

Department of Financial & Strategic Services
Quarterly Review

For the Period Ended June 30, 2012

*Town of Addison
August 2012*

Quarter Ended 6/30/12

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First Southwest Portfolio Report and Statement of Compliance	Attached

Executive Dashboard – 3rd Quarter, 2012 Fiscal Year

Financial Indicators

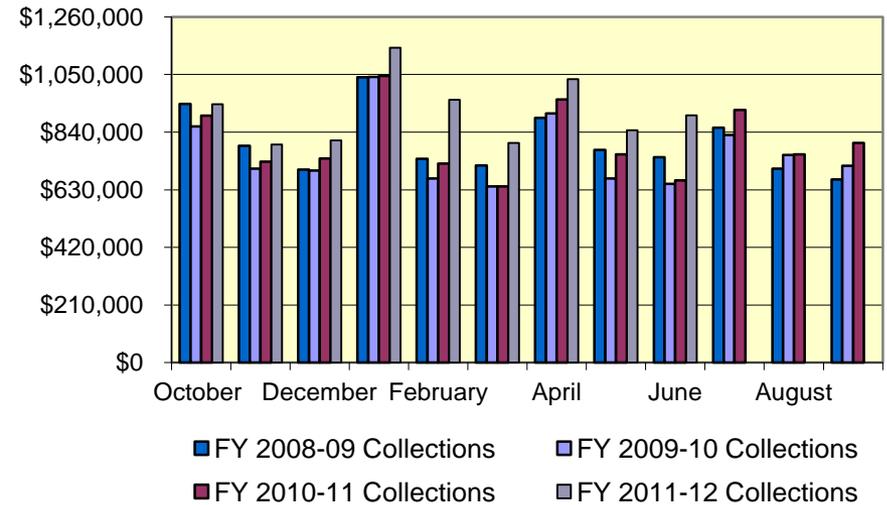
Key Revenue Sources:

	FY12 Budget	FY12 Projection*	Variance (Unfavorable)
Ad Valorem Taxes	\$17,257,100	\$17,499,730	\$242,630
Sales Taxes	\$9,565,340	\$10,533,337	\$967,997
Franchise Fees	\$2,597,000	\$2,677,100	\$80,100
Licenses and Permits	\$728,490	\$874,290	\$145,800
Court Fines	\$1,143,500	\$1,047,000	\$(96,500)
Hotel Tax	\$4,100,000	\$4,214,500	\$114,500
Fuel Flowage Fees	\$630,000	\$650,000	\$20,000
Water and Sewer Charges	\$10,744,700	\$10,420,200	\$(324,500)

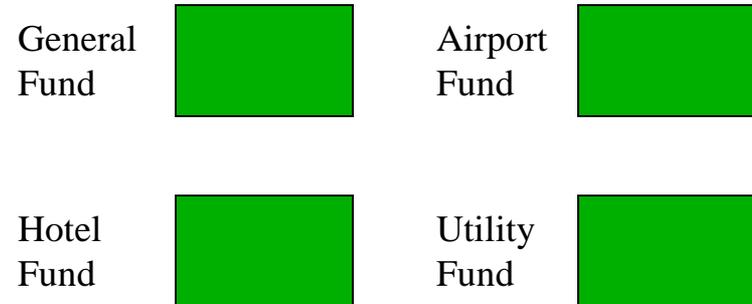
Key Expenditures:

	FY12 Budget	FY12 Projection*	Variance (Unfavorable)
General Fund	\$27,630,880	\$27,814,730	\$(183,850)
Hotel Fund	\$6,533,530	\$6,487,030	\$46,500
Airport Operations	\$3,590,930	\$3,590,930	\$0
Utility Dept.	\$2,751,750	\$2,621,230	\$130,520

Addison Sales Tax Collections



Overall Fund Outlook:



*Using data through June 30, 2012

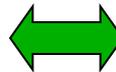
Economic Indicators

Occupancy Indicators:

Office Occupancy  Up from 77.0% to 80.0%
Retail Occupancy  Down from 83.0% to 82.0%

Report Q3 2012 vs. Q3 2011 Source: Xceligent

Hotel Indicators:

Hotel Occupancy  2012 up 2.7% from 2011
RevPAR  2012 down \$0.04 from 2011

Source: STR Report – June 2012 vs. June 2011

Area Economic Indicators:

Area Employment  Up from 92.1% to 93.0%
Texas Leading Indicators Index *  2012 up 0.08% from 2011

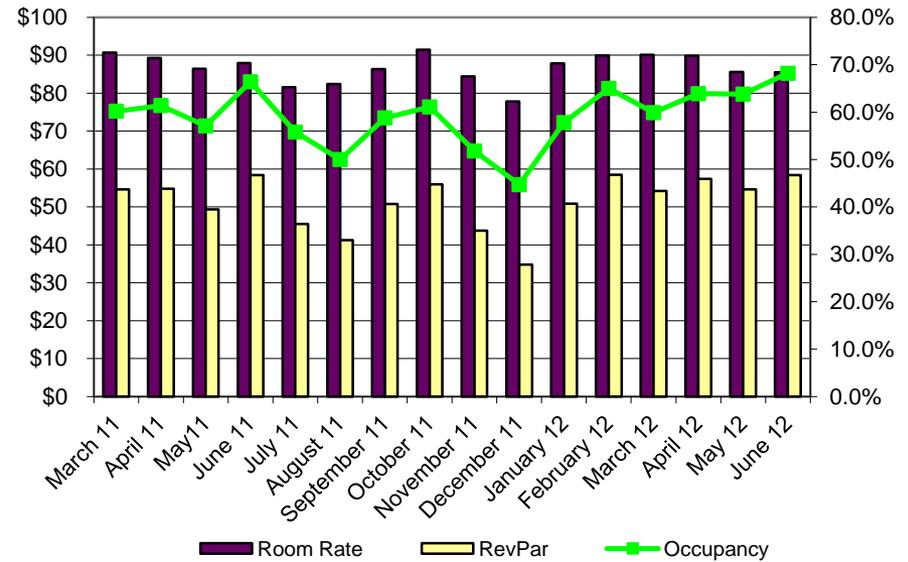
Source: Dallas Federal Reserve Q3 2012 vs. Q3 2011.

*Data for Q3 2012 was only available through May 31, 2012.

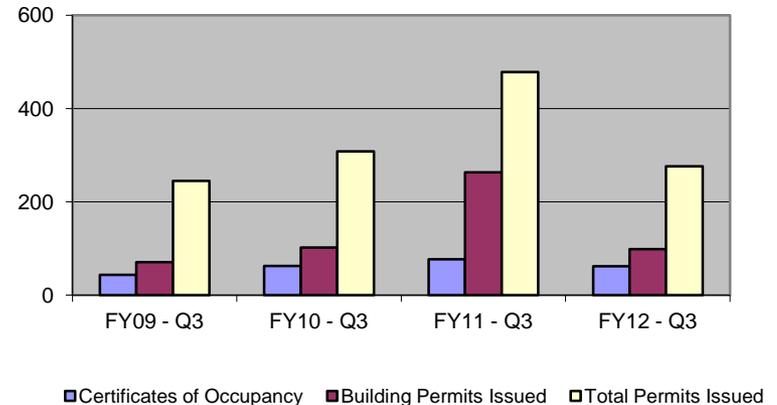
Building Permit Activity:

	FY 2011 (thru June 30th)	FY 2012 (thru June 30th)
Certificates of Occupancy	77	62
Building Permits Issued	263	99
Total Permits Issued	478	276
Total Valuation	\$38,720,491	\$77,214,727

Hotel Industry Statistics



Comparison of Permit Activity





MEMO

To: Ron Whitehead, City Manager
From: Eric Cannon, CPA, Chief Financial Officer
Re: Third Quarter Financial Review
Date: August 9, 2012

GENERAL FUND

- Through nine months, revenues totaled \$24.5 million, which is \$1.9 million or 8.6% more than received this time last year. Property tax collections are slightly above budget as delinquent tax collections and penalties are higher than expected. Sales tax collections total \$8.2 million, a 14.8% increase over the previous year, indicating a continuing economic improvement. Licenses and permits collections are currently \$283k or 55.5% more than the previous year's collections due to applications for Keller Springs Lofts and Allegro Phase II.
- Expenditures totaled \$19.4 million through June 30, 2012, which is 70.1% of budget and \$38k or 0.2% less than spent this time last year. All departments appear to be on pace with budget. Council Projects has spent 96.5% of budgeted expenditures due to the payment of non-profit grant funding in the fall.

HOTEL FUND

- For the first nine months, revenues totaled \$4.6 million, an increase of \$310k from this time last year. Hotel occupancy tax (HOT) collections are continuing to improve, and collections through June 30, 2012 are \$199k or 6.6% greater than one year ago. The decrease in special event proceeds is offset by an increase in rental revenue.
- Hotel fund expenditures of \$4.6 million are 64.3% of budget and \$1.38 million less than a year ago. FY2011 expenditures were higher due to making ready the Visitor Services offices and the Visit Addison facilities at Village on the Parkway.

