	2007	2008	2009
Expenses				
Governmental Activities:				
General Government	\$ 6,251,658	\$ 5,769,960	\$ 6,405,494	\$ 6,527,735
Public Safety	12,641,284	13,452,066	13,994,387	14,743,542
Development Services	549,107	833,330	940,555	856,793
Streets	4,562,905	5,072,907	5,269,124	4,998,440
Parks and Recreation	4,305,515	4,054,147	4,759,378	5,119,320
Visitor Services	6,151,819	6,370,107	6,928,724	6,687,392
Interest on Long-Term Debt	1,755,697	1,598,951	2,127,985	2,420,908
Total Governmental Activities	36,217,985	37,151,468	40,425,647	41,354,130
Business-type Activities:				
Airport	4,426,545	4,473,096	4,198,855	4,289,852
Utilities	8,182,476	8,512,308	8,782,702	8,539,106
Storm Water	-	-	-	-
Total Business-type Activities	12,609,021	12,985,404	12,981,557	12,828,958
Total Expenses - Primary Government	\$ 48,827,006	\$ 50,136,872	\$ 53,407,204	\$ 54,183,088
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 100,957	\$ 285,301	\$ 186,920	\$ 203,258
Public Safety	2,424,249	1,953,587	2,203,371	2,318,099
Development Services	651,408	743,201	798,006	429,681
Streets	206,134	318,731	333,645	350,587
Parks and Recreation	100,564	106,882	133,022	105,705
Visitor Services	1,657,987	2,054,468	2,149,274	1,829,964
Operating Grants and Contributions	1,440,734	369,544	561,992	2,044,979
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities	6,582,033	5,831,714	6,366,230	7,282,273
Business-type Activities:				
Charges for Services:				
Airport	4,062,398	4,203,815	4,061,347	3,989,304
Utilities	10,777,843	9,050,758	8,903,506	9,188,791
Storm Water	-	-	-	-
Operating Grants and Contributions	145,360	460,497	301,676	1,786,297
Capital Grants and Contributions	-	-	-	-
Total Business-type Activities	14,985,601	13,715,070	13,266,529	14,964,392
Total Program Revenues - Primary Government	\$ 21,567,634	\$ 19,546,784	\$ 19,632,759	\$ 22,246,665
Net (Expense)/Revenue				
Governmental Activities	\$ (29,635,952)	\$ (31,319,754)	\$ (34,059,417)	\$ (34,071,857)
Business-Type Activities	2,376,580	729,666	284,972	2,135,434
Total Net Expense - Primary Government	\$ (27,259,372)	\$ (30,590,088)	\$ (33,774,445)	\$ (31,936,423)
General Revenues				
Taxes:				
Property Taxes, Levied for General Purposes	\$ 13,297,948	\$ 13,587,051	\$ 14,310,671	\$ 15,711,056
Sales Taxes	10,936,530	11,691,786	11,619,637	10,838,895
Franchise Taxes	2,146,225	2,615,504	2,555,927	2,761,511
Hotel/Motel Taxes	4,679,099	5,203,080	5,204,247	3,958,238
Interest on Investments	1,354,575	1,700,412	1,504,162	1,383,743
Miscellaneous	311,705	374,662	509,092	325,634
Transfer	-	-	-	-
Total General Revenues	32,726,082	35,172,495	35,703,736	34,979,077
Business-type Activities				
Interest on Investments	335,828	388,070	260,533	214,492
Miscellaneous	76,553	(38,376)	16,337	9,148
Transfer	-	-	-	-
Total Business-type Activities	412,381	349,694	276,870	223,640
Change in Net Position				
Governmental Activities	3,090,130	3,852,741	1,644,319	907,220
Business-type Activities	2,788,961	1,079,360	561,842	2,359,074
Total Change in Net Position - Primary Government	\$ 5,879,091	\$ 4,932,101	\$ 2,206,161	\$ 3,266,294

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 2

2010	2011	2012	2013	2014	2015
\$ 6,876,385	\$ 6,709,095	\$ 6,485,716	\$ 7,021,312	\$ 7,938,875	\$ 8,730,944
14,550,333	14,914,759	15,130,157	15,229,474	15,765,099	16,820,899
938,059	866,023	879,253	925,830	932,247	1,032,105
5,277,938	4,913,524	5,028,071	8,387,857	6,450,628	8,105,373
4,502,295	4,742,946	4,963,327	5,062,784	5,597,254	5,517,049
6,027,442	6,431,136	6,852,198	7,239,033	7,358,141	6,106,103
2,423,732	2,261,571	2,548,945	3,054,940	3,037,574	3,018,672
40,596,184	40,839,054	41,887,667	46,921,230	47,079,818	49,331,145
4,181,256	4,387,384	4,526,398	5,188,321	6,027,300	5,893,611
8,529,681	8,633,217	9,178,844	9,459,791	10,317,160	10,748,886
-	-	-	234,257	768,016	848,354
12,710,937	13,020,601	13,705,242	14,882,369	17,112,476	17,490,851
\$ 53,307,121	\$ 53,859,655	\$ 55,592,909	\$ 61,803,599	\$ 64,192,294	\$ 66,821,996
\$ 266,954	\$ 143,529	\$ 208,734	\$ 225,731	\$ 235,233	\$ 688,005
2,094,280	1,899,711	2,225,165	1,611,320	1,506,770	945,217
835,808	1,213,741	956,089	888,908	904,895	1,015,053
332,330	2,299,731	378,982	384,303	390,453	400,561
108,113	107,387	114,164	114,866	102,288	82,681
2,183,247	2,007,821	2,429,686	2,379,812	2,195,803	1,890,522
230,290	223,792	164,749	73,578	19,093	25,806
1,348,141	3,429,804	568,285	-	-	158,253
7,399,163	11,325,516	7,045,854	5,678,518	5,354,535	5,206,098
4,289,225	4,526,593	4,255,547	4,505,430	4,857,759	5,138,479
8,806,069	10,740,568	11,128,700	10,802,692	9,953,099	9,877,262
-	-	-	1,307,573	1,640,615	1,726,526
-	-	-	-	-	-
1,102,850	9,668,165	1,258,798	9,331,840	7,660,647	1,025,835
14,198,144	24,935,326	16,643,045	25,947,535	24,112,120	17,768,102
\$ 21,597,307	\$ 36,260,842	\$ 23,688,899	\$ 31,626,053	\$ 29,466,655	\$ 22,974,200
\$ (33,197,021)	\$ (29,513,538)	\$ (34,841,813)	\$ (41,242,712)	\$ (41,725,283)	\$ (44,125,047)
1,487,207	11,914,725	2,937,803	11,065,166	6,999,644	277,251
\$ (31,709,814)	\$ (17,598,813)	\$ (31,904,010)	\$ (30,177,546)	\$ (34,725,639)	\$ (43,847,796)
\$ 15,900,631	\$ 15,772,858	\$ 17,400,696	\$ 17,975,149	\$ 19,484,538	\$ 20,385,225
9,987,439	10,604,803	11,988,116	13,029,712	14,222,194	14,104,584
2,578,154	2,792,601	2,699,520	3,021,899	2,806,656	2,828,420
3,666,781	4,000,786	4,295,149	4,575,083	5,011,671	5,510,406
339,986	148,966	99,065	133,140	130,419	181,811
2,474,485	772,276	769,837	461,641	613,432	590,619
-	-	-	-	(4,626,322)	-
34,947,476	34,092,290	37,252,383	39,196,624	37,642,588	43,601,065
11,065	(16,178)	(51,843)	(71,264)	(22,013)	100,928
18,732	10,145	405	(30,525)	7,232	512,888
-	-	-	-	4,626,322	-
29,797	(6,033)	(51,438)	(101,789)	4,611,541	613,816
1,750,455	4,578,752	2,410,570	(2,046,088)	(4,082,695)	(523,982)
1,517,004	11,908,692	2,886,365	10,963,377	11,611,185	891,067
\$ 3,267,459	\$ 16,487,444	\$ 5,296,935	\$ 8,917,289	\$ 7,528,490	\$ 367,085