AIRPORT FUND

- Operating revenue through the first nine months of the fiscal year totaled \$2.8 million, slightly more than the previous year. Currently, the fund is experiencing slight increases in all revenue categories.
- Operating expenses through June 30, 2012 amounted to \$1.96 million, resulting in net income of \$916k. The FY2012 budget anticipates \$897k in expenditures for the Town's local match for capital improvement projects to take place later this year.

UTILITY FUND

- For the first nine months, the fund recorded \$6.5 million in operating revenues, a \$418k increase from the year before. The increased revenue is attributed to the new utility rate structure, as well as a slight reduction in our percentage of unbilled water compared to last year.
- Operating expenses totaled \$4.9 million, bringing net operating income to \$1.5 million. Working capital declined \$969k due to capital project expenses for the elevated storage tank and scheduled debt service payments. During the period, approximately \$1.3 million of debt proceeds were transferred from the 2008 C.O. issuance. The purpose of the transfer is to reallocate bond proceeds to compensate for higher than expected costs associated with Vitruvian and the elevated storage tank.

CASH AND INVESTMENT REPORT

- Cash for all funds as of June 30, 2012 totaled \$37 million, a decrease of \$2.9 million from the previous quarter. A decrease in the Town's cash balances can be expected during this time period. Based on the fact that, the majority of the Town's property tax collections are received during the Town's second quarter which impact the General, Economic Development, and Debt Service Funds. Balances in the capital project funds declined as expected because of planned capital project expenses for the Belt Line Streetscape, the Vitruvian Park development, and the transfer of debt proceeds. Also, the Town has transferred debt proceeds from the 2008 C.O. to the Utility Fund; this transaction had no financial impact on the Town's cash balances.
- The Town's average investment yield to maturity at the end of June was 0.44 percent, an increase from the previous quarter's yield of 0.55 percent. This yield is higher than the TexPool benchmark of 0.13 percent. The average weighted maturity increased from 188 days to 251 days.
- As recommended by First Southwest Asset Management, we have invested in commercial paper up to the maximum threshold set in the Town's investment policy. In addition, we will continue to seek out CDs and callable agency securities in order to maximize yields. Finally, with interest rates expected to remain extremely low through the end 2014, we will look to extend the portfolio's duration to the extent cash flows allows.

TOWN OF ADDISON

EXECUTIVE SUMMARY OF MAJOR OPERATING FUNDS FOR THE QUARTER ENDED JUNE 30, 2012 UNAUDITED ACTUAL AMOUNTS COMPARED TO THE 2012 ADOPTED BUDGET AND PREVIOUS YEAR ACTUAL FOR SAME PERIOD

All Amounts Expressed in Thousands of Dollars

	General Fund			Hotel Fund			Airport Fund			Utility Fund			Total Major Operating Funds*		
	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual
RESOURCES															
Ad Valorem Tax	\$ 10,812	\$ 10,963	\$ 10,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,812	\$ 10,963	\$ 10,382
Non-Property Tax	10,305	8,641	7,662	4,100	3,193	2,994	-	-	-	-	-	-	14,405	11,834	10,656
Franchise Fees	2,597	2,111	2,041	-	-	-	-	-	-	-	-	-	2,597	2,111	2,041
Service/Permitting/License Fees	2,137	1,821	1,517	1,727	811	861	666	511	505	10,828	6,493	6,074	15,358	9,636	8,958
Rental, Interest and Other Income	1,374	1,020	1,008	776	605	444	3,570	2,374	2,415	(36)	(29)	11	5,684	3,970	3,878
Transfers and Other Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Resources	27,226	24,556	22,610	6,603	4,609	4,299	4,235	2,886	2,920	10,793	6,464	6,085	48,856	38,514	35,914
APPLICATION OF RESOURCES															
Personal Services	18,382	13,049	12,981	1,628	1,097	904	324	272	163	1,261	899	929	21,594	15,317	14,977
Supplies and Materials	1,307	851	795	210	155	188	63	11	14	128	72	82	1,708	1,089	1,079
Maintenance	2,036	1,225	1,223	558	314	1,596	2,355	1,213	1,375	597	218	233	5,547	2,970	4,426
Contractual Services	4,684	3,365	3,028	4,030	2,508	2,764	850	467	622	5,635	3,756	3,457	15,199	10,096	9,871
Capital Equipment Amortization	1,084	813	803	57	42	49	-	-	-	24	18	20	1,164	873	872
Capital Equipment/Projects	137	81	67	40	11	9	957	79	1,303	1,330	59	1,206	2,464	230	2,585
Transfers and Other Uses**	-	-	525	670	503	503	390	293	293	3,215	2,411	2,361	4,275	3,206	3,681
Total Application of Resources	27,631	19,382	19,421	7,192	4,630	6,012	4,938	2,334	3,770	12,189	7,432	8,288	51,951	33,779	37,491
Net Change in Fund Balances	\$ (405)	\$ 5,173	\$ 3,189	\$ (590)	\$ (21)	\$ (1,713)	\$ (703)	\$ 551	\$ (850)	\$ (1,397)	\$ (969)	\$ (2,202)	\$ (3,095)	\$ 4,735	\$ (1,577)

Notes:

* Totals may not exactly match due to rounding.

** Transfers and other uses includes interfund transfers and retirement of debt in the Airport and Utility funds.

TOWN OF ADDISON
GENERAL FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Ad Valorem taxes:						
Current taxes	\$ 10,783,840	\$ 86,449	\$ 10,851,515	100.6%	\$ 10,325,250	99.5%
Delinquent taxes	9,540	12,870	67,467	707.2%	20,890	212.1%
Penalty & interest	19,090	16,545	43,929	230.1%	35,684	2724.0%
Non-property taxes:						
Sales tax	9,565,340	2,781,997	8,235,777	86.1%	7,171,426	76.5%
Alcoholic beverage tax	740,000	212,786	404,888	54.7%	490,986	51.1%
Franchise / right-of-way use fees:						
Electric franchise	1,500,000	359,456	1,182,240	78.8%	1,139,647	76.0%
Gas franchise	215,000	-	204,559	95.1%	219,959	88.0%
Telecommunication access fees	650,000	167,452	500,136	76.9%	501,579	77.2%
Cable franchise	225,000	74,208	219,687	97.6%	172,743	86.4%
Street rental fees	7,000	1,250	4,750	67.9%	6,750	84.8%
Licenses and permits:						
Business licenses and permits	171,540	54,220	121,091	70.6%	113,166	67.6%
Building and construction permits	556,950	152,901	676,516	121.5%	401,165	88.4%
Service fees:						
General government	50,650	24	209	0.4%	74	11.4%
Public safety	746,080	198,833	559,726	75.0%	555,571	73.4%
Urban development	3,000	610	1,300	43.3%	2,520	47.5%
Streets and sanitation	337,630	95,165	264,188	78.2%	249,720	78.1%
Recreation	86,800	30,864	59,758	68.8%	56,719	71.4%
Interfund	184,300	46,075	138,225	75.0%	138,225	75.0%
Court fines	1,143,500	267,533	820,600	71.8%	785,371	64.1%
Interest earnings	30,000	7,200	12,735	42.4%	26,807	33.5%
Rental income	153,000	50,876	115,113	75.2%	115,708	75.6%
Other	47,730	27,255	71,145	149.1%	80,241	138.4%
Total Revenues	\$ 27,225,990	\$ 4,644,568	\$ 24,555,555	90.2%	\$ 22,610,201	84.3%

TOWN OF ADDISON
GENERAL FUND
FY 2012 QUARTERLY STATEMENT OF EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
General Government:						
City manager	\$ 1,225,440	\$ 302,450	\$ 900,006	73.4%	\$ 1,140,492	74.6%
Financial & strategic services	909,820	179,465	582,346	64.0%	608,162	72.4%
General services	783,380	172,988	521,355	66.6%	533,897	64.6%
Municipal court	501,730	119,667	338,615	67.5%	321,774	63.1%
Human resources	552,740	131,286	405,383	73.3%	271,235	52.2%
Information technology	1,290,000	286,464	967,517	75.0%	856,990	64.6%
Combined services	617,270	151,514	447,112	72.4%	433,186	71.9%
Council projects	262,330	51,446	253,207	96.5%	281,796	94.7%
Public safety:						
Police	7,344,420	1,936,073	5,475,138	74.5%	5,457,642	71.5%
Emergency communications	1,259,040	332,668	810,126	64.3%	733,390	63.4%
Fire	5,877,700	1,414,856	4,201,283	71.5%	4,086,530	70.7%
Development services	902,300	223,826	649,246	72.0%	615,801	68.5%
Streets	1,648,510	390,443	1,042,583	63.2%	992,241	55.3%
Parks and Recreation:						
Parks	2,976,220	641,201	1,811,887	60.9%	1,593,396	62.8%
Recreation	1,479,980	358,140	976,667	66.0%	969,581	65.4%
Other financing uses:						
Transfer to Economic Development Fund	-	-	-	N/A	525,000	0.0%
Total Expenditures and Other Uses	\$ 27,630,880	\$ 6,692,487	\$ 19,382,469	70.1%	\$ 19,421,113	68.3%

TOWN OF ADDISON

HOTEL FUND

FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Hotel/Motel occupancy taxes	\$ 4,100,000	\$ 1,126,122	\$ 3,192,932	77.9%	\$ 2,993,982	84.3%
Proceeds from special events	1,727,000	463,523	811,460	47.0%	861,322	51.3%
Conference centre rental	488,750	165,671	397,460	81.3%	331,413	66.3%
Visit Addison rental	193,000	49,907	141,726	73.4%	-	0.0%
Theatre centre rental	78,000	19,034	56,978	73.0%	96,173	31.7%
Interest and miscellaneous	15,800	4,473	8,880	56.2%	15,956	115.6%
Total Revenues	6,602,550	1,828,731	4,609,436	69.8%	4,298,846	71.1%
Expenditures and other uses:						
Visitor services	1,053,700	228,780	601,175	57.1%	742,659	67.6%
Visit Addison	610,740	171,996	430,727	70.5%	1,716,614	390.0%
Marketing	763,910	218,782	475,136	62.2%	523,128	71.5%
Special events	2,461,960	754,862	1,433,691	58.2%	1,368,111	57.2%
Conference centre	1,080,980	255,830	709,686	65.7%	661,521	64.3%
Performing arts	562,240	175,539	477,150	84.9%	497,748	90.0%
Other financing uses:						
Transfer to debt service fund	670,000	167,500	502,500	75.0%	502,500	75.0%
Total Expenditures and Other Uses	\$ 7,203,530	\$ 1,973,289	\$ 4,630,066	64.3%	\$ 6,012,281	87.0%

NOTES:

1) Amounts spent by special project:

Public Relations	\$ 315,250	\$ 96,367	\$ 179,503	56.9%	\$ 230,614	73.4%
Oktoberfest	529,640	-	7,287	1.4%	8,341	1.5%
Kaboom Town	247,140	68,293	71,043	28.7%	51,838	21.1%
Calendar	30,000	1,990	21,386	71.3%	57,469	114.9%
Hotel Support Program	200,000	53,262	104,307	52.2%	77,246	29.7%
Taste Addison	599,440	490,427	494,682	82.5%	579,262	96.7%
Shakespeare Festival	46,500	-	48,002	103.2%	48,092	103.4%
Summer Jazz Festival	44,320	12,166	12,317	27.8%	13,489	30.3%
WorldFest	224,350	7,500	192,884	86.0%	211,840	98.5%
Book Fair	2,900	-	1,730	59.7%	2,032	69.6%
Weekend to Wipe Out Cancer	13,000	-	-	0.0%	69	0.5%
Vitruvian Park Events	92,000	3,769	142,436	154.8%	-	0.0%
TOTAL	\$ 2,344,540	\$ 733,773	\$ 1,275,577	54.4%	\$ 1,280,292	54.4%

TOWN OF ADDISON
ECONOMIC DEVELOPMENT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Ad Valorem taxes:						
Current taxes	\$ 548,980	\$ 4,401	\$ 552,478	100.6%	\$ -	0.0%
Delinquent taxes	490	(15)	-	0.0%	-	0.0%
Penalty & interest	970	559	1,599	164.8%	-	0.0%
Business license fee	150,000	8,300	65,150	43.4%	-	0.0%
Interest income and other	500	588	1,382	276.3%	551	0.0%
Other financing sources:						
Transfer from General Fund	-	-	-	0.0%	525,000	75.0%
Total Revenues and Other Sources	700,940	13,833	620,608	88.5%	525,551	75.1%
Expenditures:						
Personal services	136,040	46,603	112,982	83.1%	25,921	0.0%
Supplies	11,420	4,509	9,134	80.0%	10,935	0.0%
Maintenance	6,000	-	-	0.0%	1,449	0.0%
Contractual services	597,630	41,974	222,004	37.1%	192,179	27.5%
Capital replacement/lease	2,700	675	2,025	75.0%	-	0.0%
Total Expenditures	\$ 753,790	\$ 93,760	\$ 346,144	45.9%	\$ 230,484	32.9%

TOWN OF ADDISON
ADVANCED FUNDING GRANT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental	\$ -	\$ 1,200	\$ 4,560	0.0%	\$ 1,565,052	62.6%
Interest earnings and other	2,500	24	499	20.0%	2,497	3567.1%
Total Revenues	2,500	1,224	5,059	202.4%	1,567,549	62.7%
Expenditures:						
Supplies	-	-	-	0.0%	1,466	0.0%
Contractual services	-	4,998	5,142	0.0%	2,461	1.5%
Construction and equipment	-	-	-	0.0%	92,557	4.0%
Total Expenditures	\$ -	\$ 4,998	\$ 5,142	0.0%	\$ 96,484	3.9%

TOWN OF ADDISON
REIMBURSEMENT GRANT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental	\$ 10,000	\$ 16,650	\$ 29,104	291.0%	\$ 548,055	782.9%
Total Revenues	10,000	16,650	29,104	291.0%	548,055	782.9%
Expenditures:						
Personal services	10,000	1,963	2,496	25.0%	6,208	32.3%
Supplies	-	3,859	9,952	0.0%	2,056	257.0%
Contractual services	-	4,189	4,189	0.0%	-	0.0%
Construction and equipment	-	(35,622)	5,586	0.0%	677,131	N/A
Total Expenditures	\$ 10,000	\$ (25,610)	\$ 22,222	222.2%	\$ 685,395	979.1%

TOWN OF ADDISON
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental	\$ 188,000	\$ 44,196	\$ 99,396	52.9%	\$ 101,275	72.3%
Total Revenues	188,000	44,196	99,396	52.9%	101,275	72.3%
Expenditures:						
Personal services	188,000	44,196	99,395	52.9%	93,410	66.7%
Supplies	-	-	1,586	0.0%	-	0.0%
Contractual services	-	-	-	0.0%	66,126	0.0%
Construction and equipment	-	512,320	512,320	0.0%	-	0.0%
Total Expenditures	\$ 188,000	\$ 556,516	\$ 613,302	326.2%	\$ 159,536	114.0%

TOWN OF ADDISON
STREET CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest income and other	\$ 6,500	\$ 1,473	\$ 4,142	63.7%	\$ 23,541	258.7%
Total Revenues	6,500	1,473	4,142	63.7%	23,541	258.7%
Expenditures:						
Contractual services	-	13,042	13,042	0.0%	-	0.0%
Construction and equipment	819,400	62,080	62,080	7.6%	-	0.0%
Total Expenditures	\$ 819,400	\$ 75,122	\$ 75,122	9.2%	\$ -	0.0%

TOWN OF ADDISON
PARKS CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest income and other	\$ 350	\$ 10	\$ 7,134	2038.2%	\$ 26,263	855.5%
Total Revenues	350	10	7,134	2038.2%	26,263	855.5%
Expenditures:						
Contractual services	-	5,224	14,644	0.0%	35,771	368.8%
Construction and equipment	142,510	1,272	84,987	59.6%	133,050	51.1%
Total Expenditures	\$ 142,510	\$ 6,496	\$ 99,631	69.9%	\$ 168,821	62.5%

TOWN OF ADDISON
2002 CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ -	\$ 55	\$ 1,061	0.0%	\$ 5,746	39.9%
Total Revenues	-	55	1,061	0.0%	5,746	39.9%
Expenditures:						
Contractual services	-	-	104,457	0.0%	147,866	147.9%
Construction and equipment	-	-	745,338	0.0%	-	0.0%
Total Expenditures	\$ -	\$ -	\$ 849,795	0.0%	\$ 147,866	29.6%

TOWN OF ADDISON
2004 CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ 1,500	\$ 26	\$ 722	48.1%	\$ 1,750	34.7%
Total Revenues	1,500	26	722	48.1%	1,750	34.7%
Expenditures:						
Contractual services	-	13,436	13,436	0.0%	-	0.0%
Construction and equipment	165,110	143,864	426,868	258.5%	-	0.0%
Total Expenditures	\$ 165,110	\$ 157,300	\$ 440,304	266.7%	\$ -	0.0%

TOWN OF ADDISON
2006 CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ 1,000	\$ 204,574	\$ 205,001	20500.1%	\$ 1,407	34.7%
Total Revenues	1,000	204,574	205,001	20500.1%	1,407	34.7%
Expenditures:						
Contractual services	180,000	-	-	0.0%	-	0.0%
Construction and equipment	-	(84,866)	-	0.0%	-	0.0%
Total Expenditures	\$ 180,000	\$ (84,866)	\$ -	0.0%	\$ -	0.0%

TOWN OF ADDISON
2008 CAPITAL PROJECT FUND
FY 2012 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ 25,000	\$ 155,018	\$ 166,065	664.3%	\$ 318,539	151.4%
Total Revenues	25,000	155,018	166,065	664.3%	318,539	151.4%
Expenditures:						
Contractual services	107,820	72,067	359,412	333.3%	1,000,139	0.0%
Construction and equipment	598,570	339,258	1,032,124	172.4%	8,990,943	74.3%
Other financing uses:						
Transfer of debt proceeds	-	-	1,816,416	0.0%	-	0.0%
Total Expenditures and Other Uses	\$ 706,390	\$ 411,325	\$ 3,207,951	454.1%	\$ 9,991,082	82.6%