Town of Addison, Texas
Statistical Section

Table 3

Fund Balances, Governmental Funds											
Last Ten Fiscal Years											
(Modified Accrual Basis of Accounting)											
(Unaudited)											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
General Fund											
Reserved	\$ 101,836	\$ 305,918	\$ 358,337	\$ 420,883	\$ 188,035	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonspendable:											
Inventories	-	-	-	-	-	87,835	114,733	44,486	66,933	63,176	
Prepaid Items	-	-	-	-	-	67,135	57,054	291,424	272,713	267,357	
Assigned for Other Purposes	-	-	-	-	-	61,193	23,061	-	-	-	
Unassigned	8,073,344	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	
Total General Fund	8,175,180	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	
All Other Governmental Funds											
Reserved	1,755,980	1,769,294	1,548,218	1,309,497	1,302,623	-	-	-	-	-	
Unreserved, Reported in:											
Special Revenue Funds	186,758	205,790	229,327	16,573	51,469	-	-	-	-	-	
Capital Project Funds	7,553,427	7,114,632	33,491,143	29,190,201	20,334,339	-	-	-	-	-	
Debt Service Funds	810,936	864,331	890,310	902,577	863,925	-	-	-	-	-	
Hotel Fund	4,639,050	5,382,310	5,715,693	4,635,799	4,423,339	-	-	-	-	-	
Nonspendable:											
Prepaid Items	-	-	-	-	-	-	36,974	-	-	-	
Restricted for:											
Debt Service	-	-	-	-	-	1,945,104	1,840,901	1,234,727	1,020,159	831,366	
Promotion of Tourism & Hotel Industry	-	-	-	-	-	-	1,993,040	1,942,378	1,682,165	2,529,271	
Capital Projects	-	-	-	-	-	9,851,762	39,654,624	41,716,425	45,239,484	40,901,630	
Child Safety	-	-	-	-	-	-	-	93,472	101,664	88,479	
Justice Administration	-	-	-	-	-	-	-	30,635	31,898	28,893	
Court Technology	-	-	-	-	-	83,827	201,286	74,895	79,591	77,831	
Building Security	-	-	-	-	-	72,462	66,716	64,742	65,782	63,789	
Court Security	-	-	-	-	-	-	-	-	19,185	19,190	
Other Purposes	-	-	-	-	-	45,500	36,793	22,235	-	25,484	
Committed for:											
Economic Development	-	-	-	-	-	358,676	516,823	664,401	477,233	752,819	
Assigned for:											
Other Purposes	-	-	-	-	-	27,603	(3,883)	(6,364)	3,115	-	
Unassigned	-	-	-	-	-	115,223	44,343,274	45,837,546	48,720,276	45,318,752	
Total All Other Governmental Funds	14,946,151	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	
Total Governmental Funds	\$ 23,121,331	\$ 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	

SOURCE: Town of Addison Comprehensive Annual Financial Reports

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



Town of Addison, Texas
Statistical Section

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

	2006	2007	2008	2009
REVENUES:				
Ad Valorem Taxes	\$ 13,293,707	\$ 13,629,796	\$ 14,367,964	\$ 15,636,534
Non-Property Taxes	15,586,851	16,719,036	16,841,525	14,478,768
Franchise Fees	2,681,263	2,615,504	2,555,927	2,761,511
Licenses and Permits	651,408	743,201	798,006	429,681
Intergovernmental	1,440,734	185,297	561,992	257,429
Service Fees	2,414,454	2,648,853	2,944,353	2,696,581
Fines and Forfeitures	1,185,093	1,239,873	1,297,064	1,322,196
Earnings on Investments	1,148,087	1,416,049	1,291,081	1,234,816
Contributions	-	184,247	-	-
Rental Charges	656,988	676,563	744,496	670,546
Recycling Proceeds	29,311	32,703	41,567	18,570
Other	194,943	333,005	333,101	90,574
<i>Total Revenues</i>	<u>39,282,839</u>	<u>40,424,127</u>	<u>41,777,076</u>	<u>39,597,206</u>
EXPENDITURES:				
Current:				
General Government	6,138,990	5,699,206	6,412,823	6,357,501
Public Safety	12,745,195	13,318,918	14,193,406	14,374,702
Development Services	563,271	770,557	884,770	864,234
Streets	1,421,464	1,476,582	1,805,175	2,356,219
Parks and Recreation	3,671,919	3,569,031	4,108,418	4,072,051
Visitor Services	5,801,404	6,040,917	6,512,965	6,216,141
Municipal Court	-	-	-	-
Economic Development	-	-	-	-
Debt Service:				
Principal Retirement	3,570,000	3,735,000	3,919,769	4,115,100
Interest and Fiscal Charges	1,747,186	1,628,447	1,624,105	2,808,332
Debt Issuance Costs	-	-	-	-
Capital Projects:				
Salaries and Fringe Benefits	50,461	52,304	36,908	4,325
Supplies	2,340	-	-	2,878
Maintenance and Materials	-	-	-	41,480
Contractual Services	-	-	-	-
Other	-	-	-	-
Engineering and Contractual Services	449,930	123,695	745,837	1,591,103
Construct and Equipment	4,796,080	1,110,279	2,232,634	3,573,333
<i>Total Expenditures</i>	<u>40,958,240</u>	<u>37,524,936</u>	<u>42,476,810</u>	<u>46,377,399</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>(1,675,401)</u>	<u>2,899,191</u>	<u>(699,734)</u>	<u>(6,780,193)</u>
OTHER FINANCING SOURCES/(USES):				
Proceeds from Refunding Bonds Issued	6,355,000	-	-	-
Payment to Refunded Bond Escrow Agent	(6,228,588)	-	-	-
Issuance of Debt	1,500,000	-	28,222,000	-
Discount on issuance of bonds	-	-	-	-
Bond Issuance Costs	(114,666)	-	-	-
Premium on Issuance of Bonds	-	-	27,833	-
Transfers In	968,890	706,710	700,000	896,489
Transfers Out	(968,890)	(706,710)	(700,000)	(979,528)
<i>Total Other Financing Sources/(Uses)</i>	<u>1,511,746</u>	<u>-</u>	<u>28,249,833</u>	<u>(83,039)</u>
Net Change in Fund Balance	<u>\$ (163,655)</u>	<u>\$ 2,899,191</u>	<u>\$ 27,550,099</u>	<u>\$ (6,863,232)</u>
Debt Service as a Percentage of Non-Capital Expenditures	15.00%	14.97%	14.14%	17.51%

SOURCE: Town of Addison Comprehensive Annual Financial Reports

Table 4

2010	2011	2012	2013	2014	2015
\$ 15,900,747	\$ 15,803,400	\$ 17,471,642	\$ 18,047,998	\$ 19,274,720	\$ 20,560,124
13,744,620	14,564,185	16,183,779	17,604,795	19,444,668	19,728,511
2,578,154	2,760,188	2,727,370	2,695,073	2,818,869	2,828,420
833,178	1,210,058	953,709	886,423	901,645	1,011,223
1,323,831	3,543,357	2,676,792	73,578	19,093	180,612
3,135,434	2,840,317	3,104,592	2,939,606	2,758,458	2,543,707
1,215,414	1,104,477	1,208,773	1,082,115	988,574	764,144
298,634	122,128	75,972	122,169	143,299	277,680
-	-	-	-	-	-
700,207	733,957	931,619	1,119,737	1,119,551	1,201,389
21,126	22,608	26,414	25,539	13,295	10,403
2,277,342	531,149	483,009	105,803	206,157	199,880
42,028,687	43,235,824	45,843,671	44,702,836	47,688,329	49,306,093
6,323,891	6,353,784	6,135,191	6,371,055	6,646,587	7,657,465
13,812,617	14,857,023	15,075,757	14,945,841	15,876,424	16,699,726
887,132	885,218	886,705	927,684	962,584	1,090,973
1,672,375	1,612,011	1,612,699	1,750,500	1,727,403	1,803,139
3,698,831	4,061,666	4,269,381	4,316,689	4,874,394	4,755,341
5,445,391	7,655,939	6,171,479	7,116,334	6,730,501	5,454,910
-	-	54,370	53,112	30,878	60,426
-	342,200	469,679	624,014	1,029,585	1,281,649
4,369,520	3,873,610	4,738,040	4,701,161	5,086,153	5,473,152
2,444,875	2,284,774	1,918,640	2,747,654	3,110,704	3,417,820
-	-	141,666	-	-	-
-	-	-	-	-	-
937	-	17,635	80,660	-	-
231,367	9,870	-	3,946	12,459	-
-	-	-	49	-	-
-	-	-	138,236	-	-
2,585,480	1,846,919	796,958	2,165,012	422,982	5,076,254
9,431,214	14,375,210	3,038,501	3,742,776	8,241,546	3,840,912
50,903,630	58,158,224	45,326,701	49,684,723	54,752,200	56,611,767
(8,874,943)	(14,922,400)	516,970	(4,981,887)	(7,063,871)	-
-	-	46,315,000	-	-	-
-	-	(14,834,842)	-	-	-
-	-	-	7,790,000	12,000,000	-
-	-	(632,482)	-	-	-
-	-	-	-	-	-
-	-	4,133,956	292,493	97,299	-
2,133,827	1,384,156	1,258,263	578,501	570,000	5,226,082
(2,133,827)	(1,384,156)	(3,074,679)	(578,501)	(570,000)	(5,226,082)
-	-	33,165,216	8,082,493	12,097,299	-
\$ (8,874,943)	\$ (14,922,400)	\$ 33,682,186	\$ 3,100,606	\$ 5,033,428	\$ -
17.63%	15.40%	16.32%	17.27%	16.11%	18.38%

**GENERAL GOVERNMENT 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
2006	\$ 28,880,558	\$ 2,681,263	\$ 651,408	\$ -	\$ 2,414,454	\$ 1,185,093	\$ 734,727	\$ 656,988	\$ 224,254	\$ 37,428,745
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

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

Notes: (1) Includes recycling fees and contributions.