AIRPORT FUND

FY 2012 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Operating grants	\$ 50,000	\$ -	\$ -	0.0%	\$ -	0.0%
Fuel flowage fees	630,000	185,365	470,914	74.7%	464,423	54.9%
Rental	3,488,020	871,963	2,355,521	67.5%	2,313,223	66.7%
User fees	35,540	17,751	40,392	113.7%	40,320	105.0%
Other income	10,300	1,592	12,675	123.1%	-	0.0%
Total operating revenues	4,213,860	1,076,671	2,879,502	68.3%	2,817,966	63.9%
Operating expenses:						
Town - Personal services	323,730	98,120	271,612	83.9%	162,961	64.2%
Town - Supplies	62,600	4,124	11,029	17.6%	13,771	63.2%
Town - Maintenance	33,300	8,496	30,879	92.7%	26,714	91.2%
Town - Contractual services	544,670	69,123	259,641	47.7%	263,937	55.3%
Grant - Maintenance	100,000	74,134	92,784	92.8%	64,151	64.2%
Operator operation & maintenance	2,221,430	386,987	1,089,623	49.1%	1,284,339	56.6%
Operator service contract	305,200	77,227	207,157	67.9%	358,374	108.6%
Total operating expenses	3,590,930	718,211	1,962,725	54.7%	2,174,247	62.4%
Net operating income	622,930	358,460	916,777	147.2%	643,719	69.3%
Non-Operating revenues (expenses):						
Interest earnings and other	21,320	2,335	6,157	28.9%	101,897	659.5%
Interest on debt, fiscal fees & other	(115,090)	(28,773)	(86,318)	75.0%	(94,065)	75.0%
Total non-operating revenues (expenses)	(93,770)	(26,438)	(80,161)	85.5%	7,832	-7.1%
Net income (excluding depreciation)	\$ 529,160	\$ 332,022	\$ 836,616	158.1%	\$ 651,551	79.5%
CHANGES IN WORKING CAPITAL						
Net income (excluding depreciation)	\$ 529,160	\$ 332,022	\$ 836,616	158.1%	\$ 651,551	79.5%
Sources (uses) of working capital:						
Retirement of long-term debt	(275,000)	(68,750)	(206,250)	75.0%	(198,750)	75.0%
Net additions to fixed assets with grants	(897,300)	-	(990)	0.1%	(1,214,003)	97.5%
Other net additions to fixed assets	(60,000)	-	(78,099)	130.2%	(89,173)	156.4%
Net sources (uses) of working capital	(1,232,300)	(68,750)	(285,339)	23.2%	(1,501,926)	95.8%
Net increase (decrease) in working capital	(703,140)	263,272	551,277	-78.4%	(850,375)	113.7%
Beginning fund balance	1,601,980	2,300,999	2,012,994	125.7%	2,124,403	122.0%
Ending fund balance	\$ 898,840	\$ 2,564,271	\$ 2,564,271	285.3%	\$ 1,274,028	128.3%

UTILITY FUND

FY 2012 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

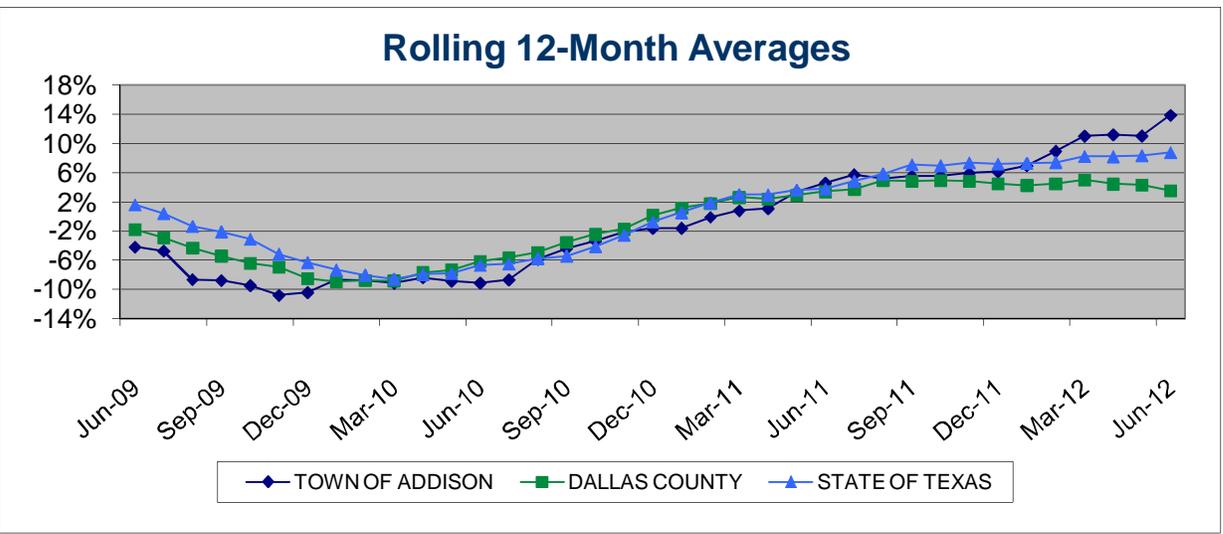
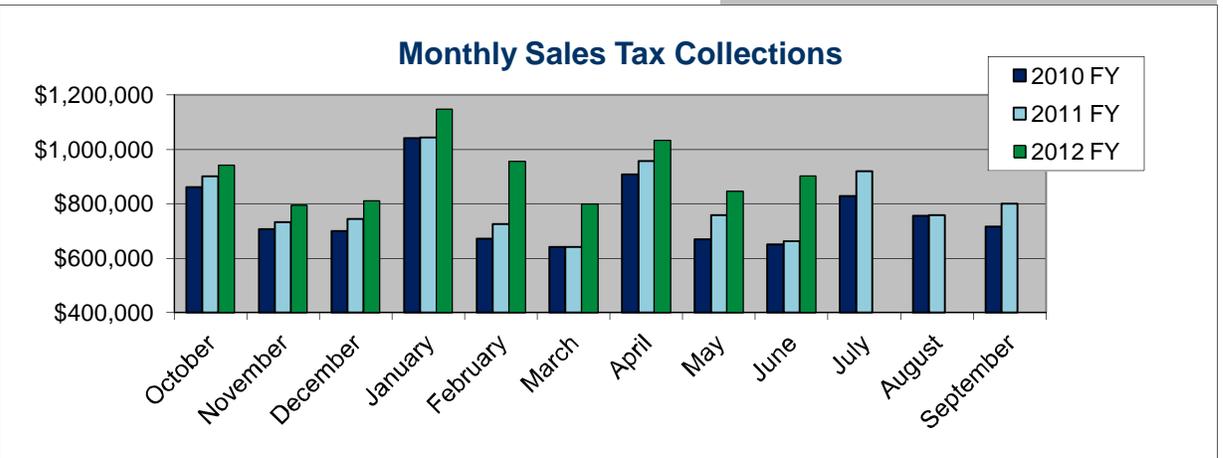
Category	FY2011-12				FY2010-11	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Water sales	\$ 6,019,700	\$ 1,370,296	\$ 3,387,158	56.3%	\$ 3,150,700	57.7%
Sewer charges	4,725,000	1,185,267	3,051,132	64.6%	2,857,768	60.8%
Tap fees	10,000	600	6,105	61.1%	11,470	50.6%
Penalties	73,500	14,285	48,108	65.5%	54,557	77.9%
Total operating revenues	10,828,200	2,570,448	6,492,503	60.0%	6,074,495	59.2%
Operating expenses:						
Water purchases	2,841,200	657,491	1,847,566	65.0%	1,747,440	64.5%
Wastewater treatment	2,051,700	510,577	1,496,234	72.9%	1,331,125	67.2%
Utility operations	2,751,750	535,779	1,618,588	58.8%	1,642,238	62.1%
Total operating expenses	7,644,650	1,703,846	4,962,388	64.9%	4,720,803	64.4%
Net operating income	3,183,550	866,602	1,530,115	48.1%	1,353,692	46.3%
Non-Operating revenues (expenses):						
Interest earnings and other	(35,600)	(7,530)	(28,808)	80.9%	10,898	167.7%
Interest on debt, fiscal fees & other	(459,830)	(114,958)	(344,873)	75.0%	(392,760)	75.0%
Total non-operating revenues (expenses)	(495,430)	(122,488)	(373,681)	75.4%	(381,862)	73.8%
Net income (excluding depreciation)	\$ 2,688,120	\$ 744,114	\$ 1,156,434	43.0%	\$ 971,830	40.4%
CHANGES IN WORKING CAPITAL						
Net income (excluding depreciation)	\$ 2,688,120	\$ 744,114	\$ 1,156,434	43.0%	\$ 971,830	40.4%
Sources (uses) of working capital:						
Retirement of long-term debt	(2,754,800)	(688,700)	(2,066,100)	75.0%	(1,967,828)	75.0%
Transfer of debt proceeds	1,000,000	1,316,416	1,816,416	181.6%	-	0.0%
Net additions to fixed assets	(2,330,000)	(164,525)	(1,875,440)	80.5%	(1,206,386)	31.9%
Net sources (uses) of working capital	(4,084,800)	463,191	(2,125,124)	52.0%	(3,174,214)	49.5%
Net increase (decrease) in working capital	(1,396,680)	1,207,305	(968,690)	69.4%	(2,202,384)	55.1%
Beginning fund balance	2,364,190	547,499	2,723,494	115.2%	5,851,222	116.4%
Ending fund balance	\$ 967,510	\$ 1,754,804	\$ 1,754,804	181.4%	\$ 3,648,839	355.6%