Town of Addison, Texas

Table 6

Statistical Section

**GENERAL GOVERNMENTAL EXPENDITURES
BY FUNCTION**

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety ⁽¹⁾	Development Services	Streets	Parks and Recreation ⁽²⁾	Visitor Services ⁽³⁾	Economic Development	Debt Service	Total
2006	\$ 6,138,990	\$ 12,745,195	\$ 563,271	\$ 1,421,464	\$ 3,671,919	\$ 5,812,233	\$ -	\$ 5,431,852	\$ 35,784,924
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

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

Notes:

- (1) The Municipal Court Fund was created in fiscal year 2003. Beginning in 2003, Municipal Court expenditures are included in the Public Safety category.
- (2) 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.
- (3) 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
2006	\$ 13,293,707	\$ 9,941,386	\$ 966,366	\$ 2,681,263	\$ 4,679,099	\$ 31,561,821
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

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⁾
2006	2005	\$ 2,431,288,850	\$ 635,155,220	\$ (273,069,618)	\$ 2,793,374,452	\$ 0.4760
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

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
2006	\$ 0.3060	\$ 0.1700	\$ 0.4760	\$ 0.2192	\$ 0.0816	\$ 1.6884	\$ 1.8259	\$ 0.2540	2.7192
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

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
2006	2005	\$ 13,296,460	\$ 13,197,440	99.3%	\$ 23,531	\$ 13,220,971	99.4%
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%

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 (1)				
	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding Bonds	Certificates of Obligation									
2006	\$	36,724,769	\$	7,085,000	\$	15,805,231	\$	4,185,000	\$	82,734,769	13.84 %	\$	5,552.67
2007		33,469,769		6,605,000		14,090,231		3,960,000		74,979,769	12.07		4,916.71
2008		30,050,000		34,327,000		12,060,000		10,003,000		106,545,000	15.91		6,986.56
2009		26,495,000		33,766,900		9,950,000		9,748,100		97,810,000	16.87		7,299.25
2010		22,775,000		33,117,380		7,760,000		9,467,620		88,620,000	16.11		6,307.47
2011		19,575,000		32,443,770		5,275,000		9,176,230		79,440,000	15.54		6,082.70
2012	*	39,765,000		40,941,000		2,611,000		10,581,000		129,128,000	17.55		9,439.18
2013	*	44,157,000		39,719,000	-			20,732,000		104,608,000	13.59		8,012.25
2014	*	48,985,000		38,662,000	2,145,000			24,858,000		114,650,000	17.66		7,552.70
2015	*	44,580,000		37,593,849	1,805,000			24,106,151		108,085,000	17.30		7,120.22

* Presented net of original issuance discounts and premiums

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
2006	\$ 52,530,000	\$ 4,185,000	\$ 1,649,428	\$ 55,065,572	1.97	\$ 3,695.68
2007	47,560,000	3,960,000	1,613,153	49,906,847	1.65	3,272.58
2008	42,110,000	38,225,000	1,360,440	78,974,560	2.27	5,178.66
2009	36,445,000	37,925,000	1,082,061	73,287,939	1.97	5,469.25
2010	30,535,000	37,530,000	1,126,069	66,938,931	2.02	4,764.34
2011	24,850,000	37,120,000	1,127,831	60,842,169	1.99	4,658.67
2012	42,376,000	51,522,000	1,079,254	92,818,746	3.07	6,785.00
2013	44,157,000	60,451,000	1,234,727	103,373,273	3.30	7,917.68
2014	48,985,000	38,662,000	1,020,159	86,626,841	2.48	5,706.64
2015	44,580,000	37,593,849	831,366	81,342,483	2.14	5,723.93

NOTES: (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance and premiums.

(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, 2015

<u>Taxing Jurisdiction</u>	<u>G.O. Bonded Debt</u>	<u>Percent Applicable⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Carrollton-Farmers Branch ISD	\$ 274,820,000	1.34%	\$ 3,682,588
Dallas County	84,725,000	2.17%	1,838,533
Dallas County Community College District	321,510,000	2.08%	6,687,408
Dallas County Hospital District	728,005,000	2.11%	15,360,906
Dallas County Schools	60,215,000	2.13%	1,282,580
Dallas ISD	2,552,990,000	3.51%	89,609,949
Total Overlapping Debt			118,461,964
Town of Addison (Direct Debt)	\$ 80,133,849 ⁽²⁾	100%	80,133,849
Total Direct and Overlapping Debt			<u>\$ 198,595,813</u>
Ratio of Overlapping G.O. Debt to 2014 Taxable Assessed Valuation			3.11%
Per Capita Overlapping G.O. Debt			\$ 7,483

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	<u>Net Revenue Available for Debt Service</u>			<u>Debt Service Requirements ⁽²⁾</u>			Revenue Bond Coverage ⁽³⁾
	Gross Revenue	Expense ⁽¹⁾	Net Revenue	Principal	Interest	Total	
2006	\$ 10,448,742	\$ 6,594,211	\$ 3,854,531	\$ -	\$ -	-	N/A
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

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	
2006	\$ 6,539,634	\$ 1,118,079	\$ 5,421,555	\$ 465,000	\$ 240,887	\$ 705,887	7.7
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

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⁾
2006	14,900	\$ 2,793,374,452	\$ 597,852	\$ 40,124	2,093,468	4.6%
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%

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 2005 and forward represents the Dallas, Plano, Irving Metro Area.

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Name of Taxpayer	Nature of Property	2015			2006		
		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	\$ 200,040,430	1	5.26%			
Post Properties Inc.	Mixed Development	151,776,330	2	3.99%	104,889,740	2	3.75%
COP Spectrum Center LLC	Office Buildings	80,800,000	3	2.12%			
Fiori LLC	Land, Hotel	77,839,310	4	2.05%			
Real Pink Limited	Office Buildings	75,628,390	5	1.99%			
5100 Belt Line Investors LLC	Insurance	75,195,140	6	1.98%			
Gaedeke Holdings IX LLC	Office Buildings	68,200,000	7	1.79%			
MHSS-Addison LP	Land, Office Buildings	65,900,000	8	1.73%			
SIR Properties Trust	Land, Office Buildings	55,735,000	9	1.46%			
SAYOYE2 LLC	Apartments	55,571,490	10	1.46%			
EOP Colonnade of Dallas	Land, Office Buildings				153,529,460	1	5.50%
MBNA Texas Properties	Land, Office Buildings				71,893,480	3	2.57%
FSP Addison Cir LTD Ph 1 LP	Office Buildings				60,158,710	4	2.15%
VOP Belt Line LTD PS	Land, Office Buildings				57,963,140	5	2.08%
Richmond Properties	Land, Office Buildings				55,368,630	6	1.98%
Spectrum Center Partners	Office Buildings				55,353,470	7	1.98%
Millennium Park Ph1 Ip	Land, Office Buildings				50,989,630	8	1.83%
Crescent Real Estate	Land, Office Buildings				45,499,990	9	1.63%
DBSI One Hanover LLC	Office Buildings				41,113,820	10	1.47%
		<u>\$ 906,686,090</u>		<u>23.83%</u>	<u>\$ 696,760,070</u>		<u>24.94%</u>

SOURCE: Dallas Central Appraisal District

MAJOR EMPLOYERS
Current Year and Nine Years Ago

Company	Type of Business	2015		2006	
		Estimated Number of Employees	Percent of Total Employees	Estimated Number of Employees	Percent of Total Employees
Bank of America	Finance	3,500	3.89%	N/A*	N/A*
Mary Kay Cosmetics Inc.	Cosmetics	1,200	1.33%	N/A*	N/A*
Hilton Worldwide, Incorporated	Hospitality	616	0.68%	N/A*	N/A*
Rexel	Industrial Electrical Supplies	500	0.56%	N/A*	N/A*
Intercontinental Hotel	Hospitality	450	0.50%	N/A*	N/A*
Concentra	Medical	400	0.44%	N/A*	N/A*
Barnett Daffin Frappier Turner and Engel LLP	Mortgage	400	0.44%	N/A*	N/A*
United Surgical Partners International	Medical	379	0.42%	N/A*	N/A*
USAA Financial Planning Services	Finance	374	0.42%	N/A*	N/A*
Zurich	Business Insurance	300	0.33%	N/A*	N/A*
Hitachi Consulting	Consulting	300	0.33%	N/A*	N/A*
Glazer's Family of Companies	Spirits	280	0.31%	N/A*	N/A*
Encore Payment System LLC	IT/Finance	280	0.31%	N/A*	N/A*
Trinity Christian Academy	Education	250	0.28%	N/A*	N/A*
Affirmative Insurance	Insurance	250	0.28%	N/A*	N/A*
Assurant Solutions	Insurance	250	0.28%	N/A*	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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
City Manager's Office	10.0	8.5	8.5	8.5	8.5	8.0	7.5	6.0	7.0	8.0
Financial and Strategic Services	11.0	10.0	10.0	10.0	9.0	8.0	8.0	8.0	7.5	9.7
Municipal Court	4.7	4.7	4.7	5.7	5.7	5.4	5.4	5.4	5.7	5.7
General Services	9.0	9.0	10.0	10.0	10.0	9.0	8.0	5.0	5.0	5.0
Human Resources	4.7	4.7	4.7	5.2	5.2	4.2	5.2	4.2	4.2	3.5
Information Technology	6.0	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0
Total General Government	45.4	42.9	43.9	45.4	44.4	40.6	40.1	35.6	36.4	38.9
Public Safety										
Police	81.8	68.3	69.3	70.3	73.3	72.3	73.8	73.8	75.3	79.8
Emergency Communications	-	12.5	12.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Fire	55.0	55.0	55.0	55.0	54.0	53.0	52.0	52.0	55.3	55.3
Total Public Safety	136.8	135.8	136.8	138.8	140.8	138.8	139.3	139.3	144.1	148.6
Development Services	6.0	7.0	7.0	7.0	7.0	7.0	7.2	7.2	7.2	7.2
Economic Development	-	-	-	-	-	-	1.0	2.0	3.0	4.0
Public Works										
Streets	6.0	7.0	7.0	7.0	7.0	7.0	5.0	5.0	5.0	5.4
Stormwater									1.4	1.7
Utilities	18.0	17.0	17.0	18.0	17.0	17.0	16.0	18.0	18.3	16.6
Total Public Works	24.0	24.0	24.0	25.0	24.0	24.0	21.0	23.0	24.7	23.7
Parks and Recreation										
Parks	20.0	20.0	20.0	21.0	20.0	20.0	20.0	21.0	21.0	21.0
Recreation	17.2	15.2	15.6	15.6	15.6	15.6	14.6	14.6	14.6	15.1
Total Parks and Recreation	37.2	35.2	35.6	36.6	35.6	35.6	34.6	35.6	35.6	36.1
Visitor Services										
Visitor Services	3.0	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	7.5	8.0	7.0	8.7	8.5
Special Events	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.5	4.0	4.3
Marketing	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Performing Arts	-	-	-	-	-	-	-	-	-	-
Total Visitor Services	14.5	14.0	14.0	14.0	14.0	13.5	15.0	14.5	16.7	13.8
Airport Fund	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
TOTAL	266	261	263	269	268	262	261	260	271	275

SOURCE: Town of Addison Human Resources Department

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Crimes Against Property	1,217	1,094	954	1,100	968	1,056	933	942	768	728
Crimes Against Persons	387	397	390	452	381	388	435	393	358	55
Arrests	2,071	2,227	2,844	3,220	2,775	2,876	2,924	2,548	2,006	1,712
Calls for Service	19,414	19,320	17,365	16,109	15,453	17,989	17,390	16,463	16,624	17,181
Fire										
Number of Fires	74	39	38	50	44	51	45	61	63	51
Dollar Loss	\$ 379,541	\$ 283,000	\$ 234,375	\$ 396,100	\$ 2,212,000	\$ 3,027,173	\$ 2,484,545	\$ 1,166,345	\$ 1,268,010	\$ 608,900
Calls for Service - Fire	1,037	968	1,033	893	834	866	837	896	989	996
Calls for Service - EMS	1,477	1,588	1,507	1,422	1,518	1,463	1,676	1,696	1,598	1,730
Streets										
Tons of Recycling Collected	365	357	354	343	328	330	334	360	387	323
Parks										
Acres Maintained	150	138	137	138	139	163	163	163	163	163
Recreation										
Recreation Event Participants	12,720	13,371	13,002	13,184	14,947	14,874	22,496	22,632	21,392	21,392
Number of Users	129,090	128,293	126,214	126,123	125,339	123,794	131,730	128,722	122,656	122,656
Active Athletic Club Members	3,757	3,595	3,395	3,222	3,300	3,428	3,637	3,669	3,942	3,942
Utilities										
Water Usage - Peak (1)	9,900	8,000	8,421	8,748	8,895	9,402	8,871	8,979	10,042	11,093
Water Usage - Average (1)	6,023	5,150	4,847	4,627	4,334	5,014	5,021	4,829	4,577	4,682
Service Line Breaks	15	17	13	11	11	7	10	11	16	8
Water Main Breaks	3	7	7	1	1	1	2	5	7	4

SOURCE: Town of Addison Department Data

Notes:

(1) In thousands of gallons

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<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	39	41	41	41	41	41	41	41	41
Lane Miles	119	119	126	126	164	164	164	164	164	164
Traffic Signals	34	34	34	34	36	36	36	36	36	36
<u>Parks and Recreation</u> ⁽¹⁾										
Acres Maintained	149	149	136	138	139	163	163	163	163	163
Parks	15	16	12	13	13	15	15	15	15	15
Playgrounds	3	3	3	3	3	5	5	5	5	5
Soccer/Football Fields	1	1	-	-	-	1	1	1	1	1
Community Centers	2	2	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	98	98	99	101	96	80	80	80	80	80
Fire Hydrants	1,040	1,150	1,175	1,200	1,013	1,052	1,052	1,038	1,038	1,038
<u>Wastewater</u>										
Miles of Sanitary Sewers	87	87	88	90	82	66	66	66	66	66
Miles of Storm Sewers	22	22	22	22	22	57	57	60	60	60

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.



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TOWN OF ADDISON - DEPARTMENT OF FINANCE

AI-1649

13.

Work Session and Regular Meeting

Meeting Date: 04/26/2016

Department: City Manager

AGENDA CAPTION:

Presentation And Discussion Of **Final Report From Kanter Forensics, LLC.**

BACKGROUND:

In April of 2014, Kanter Forensics, LLC (Kanter) was engaged by the Town of Addison to perform an analysis of Town operations regarding its financial procedures and internal controls. Kanter provided a set of recommendations in July 2014 in which issues related to purchasing, procurement practices, accounts payable processing, banking, fixed assets, payroll, cash receipts and staffing were identified. In October 2014 a second set of recommendations identified recommendations related to contracting, Oktoberfest special events, and compliance monitoring. In November of 2014, he was asked to perform an analysis specifically related to the following: Municipal Court, special events and one vendor, physical inventory reconciliation consulting and status update regarding the first set of recommendations. In January 2015, the October agreement was amended to provide for additional data entry hours needed regarding the project. In February 2016, additional money was approved to complete the analysis of Municipal Court. This will be Kanter's final report.

RECOMMENDATION:

Information only, no action required.

Attachments

Final Report



April 20, 2016

Honorable Mayor Todd Meier
and Members of the Town Council
Town of Addison, Texas
5300 Belt Line Road
Dallas, Texas 75254-7606

INTRODUCTION

Pursuant to our Engagement Letter(s), we are providing this Recommendation Status Memorandum. The information contained in this document was derived primarily through interviews of key personnel and, to a limited extent, the analysis of supporting documentation.

We are happy to discuss each individual recommendation in depth, answer any questions, address any concerns and, of course, stand ready to assist you and the Town's staff in any way we can.

EXECUTIVE SUMMARY

We were first engaged in April of 2014 and issued reports in July of 2014 and October 2014, containing various recommendations for improving the Town's accounting systems and internal controls. In the 24 months since our engagement began, we are pleased to report that Town management has made substantial progress toward improving the Town's accounting processes and internal controls. Among other things, the Town has (or is in the process of):

- ✓ Replaced its outdated Enterprise Resource Planning (ERP) software with a new, widely used system from Tyler Technologies known as Munis. ERP systems are the backbone of an entity's accounting and financial management function.
- ✓ Substantially increased the quality, experience and number of staff in the Finance Department.
- ✓ Modified the role of the Chief Financial Officer to allow him the ability to oversee all aspects of the finance and accounting function, regardless of

which Town department is actually performing that function.

- ✓ Replaced its outdated Municipal Court management software with a widely used product from Tyler Technologies known as Incode.
- ✓ Created an Office of Management and Budget (OMB) function that will, among other things, be tasked with the implementation of the COSO model. We understand that the OMB function will also be tasked with refining the internal control processes across all Town departments.

Although much hard work - particularly involving system implementation and hiring still remains, we believe that the Town is well positioned to provide a modern, well functioning accounting and finance function with excellent internal controls, to its citizens.

PURCHASING, PROCUREMENT & ACCOUNTS PAYABLE PROCESSING

Recommendation

Accounts Payable Processing – A new policy should be issued and enforced. Among other things, the policy should require that all invoices submitted for payment be accompanied by the following:

- a) A packing list from the vendor;
- b) A notation on the packing list by the receiving employee that includes the name of the employee receiving the goods or service, the date the good or service was received, a confirmation of the quantity received, a confirmation that the goods or services received matched what was ordered with any exceptions explicitly noted on the packing list;
- c) Alternatively, if the vendor did not provide a packing list, the Town should make available to all employees a receiving report form that can be used in lieu of a packing list;
- d) All invoices and receiving documents should be matched to the Purchase Order (“PO”) and verified as to price, quantity and product description, with any exceptions properly resolved prior to payment by accounts payable.