TOWN OF ADDISON

Schedule of Sales Tax Collections and Related Analyses

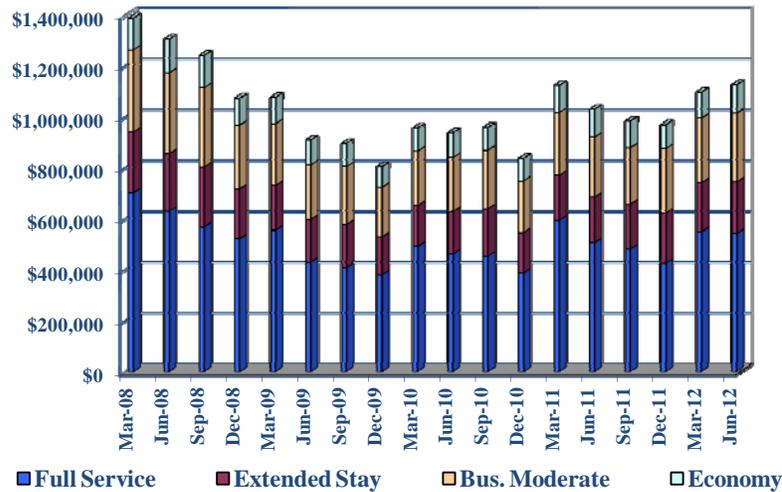
For the fiscal year ending September 30, 2012

	TOWN OF ADDISON				DALLAS COUNTY		STATE OF TEXAS	
	2011-12 Collections		% Change from Prior Year		% Change from Prior Year		% Change from Prior Year	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
October	\$ 941,812	\$ 941,812	4.6%	4.6%	5.3%	5.3%	5.7%	5.7%
November	795,061	1,736,873	8.5%	6.4%	0.1%	3.0%	8.6%	7.0%
December	810,293	2,547,166	8.9%	7.2%	2.9%	3.0%	8.3%	7.4%
January	1,148,174	3,695,340	10.0%	8.0%	0.9%	2.3%	6.7%	7.2%
February	957,579	4,652,919	32.0%	12.2%	3.2%	2.5%	8.0%	7.3%
March	800,861	5,453,780	24.6%	13.9%	10.3%	3.6%	15.1%	8.4%
April	1,033,235	6,487,015	7.8%	13.9%	-3.5%	2.3%	4.4%	7.8%
May	846,906	7,333,921	11.5%	13.9%	3.2%	2.4%	8.2%	7.8%
June	901,856	8,235,777	35.8%	13.9%	-0.8%	2.1%	11.0%	8.1%
July								
August								
September								
Budget 11-12:	\$ 9,565,340							
Projected Year End	\$ 10,848,332							



TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION
Hotels By Service Type for the Quarter and Year-to-Date Ended June 30, 2012
With Comparisons to Prior Year

	Rooms		3rd Quarter FY 12		12 to 11 % Diff.	YTD FY 12		12 to 11 % Diff.
	Number	Percentage	Amount	Percentage		Amount	Percentage	
Full Service								
Marriott Quorum	535	14%	\$ 200,824	18%	-13%	\$ 542,314	17%	-4%
Intercontinental	532	13%	207,142	18%	-5%	620,957	19%	5%
Crowne Plaza	429	11%	134,834	12%	-1%	355,258	11%	8%
	<u>1,496</u>	<u>38%</u>	<u>542,800</u>	<u>48%</u>	<u>-9%</u>	<u>1,518,530</u>	<u>48%</u>	<u>2%</u>
Extended Stay								
Budget Suites	344	9%	6,698	1%	-24%	14,959	0%	11%
Hawthorne Suites	70	2%	15,430	1%	24%	43,551	1%	20%
Marriott Residence	150	4%	52,097	5%	2%	148,354	5%	8%
Summerfield Suites	132	3%	29,488	3%	37%	87,379	3%	32%
Homewood Suites	128	3%	49,680	4%	-4%	139,762	4%	3%
Springhill Suites	159	4%	50,135	4%	21%	161,303	5%	30%
	<u>983</u>	<u>25%</u>	<u>203,528</u>	<u>18%</u>	<u>16%</u>	<u>595,309</u>	<u>19%</u>	<u>16%</u>
Business Moderate								
Marriott Courtyard Quorum	176	4%	70,164	6%	0%	213,605	7%	16%
LaQuinta Inn	152	4%	37,875	3%	1%	98,053	3%	2%
Marriott Courtyard Proton	145	4%	39,597	4%	-5%	131,555	4%	10%
Holiday Inn Express	102	3%	35,148	3%	-13%	97,236	3%	-2%
Hilton Garden Inn	96	2%	45,506	4%	21%	127,934	4%	22%
Holiday Inn - Arapaho	101	3%	27,975	2%	-12%	74,436	2%	3%
Comfort Inn	86	2%	12,471	1%	276%	29,759	1%	178%
	<u>858</u>	<u>22%</u>	<u>268,736</u>	<u>24%</u>	<u>9%</u>	<u>772,578</u>	<u>24%</u>	<u>13%</u>
Economy								
Motel 6	126	3%	19,045	2%	-2%	54,322	2%	5%
Hampton Inn	159	4%	48,694	4%	-12%	134,953	4%	-5%
Quality Inn	115	3%	12,012	1%	-26%	29,787	1%	-12%
Comfort Suites	78	2%	17,493	2%	26%	51,501	2%	16%
Super 8	78	2%	10,001	1%	2%	25,592	1%	11%
Best Value	60	2%	3,814	0%	-9%	10,361	0%	-8%
	<u>616</u>	<u>16%</u>	<u>111,059</u>	<u>10%</u>	<u>3%</u>	<u>306,517</u>	<u>10%</u>	<u>0%</u>
TOTAL	<u>3,953</u>	<u>100%</u>	<u>\$ 1,126,123</u>	<u>100%</u>	<u>-2%</u>	<u>\$ 3,192,933</u>	<u>100%</u>	<u>7%</u>



TOWN OF ADDISON
INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Quarter Ending June 30, 2012

Fund	Balance 3/31/2012	Quarter Receipts	Quarter Disbursements	Balance 6/30/2012
General Fund	\$ 16,635,021	\$ 5,191,479	\$ 7,519,661	\$ 14,306,839
Special Revenue Funds:				
Hotel	1,649,604	2,107,900	2,153,659	1,603,845
Economic Development	713,078	20,972	100,914	633,136
Public Safety	25,576	23	3,003	22,596
Municipal Court	445,172	219,341	235,505	429,008
Advanced Funding Grant	29,835	1,224	4,998	26,061
Reimbursement Grant	(1,612,005)	16,666	343,146	(1,938,485)
ARRA Grant	(1)	44,196	556,516	(512,321)
Debt Service Funds:				
G. O. Bonds	1,945,019	225,868	85,885	2,085,002
Hotel Revenue Bonds	558,838	168,012	76,300	650,550
Capital Projects Funds:				
Streets	1,588,608	1,473	50,755	1,539,326
Parks	21,241	10	20,872	379
2002 G.O. Bonds	59,150	55	-	59,205
2004 G.O. Bonds	171,438	46,229	217,653	14
2006 G.O. Bonds	116,645	237,463	-	354,108
2008 C.O. Bonds	6,263,393	155,018	1,875,708	4,542,703
Enterprise Funds:				
Utility	1,813,744	4,541,498	2,352,143	4,003,099
Airport	2,307,800	1,137,221	726,868	2,718,153
Internal Service Funds:				
Capital Replacement	3,704,435	166,745	177,401	3,693,779
Information Technology	2,689,637	147,019	20,334	2,816,322
TOTAL - ALL FUNDS	\$ 39,126,228	\$ 14,428,412	\$ 16,521,321	\$ 37,033,319

Note: Cash inflows and outflows represent revenues, expenditures, and investment transactions.

INVESTMENTS BY MATURITY AND TYPE				
For the Quarter Ending June 30, 2012				
	Type	% of Portfolio	Yield to Maturity	Amount
	Pools	19.35%	0.14%	\$ 7,211,211
	Agencies	33.59%	0.46%	12,519,290
	Bank CD's	17.61%	0.58%	6,564,956
	Treasuries	0.00%	0.00%	-
	Commercial Paper	29.46%	0.56%	10,980,580
Total Investments		100.01%	0.45%	37,276,037
	Accrued Interest Earnings			30,853
	Demand Deposits			(273,571)
TOTAL				\$ 37,033,319

COLLATERAL SUMMARY

The first and most important objective for public funds investments is safety of assets. Therefore, all non-government security investments and bank accounts in excess of FDIC coverage must be secured by collateral. The bank balances and investments are monitored on a regular basis for appropriate coverage by marking the collateral to market. Collateral levels are adjusted to secure the varying levels of receipts throughout the fiscal year.