Status of Recommendation

We noted that significant progress has been made in this area. The new Munis ERP system contains a Purchase Order tracking system that has been partially implemented (full implementation is scheduled to occur by the fall of 2016). We noted that paid invoice files are now beginning to contain purchase orders and indications that the receiving employee is notating confirmation of quantity received and agreement with the purchase order. However, in analyzing select Accounts Payable (A/P) vendor files, it is apparent that there is still work to be done.

While we strongly believe that true emergency purchases should be exempted from the requirement that a Purchase Order be obtained prior to the purchase of a good or service, vendor invoices submitted for payment without a), b) and/or c) above should not be paid until proper documentation is supplied by the receiving department. It is apparent that the A/P clerk is paying many routine (non-emergency) vendor invoices that do not have a purchase order or are improperly documented. We believe that as the Munis ERP system is fully implemented and as the Finance Department reaches full staffing, the incidence of



improperly supported payments will become rare. However, that outcome will likely only be achieved when the A/P clerk (or his supervisor) stops the payment of improperly supported vendor invoices until such time as all the necessary information is obtained and documented.

Recommendation

Procurement – A new policy should be issued and enforced that requires all purchases be made on a PO (except for those ***specifically*** permitted on a procurement card). The use of Payment Authorization Memorandums (PAMs) should be restricted to cases of extreme emergency. This new policy should require:

- a) All vendors be vetted and pre-approved by the Purchasing Agent;
- b) One of the five permitted types of POs be completed at the beginning of the purchasing cycle (or at the beginning of the fiscal year);
- c) Amounts exceeding the original amount authorized on the PO be approved at the appropriate levels;
- d) Purchases made via Interlocal Agreement should be ***shopped*** by the Purchasing Agent to ensure that the Interlocal Agreement with the best pricing is being utilized.

This policy change will require that all known recurring vendors currently being paid with a PAM or a procurement card be set up on a PO, consequently a ramp-up period will be required. We believe that the necessary preliminary steps can be undertaken so that this policy can be implemented and enforced as of the beginning of the new fiscal year (October 1, 2014).

Status of Recommendation

See the section on Contracting below.

BANKING

Recommendation

Banking – The Town currently disburses funds through various account access points. We suggest that the Town inform the Bank to cancel, reassign and reauthorize all currently authorized account access points and streamline the access points into just two points of access. This entails cancelling the Human Resources (HR) Department's Payroll Account FTP access point and the call-in wire access point. The only two access points should be checks and the bank's electronic Cash Manager System. All other access points should be terminated.

In addition, we suggest that all privileges and tokens that currently exist in the bank's electronic Cash Manager System be revoked and reassigned based on authorities and permissions consistent with proper segregation of duties.

Status of Recommendation

We understand that the CFO has revoked all bank access points except for the Frost Bank Cash Manager system. The Cash Manager system has robust permission settings, which allow Town management to severely restrict access to the system. For example, those employees who only make deposits have profiles that allow the processing of deposits and no ability to move money, while those employees who pay invoices can do so only after proper approvals have been obtained. The CFO has established Frost Bank Cash Manager system profiles for only those employees whose duties require access. We recommend that these profiles be monitored and adjusted as employee job functions change or employees leave the employment of the Town.



PAYROLL

Recommendation

Payroll Processing – The town currently processes its payroll in the HR Department. We suggest that the Town engage a third party payroll vendor to process the Town's payroll. The marketplace currently has several highly qualified providers who can very efficiently perform all the functions required by the Town in a highly controlled and efficient manner.

Status of Recommendation

We understand that the Town has decided to keep the payroll function in house. The payroll module of the Munis system is scheduled to be fully implemented in January of 2017.

Recommendation

Payroll Administration – We understand that the Town will have to solicit bids for an outsourced payroll provider and the process will likely take some time to complete. As an interim step, we recommend that the payroll processing function currently performed and supervised in the HR Department be immediately moved to the Finance Department and supervised by the Chief Financial Officer.

Status of Recommendation

We understand that the payroll function has been moved to the Finance Department and reports to the Accounting Manager. Based on our follow-up interviews, we learned that Town employees continue to call the payroll clerk directly, asking that he make certain changes or error corrections. We recommend that all such requests from Town employees be routed through the HR Department's help desk. This will insure a proper separation of duties and moreover, insure that the HR Department and, if necessary the employee's supervisor are aware of all errors and changes that impact employees. We do not believe that Town employees should be dealing with the payroll clerk directly.

CASH RECEIPTS

Recommendation

Remittance Processing – Contract with a bank to provide lockbox services for the receipt of payments remitted to the Town by mail (similar to the system currently in place for the payment of water bills). This will require that payers mail all payments currently being mailed to the Finance Department directly to the bank for deposit. The bank will then electronically report details of each deposit to the Town for entry into the Town's accounting system.

Status of Recommendation

The Town has achieved this objective by effectively installing a bank teller terminal in the office of an accounting clerk. The Finance Department has created a position that effectively merges the duties of the payroll clerk and cash receipts clerk into a single position. In addition to performing the payroll duties, this employee manages all remittances using software and hardware provided by the Frost Bank Cash Manager system.

Recommendation



Cash Receipts – Contract with a bank or other provider to install electronic local cash receipts lockboxes at each of the Town’s sites that collect cash and checks at point of sale. These services are referred to by various proprietary names but generally, they provide for the cash and checks that are currently collected at the Town’s Courts Building, Conference Center, Athletic Facility and Service Center to be deposited at the end of each business day with the bank, off-site and with immediate account credit. The local cash receipts lockbox would then be serviced periodically by an armored car service.

Status of Recommendation

We understand that the Town now utilizes electronic lockboxes at virtually all points where cash and cash items are received. The service is provided and managed by Dunbar, a widely respected cash management and armored car services company.

FIXED ASSETS

Recommendation

Fixed Asset Accounting - the Town should activate the GEMS accounting system’s Fixed Asset Module. After activating the module, all purchases that are above a specified dollar amount or are sensitive in nature (such as weapons) would be **automatically** added to the GEMS Fixed Asset Module at the time of purchase. As soon as practicable, a vendor should be retained to perform a physical count of all fixed assets currently in the Town’s possession. The assets identified in the physical count (not previously recorded) should be recorded in the GEMS Fixed Asset module. The physical count of assets should also be compared to the various MS Excel and department level fixed asset spreadsheets currently in existence in an attempt to locate any missing assets. Going forward, as a matter of policy, fixed assets should be periodically counted and reconciled to the GEMS system.

Status of Recommendation

A vendor was retained to perform a physical count of the Town’s assets in early 2015. The physical count performed by the vendor was incomplete and did not meet the scope set forth in the contracting documents. For example, information technology and office equipment were not counted and tagged by the vendor. We found no documentation authorizing the scope reduction yet the contractor was paid the full price of the contract.

We attempted to reconcile the items found in the vendor’s physical count to data extracted from the Town’s A/P expenditure file dating back to 2011. We also attempted to locate items from the Town’s A/P expenditure file on the vendor’s inventory report. Our bi-directional analysis identified assets purchased and not on the vendor’s inventory report as well as items on the vendor’s inventory report that were not in the A/P expenditure file, thus providing a textbook example of why it is so important to properly record the asset at time of purchase.

We understand that the Munis ERP system has a fixed asset system that is integrated with the A/P system. The fixed asset module has not yet been implemented. However, when implemented, we understand that all fixed (and sensitive) asset purchases will be automatically added to the fixed asset system at time of purchase. In addition, we understand that the Finance Department plans to periodically visit each Town department to reconcile the fixed assets in the department to the fixed asset system.

FINANCE DEPARTMENT STAFFING AND SEGREGATION OF DUTIES

Recommendation

Finance Department Staffing – The staffing in the Finance Department is insufficient to provide for the current workload while maintaining an appropriate level of internal controls. We recommend the hiring of two experienced



persons who are Certified Public Accountants to augment the current staff. The two additional professionals will allow for the appropriate segregation of duties and implementation of needed internal controls.

Status of Recommendation

Town management has significantly improved the staffing levels of the Finance Department. When we began our work, the Finance Department was operating with a single CPA, the CFO. The Town has added two additional CPAs and additional accounting positions to support the work of the two additional CPAs. Proper separation of duties is now possible with the additional staffing.

Recommendation

Segregation of Duties – As soon as practicable, the duties of the current staff in the Finance and Courts Departments should be reassigned to assure that duties, permissions and responsibilities are properly segregated. The process of reassignment of duties is highly dependent on the implementation of the recommendations listed above.

Status of Recommendation

The new Munis ERP system provides the Town with the ability to set user permissions in a very detailed manner. The new Munis ERP system will, for all intents and purposes, be the foundation for the proper separation of duties. The Munis ERP system has multiple levels of security and access restrictions, all of which are required to be set by the system administrator. The setting, management and ongoing monitoring of these restrictions are absolutely critical to maintaining effective separation of duties. We recommend that user Permissions in The Munis ERP system be reviewed periodically to insure each employee has only those Permissions necessary to perform his or her duties and that duties are properly separated between individual staff members.

Recommendation

Review and re-assign permissions and authorizations to the finance, accounting and human resources related modules within the GEMS system.