**Town of Addison
Collateral Analysis
Demand Deposit Cash
June 30, 2012**

Pledging Institution	Safekeeping Location	Account Title	Pledged Security Description	Security Par Value	Market Value	FDIC Insurance	Ending Bank Balance	Difference Over(Under)
Frost Bank	Federal Reserve	Operating	GNMA due 10/15/2037	\$ 268,123	\$ 297,608			
Frost Bank	Federal Reserve	Operating	GNMA due 10/15/2037	782,918	869,014			
				<u>\$ 1,051,041</u>	<u>\$ 1,166,622</u>	<u>\$ 803,730</u>	<u>\$ 553,730</u>	<u>\$ 1,416,622</u>

Second Quarter of Calendar Year 2012 Review

Fears that first quarter growth had been fueled by unusually mild winter weather and would reverse itself at the expense of the second quarter did indeed come to pass. Job creation slowed significantly, which in turn curtailed consumer spending. The drop in spending contributed to a drop in stock market prices, which contributed to a further decline in consumer confidence. But, the news of the quarter wasn't really about the domestic, but rather the global economy.

Fitch cut Japan's debt rating from AA- to A+, citing heavy debt levels and a "leisurely" pace in correcting the problem. China cut interest rates for the first time since 2008, lowering both its benchmark lending and deposit rates by 0.25% to stimulate a slowing economy. According to Reuter's, Spain became the most recent European country to fall into recession, joining Belgium, Cyprus, the Czech Republic, Denmark, Greece, Italy, the Netherlands, Ireland, Portugal, Slovenia and the U.K. The Eurozone unemployment rate rose to 11.1%, a new record high. Elections in Greece resulted in a victory for the New Democracy party which hopes to form a coalition government in order to remain a common currency member. In a surprising move, the newly elected socialist government of France lowered the retirement age from 62 to 60, citing "social justice" as an explanation for a move that clearly flies in the face of proposed austerity measures. But it was Spain and its troubled banking system that drew most of the financial headlines.

In June, both Fitch and Moody's downgraded the sovereign debt of Spain by three notches to BBB and Baa3 respectively. Moody's then escalated concerns when it cut credit ratings on 28 Spanish banks, leaving nearly half of these as junk. Spain and the tiny island nation of Cypress then became the fourth and fifth of the 17 EU countries to request emergency aid. Unfortunately, the proposed conditions on a Spanish aid package troubled investors, who demanded higher rates on Spanish bonds. At a critical EU summit in Brussels, Spain and Italy asked for concessions. German Chancellor Merkel, in a move that is unlikely to increase her popularity at home, agreed to allow Europe's rescue fund to recapitalize troubled banks directly, instead of indirectly through their governments, and without imposing strict austerity measures on its citizens. There was an immediate impact evident in the retreating yields on Spanish and Italian bonds, both of which had recently surged as a result of rapidly rising government debt burdens. After the announcement from Brussels, the Spanish 10-year bond yield dropped 45 basis points to 6.45%, while the Italian 10-year bond fell 22 basis points to 5.87%. Market reaction may have been a bit giddy considering that unanimous approval is still required for passage, but the bottom line seems to be that stronger countries, despite public opposition, have chosen to support the weaker countries for the greater good. This certainly didn't solve the underlying debt crisis, but it did end the immediate threat. In late June, Moody's announced that it was lowering credit ratings on 15 large banks and securities firms with significant global capital markets exposure, including JP Morgan (2 notches), Bank of America (1 notch), Citigroup (2 notches), Goldman Sachs (2 notches) and Morgan Stanley (2 notches).

Throughout the quarter, deposits exited anxious markets in search of the world's safe harbors. On June 1st, the yield on 10-year U.S. Treasury debt fell to a record low of 1.44%. At the same time, the German 10-year bond reached 1.13%, and the German two-year government bond traded below zero for the first time ever. Although negative yields may seem ridiculous, Credit Suisse pointed out that "investors are buying a German insurance policy when they buy Bunds, and insurance policies always come with a fee, not a coupon."

EMPLOYMENT

Job growth has slowed significantly in the spring months. As many feared, much of this may reflect a snapback from accelerated hiring in the winter months. Nonfarm payrolls grew by just 69,000 during the month of May. The prior two month's payroll gains were revised downward, with March lowered from +154,000 to +143,000 and April from +115,000 to +77,000. The unemployment rate rose from 8.1% to 8.2%, the first increase since June 2011, while the number of persons officially unemployed rose from 12.5 to 12.7 million. According to the most recent "JOLT" survey, there are now 3.7 unemployed job seekers for each job opening, up from 3.4 in March. Although this represents solid improvement from the 6.7-to-1 ratio experienced in July

2009, the month after the recession officially ended, it's still more than double the lean 1.6-to-1 ratio from November 2007, the month before the recession began. The job market is still floundering, and the near-term outlook isn't much brighter. Jobs have again become the primary campaign issue for both parties. No standing president in the post-Depression era has ever won reelection with an unemployment rate above 7.2%. On the other hand, no recession in the post-Depression era even came close to the most recent downturn's 5.1% peak-to-trough decline in the nation's gross domestic product, so the task has been somewhat unprecedented.

HOUSING

Much of the housing news reported during the quarter was upbeat, although the sector had taken such a beating over the past six years that relative improvement is easy to find. Housing once contributed over 5% of GDP, but the percentage has been gradually shrinking for the last six years. Now, its share is at an all-time low of 2.3%. Still, there was improvement during the past quarter, and many experts predict that the housing sector will make a positive contribution to economic growth this year for the first time since the bubble burst. New home sales rose by 7.9% in May to a 369k annual pace, the highest since April 2010. Since February 2011, new home sales are up 35% ... although they are still down by roughly 70% from 2005 bubble levels. By contrast, existing home sales dropped by 1.5% in May to a seasonally adjusted annual rate of 4.55 million. Although up 9.6% over the same period last year, existing home sales are still down 37% from the 2005 high. Recent improvement has definitely chipped away at inventories. CNBC reported that there are now 2.49 million homes listed for sale, 20% below a year ago. These less-bloated inventories are starting to support new construction. The revised April housing starts number of 744,000 was the highest since October 2008. The pace of starts so far in 2012 is 18% above 2011, but almost one million below the peak six years ago. Although average home prices are still down nearly 30% by most measures, the median price for an existing home rose 7.9% year-on-year in May to \$182,600, the highest since June 2010, while the median price for a new home fell by 0.6% to \$234,500. Fed-orchestrated mortgage rates are adding support. Freddie Mac's 30-yr mortgage index averaged a record low of 3.66% for the week ending June 21. In 1982, the average mortgage rate was over 16%.

CONSUMER SPENDING

The internet has empowered consumers at the expense of the traditional brick and mortar stores. It's no secret that consumers, especially during tough financial times, use retail stores as a tool to browse, perhaps even trying on shoes or clothing before searching for the best price on the internet. As a result, retail space vacancies are approaching an all-time high. This is a problem for both local job growth, as well as local and state coffers. In addition, average hourly earnings rose by just 1.7% year-over-year in May, a new low for the current recovery cycle. With less money to spend, consumers cut back further. Retail sales fell by 0.1% in April, the first time in 21 months that sales were negative. A month later, not only did the Commerce Department report May retail sales had fallen by 0.2%, but also that the April number was being revised downward to match it. The two-month drop is a significant reversal from the initial three months of 2012 which averaged gains of nearly 0.7%. Likewise, the pace of big ticket vehicle sales has decelerated sharply since hitting a post-recession high of 15 million annualized units in February, despite the fact that the average vehicle in the U.S. is now 11 years old, and more than 20% of these are 16 years or older. The annualized sales volume of cars and light trucks fell to just 13.7 million annualized units in May, suggesting that Americans may need new cars, but are having trouble affording them.

INFLATION

In order for the Fed to maintain its super accommodative interest rate stance, inflation has to be relatively contained. For a while, this objective was questionable. Near the end of March, energy prices were on the rise with WTI crude prices near \$110 per barrel and average gasoline prices approaching \$4 per gallon. Since then, energy prices have been on a gradual decline with crude dipping to an 8-month low of \$78.20 and pump prices falling below \$3.50 just before quarter-end. The Consumer Price Index (CPI) fell by 0.3% in May, dragging the year-over-year increase down to 1.7%. Most of the decline was attributed to a 4.3% drop in energy prices. Stripping out food and energy, core CPI rose 0.2% in May and on a year-over-year basis has now held steady at 2.3% for three straight months. The Fed's preferred inflation measure, the core personal

consumption expenditures price index, fell to a 1.8% year-over-year rate in May. A slowdown in global demand will probably help lower price pressures further later in the year.

THE FED

The Fed is in a tough spot. The overnight funds target has been set at zero for more than 3½ years, the Fed balance sheet has swelled to nearly \$3 trillion, banks are flooded with liquidity, and despite all of this, economic growth is actually slowing down. At the conclusion of the June FOMC meeting, Fed officials announced an extension of “Operation Twist,” whereby the Fed sells securities with maturities of three years or less and invests the proceeds into securities with maturities ranging from six to 30 years in an effort to further reduce long-term interest rates and stimulate the economy. The original \$400 billion Twist program was set to expire at the end of June, but will now be expanded by approximately \$267 billion and extended through the end of this year. Fed officials acknowledged the recent slowdown in economic data at the meeting as well as a decline in inflation, reiterated their belief that “conditions are likely to warrant exceptionally low levels for the fed funds rate at least through late 2014,” and went on to say that the Committee “is prepared to take further action as appropriate...” Although most market participants seemed to be disappointed that a more robust stimulus plan wasn’t announced, a third round of quantitative easing may still be in the cards later this year if the labor market continues to flounder. On a side note, the Bank of Japan introduced quantitative easing in 2001, and has used the tool on numerous occasions since. The result for Japan has been a continuation of two decades of near zero economic growth.

STOCK MARKET MOVEMENT

After two quarters during which the DOW rose a combined 21%, the most recent quarter posted a small loss. In retrospect, when all the numbers were tallied, a slight decline can be justified. In addition to slowing in both the global and domestic economies, and a broadening realization that the “fiscal cliff” could result in even lower GDP growth in 2013, underlying company financials slipped a bit. The final report on first quarter corporate profits showed a seasonally adjusted drop of 0.3% or \$6.4 billion. It was the first decline since the fourth quarter of 2008, a period when GDP was contracting at an 8.9% annualized rate. Going forward, equities could face additional global headwinds. According to Reuters, 50% of S&P 500 operating profits are generated in the overseas markets, and half of these are from Europe.

	DOW	S&P 500	NASDAQ
6/31/11	12,414	1,321	2,774
3/31/12	13,212	1,408	3,092
6/30/12	12,880	1,362	2,935
% Change for Q2-2012	- 2.5%	- 3.3%	- 5.1%
% Change for 12 Months	+ 3.8%	+ 3.1%	+ 5.8%

INTEREST RATES

		Fed Funds	3 mo T-bill	6 mo T-bill	2 yr T-note	5 yr T-note	10 yr T-note
Last	3/31/12	0.00%	0.07%	0.13%	0.33%	1.04%	2.21%
High		0.00%	0.10%	0.16%	0.37%	1.11%	2.30%
Low		0.00%	0.06%	0.11%	0.25%	0.62%	1.44%
End	6/30/12	0.00%	0.08%	0.15%	0.30%	0.72%	1.65%

PORTFOLIO ACTIVITY SINCE MARCH 31ST

- There were just two maturities during the second quarter as one agency bullet for \$2.885 million and one U.S. Treasury note for \$2mm rolled off. There were no calls exercised this quarter.
- These maturities were replaced with two new investments into callable agency securities. The first was a \$3mm purchase of an FHLB bond maturing in May-2014 and callable monthly beginning in July-2012 with a yield of 0.41%. The second was a \$2.5mm investment in a FNMA note maturing in July-2015 and callable quarterly from May-2013 at a yield-to-call of 0.50% and yield-to-maturity of 0.83%.

SUMMARY / OUTLOOK

Although much of Europe is either in recession or teetering on the edge, the U.S. outlook isn't quite so bad. Jobs are still being created, even if the pace has slowed. The housing market seems to have turned the corner. Consumer balance sheets have improved. Gasoline prices are falling. The most recent (early June) Bloomberg economist survey shows a median forecast of around 2.5% annualized GDP growth for the second half of 2012, and 2.8% for the first half of 2013. Of course, most of these projections assume the U.S. will be able to find a palatable solution to the hundreds of billions in fiscal stimulus scheduled to expire at year end. It's a good bet that this fiercely-debated issue will heat up even more as the November elections near. The Congressional Budget Office warned if the payroll tax reductions and Bush tax cuts scheduled to expire at the end of 2012 are not extended, and across-the-board spending cuts begin as scheduled at the start of 2013, the U.S. will fall into recession early next year. Under this scenario, the CBO projects an annualized GDP contraction of 1.3% for the first two quarters of 2013, with total growth of just 0.5% for all of 2013. On the other hand, if all of the cuts were simply extended, the CBO expects the U.S. economy would grow "around 4.4%." The most likely scenario is it probably falls somewhere in between. No one would welcome a near-term recession, especially the Fed, which is running dangerously low on its traditional antidotes. But, an increasing number are now more aware than ever that the bloated national debt has to be reined in. Tarnished former Fed Chairman Greenspan recently told a CNBC television audience that "...starting from where we are at the moment, there's no way to resolve this issue without some pain."

Most Americans have already experienced quite a bit of pain during the recession and uneven recovery, and the notion that there may be more discomfort ahead is starting to show up in the confidence data. The Conference Board's measure of consumer confidence dropped for the fourth straight month in June, falling to its lowest level since January. However, CNN conducted its own quarter-ending poll showing that although three-quarters of Americans thought current conditions were poor, 60% believed the U.S. will be in better condition next year, up from 39% six months ago.

Current Fed Chairman Ben Bernanke, in what seems like a no-win position, has indicated on several occasions that the Fed will do what it can to provide additional accommodation as required, and assured investors that the FOMC expects to keep the overnight funds target at the zero to 0.25% range "at least through late 2014." It's a good bet that unless inflation somehow ignites, or job growth accelerates, the ETA for initial tightening will drift further away as the quarters pass. Following the Fed announcement at the June FOMC meeting, Jim Vogel of FTN Financial wrote: "To all the investors who remain on the sidelines waiting for rates to rise significantly, the Federal Reserve has replied 'You'll have to wait longer.'"

PROJECTED STRATEGY FOR THE THIRD QUARTER 2012:

With yields on local government investment pools (LGIP's) hovering between 0.10% and 0.15%, our investment strategy is expected to remain largely unchanged. We will seek to minimize low-yielding balances held in these LGIP's in favor of higher yielding commercial paper and bank CD's. While yields on these instruments have fallen in recent months, they remain attractive relative to other options. Those investments will be supplemented with callable agency securities having final maturities out 24 to 36 months. We may also consider high quality municipal bonds from Texas issuers. Finally, with interest rates expected to remain extremely low through the end of 2014, we will look to extend the portfolio's duration to the extent cash flows allow.

FirstSouthwest

A PlainsCapital Company



Investment Portfolio Summary

Town of Addison

Addison!

For the Quarter Ended

June 30, 2012

Prepared by
FirstSouthwest Asset Management

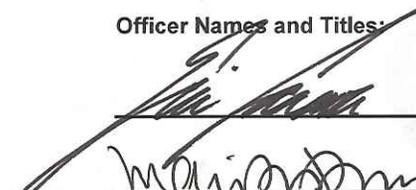


For the Quarter Ended
June 30, 2012

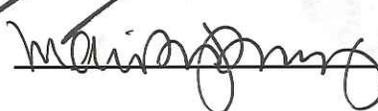
This report is prepared for the **Town of Addison** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:



Chief Financial Officer



Financial Services Manager

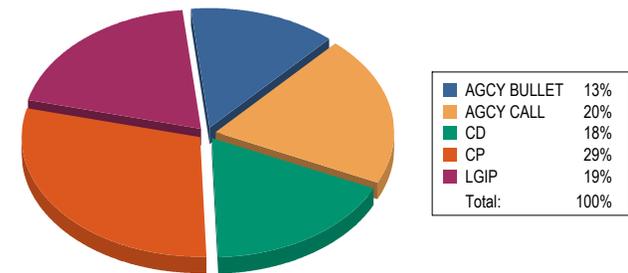
Account Summary

Allocation by Security Type

Beginning Values as of 03/31/12

Ending Values as of 06/30/12

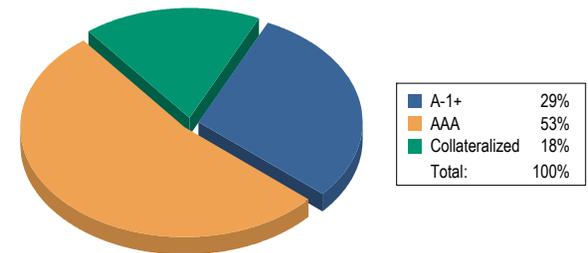
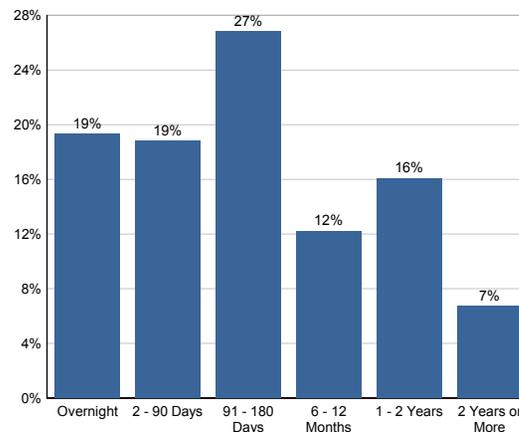
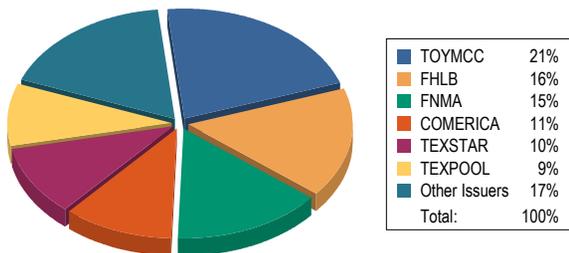
Par Value	37,448,766.77	37,276,166.83
Market Value	37,446,518.77	37,286,800.83
Book Value	37,438,480.26	37,276,036.79
Unrealized Gain / Loss	8,038.51	10,764.04
Market Value %	99.99%	100.03%
Weighted Avg. YTW	0.392%	0.424%
Weighted Avg. YTM	0.392%	0.447%