Status of Recommendation

As discussed above, the Town has moved to a new ERP system known as Munis. We understand that the system requires that employee roles be assigned for every employee who is given access to The Munis ERP system. Within those employee **Roles**, the individual employees are then granted **Permissions**. The third element of the Munis ERP system's process is the creation of **Workflows**. Because the Munis ERP system is still in the implementation phase, the Roles, Permissions and Workflows are still evolving. The following represents our recommendations for the creation and management of these three critical elements of the Munis ERP system once it is fully implemented.

- **Roles** – In essence, roles provide a standard level of access based on an employee's job title. For example, there can be an Accounting Clerk role, an Accountant I role, a Senior Accountant role, an Accounting manager role and so on. Multiple people can have the same role. So the Deputy City Managers would all have the same role. We recommend that once the system is fully implemented, the access to each part of the system along with associated Permissions as set forth in each role should be carefully thought out and effectively unchangeable without proper oversight and authorization. The roles establish the maximum typical level of access, duties and authority allowed for each employee job title. For example there should be no way for an employee with the Role of Police Department Assistant to propose General Ledger Journal entries or for the City Manager's secretary to write-off fixed assets.

We suggest that the relevant department head, along with the Chief Financial Officer (CFO) and the IT Department Head be required to approve the system access and Permissions for each Role. No individual, regardless of position within the organization should be allowed to singlehandedly direct a modification to a



Role without the authorization of the CFO and IT Department Head.

- Permissions – Once an employee is hired, he/she is assigned a Role and within a Role various Permissions can be granted. These Permissions govern everything from transactions that can be viewed to those that can be edited or generated. For any position within the Finance Department, the Permissions within a Role for a particular individual should be established and/or approved by the CFO in writing and sent to the Munis ERP system administrator in the IT Department.
- Workflows – Among other things, Workflows establish the procedures and approvals of the Finance Department. For example, it is in the Munis ERP system's Workflows where the CFO determines who is able to generate a General Ledger entry and how many approvals are required for that entry to post to the General Ledger. We recommend that once the system is fully implemented, the CFO establish Workflows that are consistent with proper separation of duties, proper authorization of transactions and the levels of oversight that are set forth in the COSO Control Environment.

CONTRACTING

Introduction

The Town hired a new Purchasing Manager, Wil Newcomer since our last report. Mr. Newcomer is a Certified Professional Public Buyer (CPPB). The CPPB credential is awarded based upon training and work experience in the public sector. Mr. Newcomer has extensive prior purchasing experiences.

The Town has established many new processes and procedures including an updated purchasing manual, a training program for those employees who participate in the procurement process, the implementation of a new ERP System that carefully tracks Purchase Orders, a training seminar for PCard holders and a more robust purchasing review and approval process.

In addition, Mr. Newcomer reports that under his direction all routine purchases must be initiated with a Purchase Order that is entered into the Munis ERP system.

Recommendation

Purchasing Manual – In October 2013, the Town completed a new Purchasing Manual. For the most part, the Purchasing Manual is a well-written document. The Manual should be revised where needed to incorporate the changes related to purchasing/contracting/invoice payment processing contained in our First and Second Set of Recommendations. Most importantly, the Manual should be adopted and vigorously enforced.

Status of Recommendation

The purchasing manual has been revised to incorporate systemic changes and best practices.

Recommendation

Purchasing Manual Training - We recommend that as soon as practicable, each and every Town employee receive Purchasing Manual training that is appropriate for his or her position.

Status of Recommendation

We understand that each employee in a position that involves the purchasing function has received the Purchasing Manual and the requisite training. In addition, Mr. Newcomer reports that he works closely with the departments to assist them when needed and is personally involved in any transactions that require the solicitation and evaluation of



bids. However, since there is no internal audit function, it is currently difficult for the Purchasing Manager to insure that all purchases are being bid.

Recommendation

Purchasing Ethics - Accompanying the issuance of the Purchasing Manual was an "Acknowledgement Form" to be signed by each employee and placed in the employee's personnel file. The Acknowledgement includes, among other things, a representation by the employee that violations of Town purchasing policies and procedures subject the employee to disciplinary action. This is an important tool for setting management's expectations. An executed Acknowledgement Form (supported by relevant training and communications) should be obtained from each Town employee as soon as practicable.

Status of Recommendation

We understand that all employees involved in the purchasing process have signed a Purchasing Manual Acknowledgement Form.

Recommendation

Vendor Selection – The Purchasing Manual offers extensive guidance in the area of vendor selection and the criteria used to judge bids. We suggest that anyone on the vendor evaluation committee be required to read and re-familiarize him or herself with the guidance regarding vendor selection contained in the Purchasing Manual prior to each contract evaluation. In addition, the evaluation process itself should be carefully documented and properly maintained.

Status of Recommendation

We understand that a policy is being adopted that will require that each member of the evaluation committee execute a form that certifies that the committee member understands the policies, duties and obligations of an evaluation committee member. Further, we understand that this certification will be retained in the bid evaluation file.

Recommendation

Purchasing/Contracting Software – In our analysis of contract files, it appeared that the files were poorly organized. A variety of software tools are currently available that will automate the organization and management of vendor relationships. It is our understanding that Bid Sync has a module that assists with the organization and monitoring of vendor contracts and that Town staff is currently studying possible software tools for this function.

Status of Recommendation

The Munis ERP system has extensive capabilities related to contracting and bid administration. The Munis ERP modules are being implemented in a phased approach. The purchasing function is expected to be fully functional by the fall of 2016. Until the Munis ERP system is fully implemented, the Town is using the Bid Sync software package to manage the bidding process (when bids are required). We understand that once Munis is fully implemented, there will no longer be a need for the separate Bid Sync software package.

Recommendation

Vendor Invoicing – As discussed in detail below, the Town does not require vendors to provide invoices that match the cost categories contained in the vendor's contract. The Town should require vendors to invoice the Town in a manner that can be tied directly to the contract.



Status of Recommendation

We understand that the Munis ERP system has functionality that implements this recommendation and is scheduled to be implemented by the fall of 2016. At the point of implementation, the Finance Department will also enable functionality that will allow Town vendors to set-up online invoicing, which will further improve the Town's ability to match invoices to the terms of a given contract.

Recommendation

Vendor Oversight and Management – Invoices should be compared to vendor contracts prior to payment. Payment should not be authorized unless the invoice price, quantity and quality are in agreement with the contract. When authorized deviations occur, the reason for the deviation should be noted on the face of the invoice from the vendor (or in the vendor's file) so that a proper audit trail is maintained.

Status of Recommendation

As discussed above, the Town will be implementing the Munis ERP system's purchasing module in the fall of 2016. We understand that the implementation of this module will address this recommendation.

Recommendation

Compliance Monitoring – In order to be an effective policy, the directives found in the Purchasing Manual should be monitored and enforced. The Town should contract with a CPA firm to provide an outsourced Internal Audit Function to perform periodic compliance monitoring. This firm should report to the Finance Committee of the Town Council and include the Town Manager. Under no circumstances should the internal audit firm report directly to Town Management.

Status of Recommendation

We understand that Compliance Monitoring / Internal Audit is a work-in-process and that no final decisions have been made regarding the Internal Audit function. Since no Internal Audit function exists, it is important for there to be some retrospective analysis of procurement policy compliance. Periodically, we recommend that the Purchasing Manager randomly select certain procurement transactions for detailed review. A new position has been authorized (but not yet filled) whose duties will include purchasing compliance reviews.

OKTOBERFEST SPECIAL EVENT

Recommendation

Admission Tickets – all admission tickets (pre-sales, on-line, on-site and complementary) should be bar coded with a unique tracking number. Each and every admission ticket should be electronically scanned upon a guest's entrance into the event. Valid tickets that are not, for whatever reason, electronically scanned should be retained by the entrance gate staff and manually counted and reported on a form submitted to the Finance Department.

Status of Recommendation

We understand that the 2015 event used pre-numbered, bar coded admission tickets that are electronically scanned upon a guest's entry into the event. Further, we understand that the system used in 2015 will be refined for the 2016 event.



Recommendation

Admission Ticket Tracking – Admission ticket stock should be logged as to ticket number range and issued to ticket sellers by the Finance Department staff. This *Ticket Tracking* log should contain the Finance Department staffer's name and the name of ticket seller, the date and time of issuance and number range of the tickets issued (the ticket range logging could be accomplished by scanning a barcode on each box of tickets). Each ticket seller should then sign the log (in ink), accepting responsibility for the tickets received and confirm the range of ticket numbers received. These *Ticket Tracking* logs should be retained by the Finance Department staff in a secure location, inaccessible to ticket sellers. Upon the completion of each ticket seller's shift, unsold tickets and their corresponding number ranges should be returned to the Finance Department staff, recorded on the *Ticket Tracking* logs and signed as returned by both the ticket sellers and the Finance Department staff member receiving the tickets. Additional tickets issued to the ticket sellers during their shift should also be logged and signed for in the same manner as the original issuance of tickets.