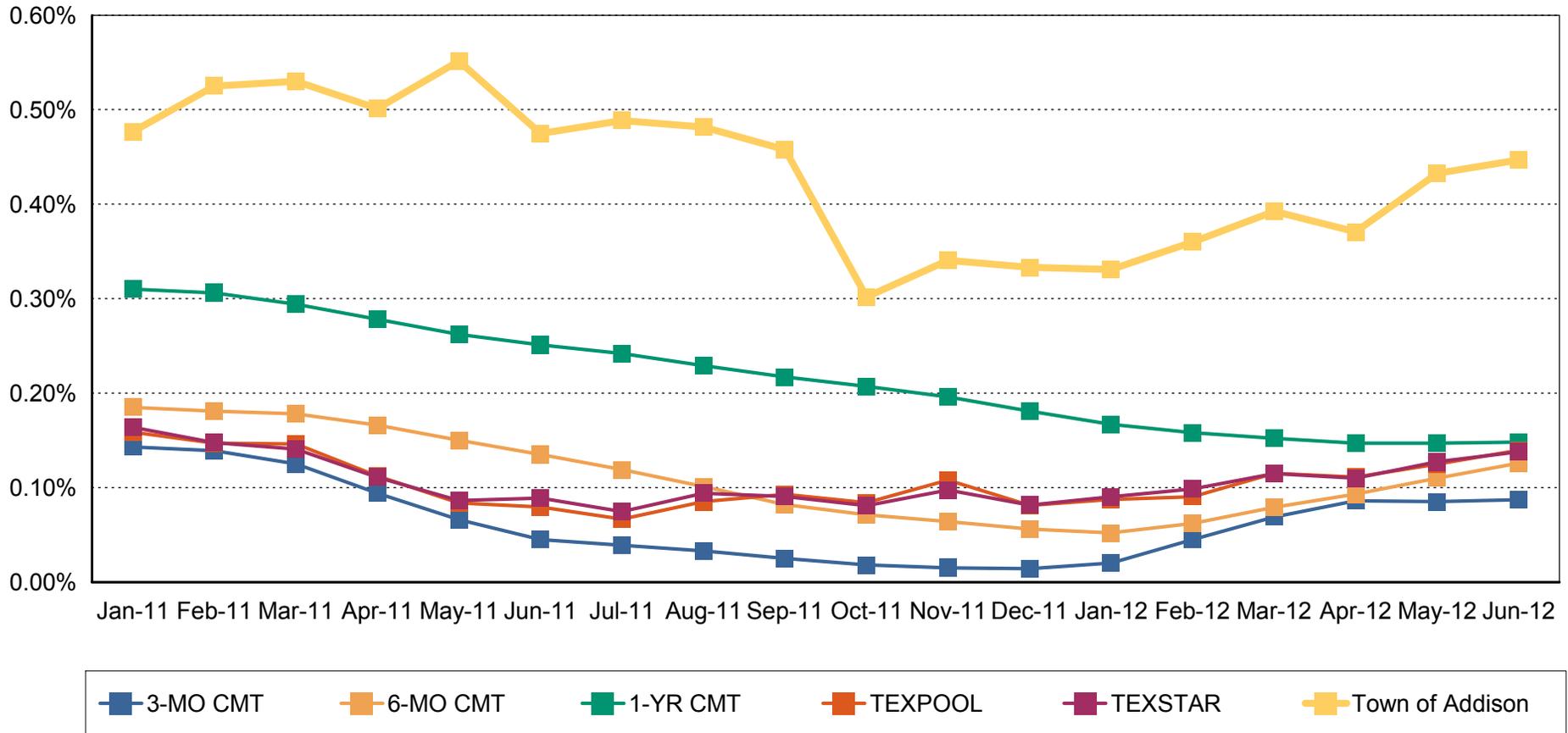
Allocation by Issuer

Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 251



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.

Note 3: Benchmark data for TexSTAR is the monthly average yield.



Town of Addison
Detail of Security Holdings
 As of 06/30/2012

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Pooled Funds																	
TEXPOOL		LGIP	TexPool					3,451,685.84	100.000	3,451,685.84	3,451,685.84	100.000	3,451,685.84	1		0.139	0.139
TEXSTAR		LGIP	TexSTAR					3,759,525.19	100.000	3,759,525.19	3,759,525.19	100.000	3,759,525.19	1		0.138	0.138
36959HGJ0	01/20/12	CP - DISC	GE Capital Corp		07/18/12			2,000,000.00	99.830	1,996,600.00	1,999,678.88	99.994	1,999,880.00	18		0.341	0.341
31398AYM8	06/27/11	AGCY BULET	FNMA	1.750	08/10/12			3,000,000.00	101.646	3,049,382.97	3,004,783.41	100.170	3,005,100.00	41		0.276	0.276
3024A0HE8	11/18/11	CP - DISC	FCAR Owner Trust		08/14/12			1,000,000.00	99.550	995,500.00	999,266.67	99.979	999,788.00	45		0.603	0.603
3133XYWB7	05/19/11	AGCY BULET	FHLB	0.875	08/22/12			1,000,000.00	100.680	1,006,800.00	1,000,766.63	100.100	1,001,000.00	53		0.333	0.333
89233GKF2	01/20/12	CP - DISC	Toyota Mtr Cr		10/15/12			3,000,000.00	99.507	2,985,205.00	2,994,170.01	99.929	2,997,861.00	107		0.663	0.663
89233GM37	03/09/12	CP - DISC	Toyota Mtr Cr		12/03/12			4,000,000.00	99.567	3,982,664.44	3,990,011.12	99.861	3,994,452.00	156		0.583	0.583
CD-6693	09/08/11	CD	Comerica Bk CD	0.570	12/10/12			2,008,560.47	100.000	2,008,560.47	2,008,560.47	100.000	2,008,560.47	163		0.571	0.571
89233GMM5	03/27/12	CP - DISC	Toyota Mtr Cr		12/21/12			1,000,000.00	99.604	996,039.72	997,453.06	99.845	998,453.00	174		0.532	0.532
CD-8993-2	01/19/12	CD	Comerica Bk CD	0.560	01/21/13			2,045,440.04	100.000	2,045,440.04	2,045,440.04	100.000	2,045,440.04	205		0.561	0.561
CD-2270	10/07/11	CD	ViewPoint Bk CD	0.599	04/08/13			2,510,955.29	100.000	2,510,955.29	2,510,955.29	100.000	2,510,955.29	282		0.599	0.599
3134G3BF6	03/27/12	AGCY BULET	FHLMC	0.625	12/23/13			1,000,000.00	100.356	1,003,560.00	1,003,027.73	100.380	1,003,800.00	541		0.419	0.419
313378K83	03/12/12	AGCY CALL	FHLB	0.410	03/12/14	09/12/12	QRTLY	2,000,000.00	100.000	2,000,000.00	2,000,000.00	100.010	2,000,200.00	620	74	0.410	0.410
313379EF2	05/22/12	AGCY CALL	FHLB	0.400	05/22/14	07/22/12	MTHLY	3,000,000.00	99.975	2,999,250.00	2,999,290.50	99.920	2,997,600.00	691	22	0.413	0.413
3135G0LB7	05/30/12	AGCY CALL	FNMA	1.000	05/29/15	05/29/13	QRTLY	2,500,000.00	100.500	2,512,500.00	2,511,421.95	100.500	2,512,500.00	1,063	333	0.831	0.497
Total for Pooled Funds								37,276,166.83	100.074	37,303,668.96	37,276,036.79	100.029	37,286,800.83	251		0.447	0.424
Total for Town of Addison								37,276,166.83	100.074	37,303,668.96	37,276,036.79	100.029	37,286,800.83	251		0.447	0.424



Town of Addison
Investment Transactions
 From 04/01/2012 to 06/30/2012

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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Total for All Portfolios

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Maturities	4,885,000.00	4,885,000.00		0.296	
Total Purchases	5,500,000.00	5,511,819.44		0.603	0.451
Total Income Payments	0.00	36,340.67			
Total Capitalized Interest	9,487.54	9,487.54			