Status of Recommendation

We understand that for the 2016 event, all admission tickets will be tracked in accordance with our recommendations.

Recommendation

Admission Ticket Reconciliation – Periodically throughout the event day, the report of tickets scanned should be matched to the *Ticket Tracking* log. To insure all processes are properly working, significant differences (such as gaps in ranges of tickets scanned versus the ranges of tickets issued to ticket sellers) should be investigated immediately and steps taken to correct errors in scanning or ticket sales practices. Each evening, tickets sold as reported on the Ticket Tracking log and scanning logs should be reconciled to the cash turned-in by the ticket seller. Significant discrepancies should be immediately investigated.

Status of Recommendation

We understand that an attempt was made to perform effective reconciliations for the 2015 event. However, the reconciliations were never completed for unknown reasons. Current Finance Department and Town management were not in place when the 2015 event occurred. Based on our discussions with current Town and Finance Department staff, we believe that effective internal controls will be in place and reconciliations will be performed for the 2016 event.

Recommendation

Admission Ticket Cash Management – As cash is periodically removed from the ticket seller's tills during the event day, the ticket seller should be temporarily taken off-line. A Finance Department staff member should count all cash being removed under the observation of the ticket seller. We recommend the use of a two-part form where the Finance Department staff member and the ticket seller notate the amount of cash and cash equivalents being removed. Once both parties are in agreement as to the amount being removed, they should both sign the form with the Finance Department staff member storing the signed original with the cash being removed and the ticket seller retaining a copy. The ticket seller's copy should be retained by the ticket seller and delivered directly to the Town Manager's office by the next business day. These control copies will then be available for review should any questions arise during the event reconciliation process. The Town Manager's office should retain the signed forms at least until all reconciliations are completed.

Status of Recommendation

Current Finance Department and Town management were not in place when the 2015 event occurred. Based on our discussions with current Town and Finance Department staff, we believe that effective internal controls and reconciliations will be performed for the 2016 event.



Recommendation

Complementary Tickets – we identified at least \$21,000 of TastyBuck tickets that were apparently given away. As of the date of this report, we have not received information that describes who received these tickets or the process by which they were distributed. In addition, an unknown number of free admission tickets were also identified. At this time, we are unable to quantify the total dollar impact of the complementary admission tickets. While a certain number of complementary admission tickets are to be expected, the \$21,000 in complementary TastyBucks are a direct out-of-pocket cost to the Town. Strict controls should be placed on complementary tickets.

Status of Recommendation

We understand that the Special Events Department has become much better versed in the functionality of the Showclix ticketing system since we performed our work at the 2014 event. Showclix reportedly supplies functionality that permits the establishment of various ticketing codes. The Special Events Department now assigns codes for the issuance of complementary admission tickets. The use of separate codes for complementary admission tickets will allow them to be tracked and accounted for separately from the revenue generating admission tickets.

We understand however, that Showclix is not used for the management of complementary TastyBuck tickets. Complementary TastyBuck tickets are managed and distributed by the Special Events Department. We recommend that prior to an event, the Special Events Department prepare a list of complementary admission and TastyBuck tickets that are to be distributed. This list should include the names of the people or organizations receiving the complementary tickets as well as the number of tickets authorized for each individual or organization. The proposed list should then be forwarded to the City Manager or his designated Deputy City Manager for approval. We do not believe that complementary tickets should be issued without proper authorization. Once the list is approved, the CFO should then issue a sufficient quantity of pre-numbered TastyBuck tickets (whose numerical range is recorded and maintained by the CFO or his designee) to the Special Events Director for distribution. All unclaimed TastyBuck tickets should be returned to the CFO (or his designee) at the end of the event. As the complementary TastyBuck tickets are distributed, the recipients should sign for them upon receipt and the number ranges should be recorded for use in the final event reconciliation.

Recommendation

TastyBuck Tickets – the Town should immediately begin investigating methods to improve the TastyBuck sales and vendor payment processes. Potential solutions include allowing pre-sales via the internet with or without slight price discounts for advance purchase, the use of ATM type machines, electronically scannable tickets, or some other system.

Status of Recommendation

We understand that the Town is exploring its options in this area.

Recommendation

TastyBuck Ticket Reconciliation – the TastyBuck ticket reconciliation process should be re-engineered, depending upon the revisions to the ticket sales process. The current reconciliation process is flawed in a number of ways and should be re-engineered before the next event.

Status of Recommendation

In prior years the Town was not capturing the information necessary to perform an accurate reconciliation of TastyBuck tickets. We understand that the Finance Department will be responsible for all ticket reconciliations to the Town's accounting records.



Recommendation

TastyBuck Ticket Redemption – TastyBuck tickets are presented for payment to the Town’s Special Events Director and Court Clerk by the vendors at the conclusion of the event. Redemption should be moved to the Finance Department to provide separation of duties between vendor contracting and vendor payment. In addition, The Court Clerk should also not be involved in the payment of vendors as she supervises the TastyBuck sales and cash collection function during the event.

Status of Recommendation

We understand that a Finance Department employee manages the weighing and vendor payment process. For proper separation of duties, the Special Events Department, which selects and contracts with the vendors, should not be the department that determines the weights and amounts due to the vendors.

Recommendation

Special Event Vendor Payment – Upon presentation of tickets by vendors, TastyBuck tickets are weighed. Ticket counts are determined by the weight of the tickets. After the amounts owed are calculated, checks are requested from the Finance Department. In the event that the Town decides to continue weighing tickets, we suggest that the ticket weighing and payment calculation process be more thoroughly documented. Currently, the Town is relying on the weight of a batch of 300 tickets to calibrate the ticket counts. This process is poorly documented. Going forward, we suggest that each sample weighed be logged as to weight, ticket count and ticket condition. The index weights used should then be logged as each vendor’s ticket batches are weighed. The condition of each ticket batch weighed should also be logged. Clear recording of vendor name, batch number, batch condition, index weight used, extrapolated ticket count, Addison commission percentage and final payment amount will provide transparency and an audit trail for the vendor payment process.

Status of Recommendation

The Town has reportedly re-engineered the process so that as tickets are sorted and weighed, a “standard weight” is created for each vendor’s tickets. This “standard weight” is based on a sample of between 100 and 200 tickets. We recommend that the sample size be the same for all vendors. Because vendors are paid on different days over the period of one week, it is critical that the standard weight used to pay each vendor be noted on the form that is sent to accounts payable for vendor payment. The form should also contain the weight of each batch as well as the count of any manually counted (not weighed) TastyBuck tickets.

Recommendation

Final Cash & Cash Equivalent Reconciliations – The quality of the final event reconciliation is directly proportional to the quality of the data that underlies the reconciliation. The quality of data used as a starting point for the reconciliations should be improved. Notwithstanding the enormous amount of time and effort that went into the preparation of the Oktoberfest reconciliations by the Finance Department staff, the reconciliations are based on flawed, incomplete and poorly collected data so they are therefore, unreliable.

Status of Recommendation

Based on our discussions with current Finance Department management, it is clear that they are aware of the point of sale, admission and redemption data that needs to be collected to achieve a proper reconciliation of event proceeds. We believe that the 2016 event will be more carefully managed to insure that the proper data is collected to permit the proper reconciliation of monies collected from patrons (and paid to vendors) to the monies deposited in (and disbursed from) the Town’s bank account.



Recommendation

Event Profit and Loss Statement – The Town should prepare a Profit and Loss statement for each special event. This analysis should contain 100% of the revenues and costs associated with the event. Although we understand that the profitability of each event is factored into the Town’s budget, we believe an accounting of revenues and expenses that capture all costs and expenses should be prepared at the conclusion of each special event. The information contained in such a report will be a valuable management tool.

Status of Recommendation

We understand that the CFO intends to prepare Financial Statements for each of Addison’s Special Events where all costs are captured and fully allocated to the event. In addition, the CFO will no longer permit costs associated with an event to be accounted for as contra (debits) revenues.

MUNICIPAL COURTS

Introduction

In late 2014 and early 2015, we began to perform our analysis of the Municipal Court’s accounting system. As previously reported in a presentation to Council, we were met with an intense lack of cooperation from prior Town management in connection with our work at the Courts. We began by selecting a sample of Court files and attempted to tie the financial transaction reflected in them in to the Infosol Court accounting system (going both from the paper based court files to the Infosol system and from the Infosol system to the paper court files). We attempted to tie the revenues and expenditures from the Infosol Court accounting system to the GEMS General Ledger and to the Town’s bank account. Additionally, we attempted to trace credit card transactions reflected in the Infosol to the reports from the Town’s credit card processor, First Data Systems. We attempted to trace the flow of funds from their origination (Court window, Jailer) to the Town’s bank account. Lastly, we attempted to perform an analysis of the quality and accuracy of the reconciliations that would typically be performed in a well functioning accounting system.

At each step, we were confronted with deficiencies in documentation, lack of internal controls, lack of separation of duties and a general lack of basic accounting procedures and controls. We verbally reported the deficiencies noted to the then CFO, the then Town Manager and the Finance Committee of the Town Council. By May of 2015, it became apparent that the Town would be re-engineering the court accounting system. Accordingly, we suspended our work as it related to the Courts.

Given that the Town would be re-engineering the Court accounting system, we, the Town Manager and the Finance Committee of the Town Council believed that it was a poor use of taxpayer funds for us to issue a report on the legacy Court accounting system. In February 2016, the Town installed a new Court accounting system, replacing the Infosol system with the Incode system from Tyler Technologies. The Incode system is owned and sold by the same vendor as the Munis ERP system. Although the systems are separate and distinct software packages, they are designed to communicate electronically with each other. The electronic link between the Munis ERP and Incode systems has the potential to significantly strengthen the Town’s ability to prevent, detect and correct errors and irregularities. While the Incode system is a management system for municipal courts, the system also serves as a critical accounting system – both for internal reporting and externally, on behalf of people who receive a variety of criminal and civil citations. **Even though the Incode system is separate from the Munis ERP system and is managed and operated by the Court Department, we believe that the Town’s CFO should have access to, oversight of, and accountability for all financial related operations of the Incode system.**

On February 24, 2016, the Town Council approved our issuance of a report on how the newly re-engineered Court accounting system addressed our previously observed deficiencies. The following reflects our observations.



Overview of the Re-engineered Court Accounting System

We spent most of two days meeting with the Court Administrator, Paula Dale, representatives of the IT Department including Hamid Khaleghipoura and Zeis Chen, Deputy City Manager Cheryl Delaney, Assistant Finance Director Olivia Riley, representatives of Tyler Technologies Konda Shelton and Ben Furth, and David Eisenlohr of the Azimuth Group. Various members of the group were available at various times. In addition, we met with Police Chief Paul Spencer on an as needed basis.

The new court accounting system is reported to be a state-of-the-art integrated court software system that has been installed in more than 800 municipalities and is reportedly used by most major Texas cities. Unlike the previous system in use in Addison, Incode is designed to be virtually paperless and integrates electronically from the point of citation in the field to the Town's general ledger. Also unlike the prior system, Incode is designed to integrate directly with a credit card processor so that payments can be tracked from point of acceptance to the Town's bank account. However, we understand that the integration of the credit card processing system is still a work in process.

We learned that the system went live on February 1, 2016 and certain aspects of the new system are not fully integrated as of yet. Accordingly, much of the information that follows was based on discussions and the observation of transactions in a "test" environment.

Except for the rare instance of a manually generated citation, data arrives in the Incode system via an electronic upload from the arresting officer's handheld ticket writer. We observed that all interactions from the point of upload to processing, adjudication and fine collection or dismissal, are tracked via user name. We observed that all of the information pertaining to a particular offense is stored electronically, virtually eliminating the need for paper files. We noted a robust system of permissions that provides highly customizable access control. If set up and maintained correctly, this will help ensure that duties are properly segregated and that all approvals are obtained prior to an offense moving through the adjudication and disposition process. We noted that once an offense is printed from the handheld ticket writer by the arresting officer, every adjustment, payment, dismissal or interaction by an Incode user is captured and cannot be deleted. This is an extremely important functionality and helps ensure that a proper audit trail is maintained.

Based on our analysis of the demonstrated capabilities of the system, we believe that the successful use of the Incode system is predicated on four key areas:

- Establishing and maintaining functioning and seamless interfaces with non-Incode systems;
- Establishing and updating proper user access permissions;
- Implementing and maintaining proper separation of duties;
- Performing proper reconciliations between Incode, bank, credit card processor and General Ledger data.

As discussed above, the Incode system went "live" on February 1st. Accordingly, the system, although functioning, is still being refined. The following is a list of observations regarding refinements that need to be made. Based on discussions with Town personnel and representatives of Tyler Technologies, we believe that all of the noted issues will be addressed as soon as practicable.

- We noted in our previous work that the Court and Finance Departments were not able to effectively reconcile credit card transactions "swiped" to the Town's bank account. The Incode system is designed to fully integrate credit card processing with the Incode system. Unfortunately, the credit card processor used by the Town is not providing the information that would allow for the smooth and uncomplicated integration and reconciliation of monies collected to monies received at the Town's bank. Accordingly, we understand that Town management has decided to move to one of the credit card processors that will seamlessly integrate with the Incode system. A further benefit of this move will likely be a much shorter lag between the date a credit card is "swiped" and the date the funds actually reach the Town's bank account.



- The proper separation of duties is one of the most important components of an effective system of internal controls. In our prior work, we noted that the judge, court clerks and the court administrator all had the ability (permission) to accept monies, adjust transactions, reverse transactions and approve transactions. In the Incode system, the system administrator manages the permissions for all users. Because the system has only recently gone “live”, we noted that the court administrator currently has the system administrator role, enabling her to set the permissions. Once the system reaches a stable state, we suggest that a member of the Town’s IT Department be given the system administrator role (and can only make permission adjustments with proper documented approvals) and the court administrator no longer have that role. Further, we recommend that the system permissions be set so that the court administrator can only adjust, reverse and approve transactions – she should not be able to accept monies from the public. Additionally, we believe that the judge should have no permissions that in any way involve financial transactions.

In the course of normal jail operations, the Town has historically accepted bond payments on behalf of other jurisdictions. This permits an Addison arrestee who owes money in other jurisdictions, to settle outstanding debts to the other jurisdiction prior to release from the Addison jail. In discussions with representatives of Tyler Technologies, we learned that Tyler views the acceptance of out-of jurisdiction bonds as a purely jail function. Accordingly, the Incode system has no functionality to post out of jurisdiction bond payments as an account payable to another jurisdiction. Since credit card terminals are integrated with the Incode system, out of jurisdiction bond payments would have to be handled manually – effectively outside of the internal controls established as part of the Incode system. We discussed this issue with the Court Administrator, Paula Dale, Hamid Khaleghipoura IT Director, Deputy City Manager Cheryl Delaney, Assistant Finance Director Olivia Riley, Konda Shelton of Tyler Technologies, David Eisenlohr of the Azimuth Group and Police Chief Paul Spencer. All agreed that this is an issue that should be resolved in a manner that maintains proper internal controls and that the manual processing of out of jurisdiction bonds introduces the potential for errors and increased accounting workloads. We understand that the Town will devise a short-term solution that will involve a separate credit card terminal linked to the Town’s ERP system. This solution will require that two credit card terminals be installed in the jail – one for out of jurisdiction transactions and one for Addison transactions. Further, we understand that the Town will study an acceptable permanent solution.

COMPLIANCE MONITORING

Recommendation

Adopt the COSO Framework – as discussed in our previous presentations to the Town Council, management should actively and enthusiastically adopt the COSO Framework, including a robust internal audit process. We recommend that the Town contract with a CPA firm to perform routine internal audit functions on the Town’s processes and to embrace and engrain the COSO Framework in the Town’s day-to-day operations and management. For the Town of Addison, we believe this to be a process as well as a cultural issue that can only be accomplished through strong Tone at the Top messaging and actions.

Status of Recommendation

We have observed that positive Tone at the Top messaging is taking shape. The direction of the City Manager to staff is one of continuous improvement. This, coupled with the Town’s Council providing the City Manager with the budget authority to fund the “tools” (in the form of new ERP and Court systems as well as appropriate staffing levels) will allow the Town to aggressively adopt the COSO model.

Once the Munis ERP and Court Systems are fully implemented and the newly approved Finance Department positions are filled, we understand that the OMB will be responsible for implementing the COSO model in earnest. The one component of the COSO model that appears to be as yet unresolved is the Internal Audit function (whether to outsource or internally staff the function). Internal Audit falls within the COSO monitoring activities section and is an integral part of an effective COSO adoption. We understand that until a final decision is made regarding the



structure of the Internal Audit function, the OMB will be tasked with an internal review role. It is important to note however, that the Manager of the OMB reports to the CFO. To insure that the Internal Audit function is an effective tool, free of conflicts of interest, we suggest that the Internal Audit function report directly to the Finance Committee of the Town Council. So until such time as a final decision is made as to the structure of the Internal Audit function, we suggest that for purposes of the OMB's internal review role, the Manager of OMB have the ability to meet with and consult with the Finance Committee of the Town Council at least on a quarterly basis.

Recommendation

Fraud or Whistleblower Hotline – the Town should establish a Fraud or Whistleblower Hotline to provide a mechanism for employees, contractors, residents or other interested parties to report instances of potential waste, fraud or abuse.

Status of Recommendation

We understand that this recommendation has been implemented.

SUMMARY COMMENTS

Our recommendations are based primarily on interviews of members of the Town's staff, limited analysis of documents, personal observations and best practices. Detailed testing of transactions was outside the scope of this engagement. Our engagement did not involve an audit, review, compilation, internal control review or attest service as those terms are defined by the American Institute of Certified Public Accountants. Further, our procedures were not designed to detect fraud or non-compliance with laws, contracts or regulations nor were they designed to detect the misapplication of assets.

KANTER FINANCIAL FORENSICS, LLC
Kanter Financial Forensics, LLC
April 20, 2016